Recognizing the Realities: A Beef Import Policy for Canada

Interim Report of the Inquiry into the Desirability of long-term stabilization in the Canadian beef industry

Standing Senate Committee on Agriculture

The Honourable Hazen Argue
Chairman
The Honourable Herve Michaud
Deputy Chairman

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****Member of Steering Committee**

ORDER OF REFERENCE

Extract from the Minute of the Proceedings of the Senate, Tuesday, November 16, 1976:

"With leave of the Senate,

The Honourable Senator Argue moved, seconded by the Honourable Senator Michaud:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine from time to time any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any examination to the Senate;

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination;

That the Committee, or any sub-committee so authorized by the Committee, may adjourn from place to place for the purposes of any such examination; and

That the Committee have power to sit during adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

Robert Fortier
Clerk of the Senate

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Resolved in the affirmative."

Robert Fortier,
Clerk of the Senate

Foreword

This study by the Standing Senate Committee on Agriculture into the problem of stability in the beef industry was prompted by the heavy losses sustained by ranchers, feedlot operators and mixed farmers in recent years; losses so large as to threaten the very existence of this major Canadian industry.

Interest in this Senate inquiry has been extraordinary. The background for this interim report and the final report to follow is the wealth of information and the many suggestions presented to the Committee in sincere, well prepared briefs by producers organizations, by the Consumers' Association of Canada, by ministers and officials of the federal and provincial governments and by the beef producers who packed the halls for our public meetings.

The Senators on the Agriculture Committee have given generously of their time and talents in the course of this inquiry. The Committee is most fortunate to have amongst its members practising beef producers whose first-hand knowledge has enabled them to play a major role in the preparation of this report.

I must acknowledge the contribution of the members of the Committee who attended the public meetings held in various centres across the country: the Honourable Senators Hervé Michaud, Rhéal Bélisle, Harry Hays, Gil Molgat, Margaret Norrie and Herb Sparrow; and of the subcommittee who spent many hours discussing and drafting this interim report: the Honourable Senators Hervé Michaud, Harry Hays, Gil Molgat, Herb Sparrow, Paul Yuzyk and A. H. McDonald.

Particular mention must also be made of the valuable assistance rendered the Committee by Mrs. Aline Pritchard and Mr. Georges Coderre of the Senate Committees' Branch, by Mr. Len Christie of the research staff of the Parliamentary Library, and by the Committee's two diligent researchers, Mr. Albert F. Chambers and Mr. Richard Andrews.

Hazen Argue, *Chairman*

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Introduction

The Canadian beef industry over the last three years has suffered drastic economic and social shocks. Beef producers have seen prices become severely depressed and production costs increase to unprecedented levels. The financial hardship which resulted forced many long established producers to sell their cow herds and leave the beef industry. This situation was caused by a complex interrelationship of domestic and international forces.

It was the plight of Canadian beef producers which prompted the Standing Senate Committee on Agriculture to become concerned with the state of the beef industry. This severe hardship can best be illustrated by quoting a statement to the Committee by a young Saskatchewan rancher, Mr. Evann Thordarson.

> No industry can exist for long if it has to borrow one or two hundred dollars against its capital assets for every unit of production it markets. We (the beef producers) have in fact, during the past three years, been subsidizing the Canadian consumer by borrowing money against the equity that our fathers, our grandfathers and in some cases our great-grandfathers, built up in the form of land and brood cows, to cover deficits in our income.[1]

There have been recent attempts to solve the problems in the beef industry and several excellent studies have been conducted; none of these studies, however, dealt with the critical question of long term stability. In the opinion of the Committee, therefore, there was an urgent need to assess policies affecting the long term stability of the industry. In a brief preliminary analysis it was obvious that the beef industry was lurching from crisis to crisis predicated by our international trading relations, our own domestic stabilization policies and production patterns. Members of the Committee were firmly convinced this situation was unacceptable and that action was long overdue.

The Standing Senate Committee on Agriculture launched its "Inquiry into the Desirability of Long-Term Stabilization in the Canadian Beef

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[1]Senate of Canada, *Proceedings of the Standing Committee on Agriculture*, Issue No. 2, December 1976, Ottawa.

Industry" in December of 1976. In announcing the Inquiry, Senator Hazen Argue, Chairman of the Committee, made the following statement.

> The Standing Senate Committee on Agriculture considers the continuing instability of the beef industry a threat to the survival of that industry. The financial viability of beef producers has been severely tested by fluctuations in input costs, market prices and government policies. Over the past four years the beef industry has suffered one crisis after another. Governments, federal and provincial, have each time reacted to the immediate problem without reference to a long-term stabilization program. We believe that this short-sighted and crisis-oriented approach by governments and producers must be ended.

The Standing Senate Committee on Agriculture is composed of twenty Senators with a background in agricultural policy or a strong interest in agricultural issues. A major responsibility of the Committee is to study and evaluate agricultural legislation, passed in the House of Commons, and make recommendations on such legislation to the Senate. The Committee has also been empowered by the Senate "to examine from time to time any aspect of the Agricultural industry of Canada." In establishing its inquiry into the beef industry the Committee adopted the following terms of reference:

> Moved by the Honourable Senator MacDonald and seconded by the Honourable Senator McGrand
>
> That, with the knowledge that a steady supply of beef at reasonable prices is in the interest of both producers and consumers, and that the continuing depressed prices and market disruptions have so drastically affected the incomes of producers as to threaten the supply of beef and the viability of the industry with subsequent adverse effects on both producers and consumers, the Senate Standing Committee on Agriculture inquire into the desirability of long-term stabilization in the Canadian beef industry, and particularly into:
>
> (a) the role of producers and governments in the establishment of stability;
> (b) the alternatives available for stabilizing the beef industry;
> (c) the effects of Canada's trade laws on the achievement of stability in the industry, and
> (d) the possibility of expanding international trade in Canadian beef to increase stability.

In the course of its Inquiry, the Committee has heard the views of producers and their organizations, ministers of agriculture, government officials, academics and consumers.[1] It is quite evident from these presentations to the Committee that beef producers and their organizations are agreed that stability in the Canadian beef industry is a desirable objective. However, it was clear from the beginning of the inquiry that there is no clear agreement on a solution to the problems besetting the industry.

[1]Appendix A, page 75.

Among the suggestions made to the Committee, sometimes as a sole solution to the problems of the industry but most frequently as a component of a many faceted solution, was the regulation of the importation of beef and veal into Canada. As the effects of Canada's trade laws on the achievement of stability in the beef industry was one of the specific areas into which the Committee had decided to inquire, these suggestions were most welcome. It was not the intention of the Committee to make a special or interim report on this subject but subsequent events have created a situation in which it seems desirable for the Committee to do so.

The most important of these events was the discussions which the Committee had with the Minister of Industry, Trade and Commerce, the Honourable Jean Chretien, on 16 June 1977. When asked by Senator Molgat whether it was the Government's intention to continue with the quota arrangements after their termination on 31 December 1977, the Minister replied: "I do not know what we will do next year. We will determine the situation in the fall and then decide."

At this point, it was clear to the Committee that the federal government had not yet decided to implement a consistent long-term policy concerning the importation of beef and veal into Canada. Thus, the autumn was to be a time of evaluation and decision, an appropriate time indeed, for the Standing Senate Committee on Agriculture to place before the Senate, the government and the beef producers its conclusions and recommendations concerning the "effects of Canada's trade laws on the achievement of stability in the industry."

In its assessment of Canada's position in international beef trade, the Committee formulated six basic principles which it has decided to follow in the formulation of a long-term import policy for beef, veal and live slaughter cattle.

(1) Canada must have a strong and viable beef industry. The benefits this industry generates for all Canadians are significant and the lost revenue and unutilized resources resulting from a weakened beef industry would be of great economic and social cost to Canada.

(2) Canada's long-term trade policy for the importation of beef, veal and live slaughter cattle must have a positive stabilizing influence on both the long term supply and price of beef.

(3) Canadians must recognize that because of our inherent cost of production disadvantages Canada's beef trade with the United States must be revised. That revision should be on the basis of "a partnership between unequal partners."

(4) Canada's beef trading patterns have become distorted in the past eight years. Imports now comprise a larger share of our markets to the detriment of Canadian producers. There must be a return to a more normal balance between domestic production and imports.

(5) Beef prices in Canada will have to rise if a viable industry is to be maintained. However, import restrictions should not be used to create unreasonable prices for Canadian consumers.

(6) Canada must develop an import policy based on domestic realities and seek changes in international trading agreements, such as the General Agreement on Tariffs and Trade, which recognize the special problems of the industry and the destabilizing effects of the present agreements.

The beef industry in Canada is a vital element of our economy; it provides many jobs and considerable side benefits to related service industries. Beef production provides effective utilization of marginal farm land and agricultural crop residues. As a nation, therefore, we cannot afford to become overly dependent on other countries for this important foodstuff.

In the late 1960's and early 1970's Canada passed through a series of economic conditions which caused her to become a net importer of beef. The Committee feels this situation is unrealistic and believes that with the proper policy incentives, Canadian producers can recover some of this lost market share.

A complex set of international forces resulted in the harmonization of world beef production and the creation of surplus beef supplies in all the major exporting countries during the past four years. Throughout this period Canada did not have a consistent beef import policy, and we experienced a series of short term aberations with most of our trading partners. The excessive levels of Oceanic imports in 1976 illustrate that Canada is presently poorly equiped to regulate foreign beef imports.

Our relationship to the United States has changed to the point where we must assess its impact on our market. Our industries are different even though they are presently closely linked. Canadian producers are at a distinct cost of production disadvantage compared to Americans in both the production of feeder animals and the finishing of slaughter cattle. These are the realities which must be recognized in establishing our trade policy with the United States.

The welfare of Canadian consumers is of the utmost concern to the Committee. During the past three years beef prices have been depressed, indeed beef has been a bargain. The price of beef should be restored to a point where consumers are paying a just price and producers are receiving a reasonable return.

As a major trading nation Canada cannot disregard her international obligations. The implications for the beef industry of the present rules governing international trade were seriously considered. The Committee has concluded that Canada must take an aggresive and innovative stance in her own interests, towards modifying existing trade regulations under the General Agreement on Tariffs and Trade.

Beef producers across Canada have asked this Committee to improve our laws and regulations regarding the importation of cattle and beef. It is difficult to achieve a balance between the interests of producers, consumers, the food industry and our international obligations and still produce a realistic and comprehensive policy. The Committee is convinced, however, that its policy does meet these criteria. The Committee is confident that this proposal for the regulation of imports of beef and slaughter cattle will contribute significantly to the achievement of long-term stability in the Canadian beef industry.

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Chapter I: The Canadian Beef Industry

Scope of the Domestic Industry

The beef industry is one of the most important industries in the Canadian economy. In the farm sector, receipts from the sale of beef, cattle and calves are the second largest source of income, their value exceeded only by revenues from grain sales. In the industrial sector, the meat packing industry is the largest food industry and the third largest manufacturing industry, behind only the automobile and the small appliance industries in terms of total sales and wages. Furthermore, it has been estimated that in 1971 the livestock red meat industry contributed 12 per cent or 10.97 billion dollars of Canada's gross national product of 92.1 billion dollars.[1] The beef industry is, therefore, important not only within the agricultural sector but within the economy as a whole.

The impact of the beef industry within the agricultural sector is significant. The predominant finishing process in Canada, grain feeding to slaughter weight, requires considerable quantities of feed barley, corn, and soybeans and provides a strong domestic market for these grains. Beef production also requires extensive quantities of agricultural land. In 1976 twenty-four million acres were devoted to improved pasture and hay land and an additional fifty million acres of range land was used mainly for beef production. In total about 45 per cent of Canada's available farm land is utilized for the provision of cattle forage and pasture. Indeed, in Western Canada some 33 percent of farm land can only be used for grazing.

The production of beef cattle takes place primarily in Western Canada although every province has at least some cattle raised for this purpose. The value of the Canadian beef herd on farms was $2.75 billion in 1976.[2] The herds of the prairie provinces represented 77 per cent of the Canadian beef cow population in 1976. Ontario herds contained 11.5 per cent of the beef cow herd and 32 per cent of the steer population. This strong feeding industry is maintained by a large movement of feeder cattle from Western

[1]Josling J. T. & G. I. Trant, *Interdependence Among Agriculture and other Sectors* Agricultural Economics Research Council of Canada, Ottawa, 1966

[2]Statistics Canada, *1976 Census of Canada, Agriculture, Livestock and Poultry on Census Farms*, Catalogue 96-852, Ottawa, 1977

TABLE I

Provincial Shares of Cattle Population, 1976

Province	Total Cattle	Beef Cows	Steers 1 yr or over	Dairy Cows
	%	%	%	%
British Columbia	4.4	5.2	3.4	4.0
Alberta	30.8	36.9	33.1	7.9
Saskatchewan	20.9	28.3	17.1	3.8
Manitoba	9.4	11.4	9.3	4.6
Ontario	20.8	11.5	32.4	33.5
Quebec	11.4	5.3	2.7	41.4
New Brunswick	0.7	0.5	0.4	1.5
Nova Scotia	0.8	0.6	0.6	1.9
Prince Edward Island	0.7	0.3	1.0	1.3
Newfoundland	0.04	0.03	0.01	0.1
Total Number	14,969,641	4,295,579	2,323,661	1,979,077

Source: Statistics Canada, *1976 Census of Canada, Agriculture, Livestock and Poultry on Census–Farms,* (Ottawa, 1977)

Canada to Southern Ontario. Even so, the feeders on the Prairies finished 59 per cent of the steer population.

The structural changes long apparent in Canadian agriculture in general, such as the trend towards the consolidation of farms into larger units, have had their effects upon the beef industry as well. Between 1971 and 1976 there has been an upward shift in the size of the average beef herd. In 1971, 93 per cent of beef cows were in herds of 62 or less, but in 1976 only 60 per cent of cows were in herds of this size. Cows in herds of 122 cows or less represented 81 per cent of the total. In the feeding of beef steers and heifers, there have also been changes since 1971 when 90 per cent of cattle were fed in lots of fifty or less. At the last census, 29 per cent were fed in lots of 178 or more, representing the increasing trend to large scale or commercial feedlots in Southern Alberta and Western Ontario. However, even in these areas the remaining 71 per cent, fed in lots of 177 or less, were mostly finished in farm sized feeding operations. In some areas the scale of operations is smaller, for example, in 1976, 75 per cent of the steers in Saskatchewan, with the second largest cattle population, were fed in lots of 77 or less.

Even with the trends towards larger herd sizes for both breeding and finishing and the development of the intensive large scale feeding operations as an important element in the industry, the great majority of cattle are still raised and finished on family-sized mixed farming operations. The majority of producers combine their beef enterprize with other enterprizes to maximize the use of resources, such as marginal land, and to balance and diversify the sources of farm income. This has important implications for the development of long-term stabilization programs.

Canada is also a major exporter of beef and dairy breeding stock. Our largest market for beef breeding stock is the United States. Dairy stock is also sent primarily to American buyers but Mexico, Trinidad-Tobago, Spain and Italy are also big customers. This trade, illustrated in Table II, is an important aspect of our cattle industry. The improvement of breeding stock is important to every cattle producing country and can best be achieved through reciprocal free trade.

TABLE II

Value of Breeding Cattle Exported

Year	Purebred Dairy	Purebred Beef
	Value in millions of dollars	
1973	20.1	12.3
1974	14.0	21.1
1975	13.4	11.3
1976	17.6	10.9

The dairy herd is also a major source of beef supply in Canada, providing 25 per cent of the beef consumed in Canada. Dairy calves from Ontario and Quebec produce the majority of the veal, a product which is consumed mainly in Eastern Canada. In Western Canada many male dairy calves are fed out along with the beef calves. Dairy type animals will usually bring a lower market price than beef calves of the same grade because of what packers and retailers claim is poor consumer acceptance. For this reason, dairy producers are usually unable to achieve a profitable return on the sale of their male dairy calves.

Marketing of Beef in Canada

The Canadian market for beef is similar to that of many other agricultural products, the supply is centered in the west and the demand or consumption occurs in the east. The Montreal market, which is mainly supplied with Western beef, causes the largest movement of Canadian beef. Alberta ships about 40 per cent of its weekly slaughter while Manitoba and

Saskatchewan combined ship about 30 per cent of their weekly slaughter into the Montreal market. The majority or 75 per cent of this beef moves by rail in carcass form. However, a recent innovation and one which is important to the Western packing industry, is the shipment of "boxed beef" or primal and sub-primal cuts. Presently 39 per cent of carcass beef is processed in this way for the retail trade and further growth could add jobs to the Prairie economy.

Toronto is another major beef market. The majority of finished animals supplying this market are fed out in Ontario. In order to supply this volume Ontario feeders must bring 300,000 to 500,000 feeder calves from the West each fall.[1] These calves are fed primarily on corn and corn silage grown in Ontario, in fact less than 5 per cent of the cattle are fed on Western feed grains. Large numbers of cows and bulls also move into the Toronto market from the Prairies.

The marketing of beef cattle involves a large movement of cattle from west to east. Some studies contend that this east-west movement is wasteful and that cattle should move north and south between Canada and the United States. The Committee doubts that this change would be in the long term interests of the Canadian beef industry. It would reduce Canada to a supplier of feeder calves, deprive grain farmers of a valuable market for feed grains, and increase Canada's dependence on imports.

Recent Changes in Canada's Trade Patterns

Canada is an importer and exporter of beef, veal and slaughter cattle, and therefore a participant in the international beef trade. During the past decade instability in this market, indeed in all agricultural commodity markets, has increased with serious implications for Canada.

The majority of Canadian trade in cattle and beef and veal is with the United States, Australia and New Zealand, with a small trade in processed meats with some South American countries. Imports from all sources have increased over the last decade forcing Canadian producers to accept a smaller and smaller share of the Canadian market. Imports equalled 1.7 per cent of Canadian production in 1967 but had increased to 13.3 per cent in 1976, as illustrated in Table III.

Canadian beef production follows a predictable cycle which is closely tied to the beef production cycles in the United States. The Canadian

[1]Agriculture Canada, *The Canadian Beef System*, Food Systems Branch, November 1976, p. 5.

TABLE III

Historical Relationship of Imports to Canadian Domestic Production[1] of Beef and Veal

Year	Domestic Production of Beef and Veal[2]	New Zealand lbs[2]	New Zealand percent of domestic production	Australia lbs[2]	Australia percent of domestic production	United States lbs[2]	United States percent of domestic production	Total Imports as percent of production
1967	1,887,352	8,261	0.4	14,088	0.7	12,430	0.6	1.7
1968	1,991,084	9,573	0.5	16,500	0.8	5,943	0.3	1.6
1969	1,908,966	114,433	6.0	44,477	2.3	22,756	1.2	9.5
1970	1,875,297	112,923	6.0	83,896	4.5	8,544	0.5	11.0
1971	1.976,091	94,007	4.8	37,553	1.9	24,655	1.2	7.9
1972	1,978,853	73,391	3.7	87,503	4.4	38,194	1.9	10.0
1973	1,976,432	74,133	3.8	88,255	4.5	49,719	2.5	10.8
1974	2,076,521	83,911	4.0	69,678	3.4	25,826	1.2	8.6
1975	2,313,146	82,945	3.6	97,067	4.2	16,286	0.7	8.5
1976	2,407,917	120,405	5.0	163,619	6.8	35,446	1.5	13.3

[1]includes cattle imported for slaughter.
[2]expressed in 000's lbs. (cold dressed carcass weight basis).

market, being one-tenth the American, is subject to the expansions and contractions in beef production in the United States and causes Canadian beef prices to be established on the basis of supply and demand in the American market.

Until 1969, Canada was in a net export position when both beef and live cattle are considered. However, there were years when there was a small negative balance, for example, 1967. (Table 3 Appendix C). The reasons behind this abrupt change in our trade position can be attributed to several interrelated factors, including a restriction of Canadian beef supply, an increased concentration on exports by foreign suppliers, and a change in the quantity and type of demand for beef in Canada.

In the late 1960's beef producers were faced with a peculiar situation. There was a world surplus of grain which meant Canadian producers had large stockpiles and prices were low. In 1969 the price of beef began to increase and producers seeing a chance to utilize surplus grain and benefit from a rising beef market began to increase their herds. This decision resulted in the producers holding back heifers for breeding and thus creating a shortage of supply on the Canadian market.

The late 1960's and early 1970's were also a period of rapid economic growth characterized by an increase in the rate of growth of expenditures on consumer goods and services.[1] This indicates a general rise in incomes and purchasing power. Beef consumption is strongly income elastic, that is as income rises larger per capita amounts of beef are purchased. This increasing prosperity resulted in an increasing consumption of beef in the early 1970's even though prices were also rising. (Table IV) This rapid increase can be more vividly illustrated by comparing growth in per capita beef consumption between 1955 and 1969 when the rate was 1.0 pounds per year with the average increase between 1970 and 1976 when the rate was 3.6 pounds per year. As beef production was declining at this time, there was an opportunity for imports to increase their share of the Canadian market.

Australia and New Zealand had been steadily increasing their cattle populations since 1967[2] and the increased meat production was channelled into the growing international market.[3] It was not surprising, therefore, that Canadian imports from Oceania increased sharply in 1969 and continued at high levels through the early 1970's, reaching their peak in 1976.[4]

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[1]Consumer expenditures on goods and services rose at an average annual rate of 2.28 per cent from 1963 to 1967, but from 1968 to 1972 the average annual rate of increase was higher at 3.66 per cent, Department of Finance, *Economic Review*, May 1977, Ottawa. P. 173

[2]Table V, page 16.

[3]Table VI, page 24.

[4]Table III, page 11.

TABLE IV

Canadian Per Capita Consumption

(lbs cold dressed carcass weight)

Year	Beef	Veal	Total
1955-59	70.3	8.1	78.4
1960-64	74.2	7.0	81.2
1965-69	85.5	6.9	92.4
1970	85.6	4.7	90.3
1971	89.3	4.7	94.0
1972	92.7	3.8	96.5
1973	91.9	3.2	95.1
1974	94.9	3.5	84.4
1975	102.2	5.4	107.6
1976	110.6	4.9	115.5

Source: Statistics Canada, *Estimates of Production and Disappearance of Meats*, 1973, 1974, 1975, 1976

Another important trend developing in Canada in the early 1970's was the increased consumption of lower quality ground beef as hamburger. In Canada, the percentage of beef consumed as hamburger increased from 25 per cent in 1969 to 33 per cent in 1974. In dollar terms, consumers spent 21 per cent of their beef budget on hamburger in 1969 and 26 per cent in 1974.[1] The same trend is evident in the United States where consumers in 1976 consumed as ground beef, 40 per cent of a record 125 lbs of beef per person. This figure compares to a ground beef consumption of 23 per cent in 1974 and 17 per cent in 1972.[2] Part of the reason for this increase in ground beef consumption is the increasing amount of beef that is now consumed away from home. In 1973, 30 per cent of beef sales were accounted for by the food service industry. There has also been a rapid growth of fast food outlets based mainly on beef sales (hamburger chains, steak houses, roast beef specialty houses). Experts are predicting that soon Canadians will be eating two out of three meals away from home. Oceanic imports are an ideal commodity for this market as the boneless grass fed beef is utilized in hamburgers and the other lean cuts are ideal for budget restaurants or institutions. Thus the problem of reduced supply, increased consumption and change in tastes were to a large extent solved by the importation of Oceanic beef. It was this increased importation of boneless beef and cuts from Oceania which tipped our export balance in 1969 and forced Canada to become a net importer of beef.

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[1] Statistics Canada, *Consumer Expenditure Surveys—Summary of 14 Canadian Cities* Consumer Income and Expenditure Division, Ottawa, 1975

[2] Helming, William C. *Livestock Outlook and Demand* for Meat, Kansas City, Mo. January, 1977

If Canadians chose to import all their beef from the cheapest possible source they would perhaps have a less costly product on their table but the consequences would be disastrous. To import 100 per cent of Canadian beef and veal consumption in 1976 would have cost $1.8 billion. This would seriously affect our already sagging trade balance and since there would be no domestic beef industry, it could mean a 12 per cent or $11 billion reduction in economic activity in Canada. For these critical economic reasons alone Canada must maintain a strong beef industry.

The beef supply and demand situation of the late 1960's and early 1970's was an abnormal occurrence based on a peculiar combination of circumstances. It was due in part to international agricultural commodity fluctuations and North American and Canadian economic conditions. The vital question, however, arising from this brief analysis is whether or not there should be a return to a more normal pattern now that the Canadian industry has had time to adjust to these dramatic changes? Should foreign imports be allowed to force Canadian producers to accept a permanently lower share of the Canadian beef market? The Committee has concluded that Canadian producers must be given the incentive to regain a larger share of our market and to move closer to the normal trading and production patterns which existed prior to 1969.

Canada cannot produce beef as cheaply as the Oceanic countries or in fact as cheaply as the United States, but given the opportunity to change and adapt their industry Canadian producers can provide beef of any type in an efficient manner and at a reasonable price to consumers. This, of course, does not mean the suspension of foreign beef imports, because up to certain levels imports are necessary to completely supply our market. It does mean, however, that these imports must be regulated in a manner which allows Canadian producers to adjust to recent changes and also have confidence that imports will not affect the stability and character of the industry as they have seriously done in the past.

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

TABLE V

Total Number of Cattle on Farms in Certain Countries, 1970-76.

Country	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976[2]
					– Thousands –					
North America										
United States	108,645	109,152	109,885	112,369	114,578	117,862	121,534	127,670	131,826	127,976
Canada	11,749	11,775	11,475	11,985	12,274	12,690	13,268	14,011	13,699	13,652
Europe – EEC										
France	21,184	21,680	22,093	21,719	21,737	21,699	22,509	23,949	24,327	24,539
Germany, F.R.	13,973	13,981	14,061	14,286	14,026	14,121	14,764	15,138	15,032	15,266
United Kingdom	12,171	11,996	12,094	12,585	12,804	13,483	14,445	15,250	14,764	14,013
Italy	9,700	9,582	10,067	9,563	8,721	8,611	8,751	8,407	8,153	8,271
Netherlands	3,633	3,663	3,768	4,314	4,201	4,306	4,675	4,979	4,956	4,969
Ireland	5,150	5,030	5,086	5,966	6,134	6,438	6,976	7,214	6,927	6,688
Belgium-Luxembourg	2,780	2,798	2,865	3,080	3,032	3,017	3,166	3,260	3,202	3,011
Denmark	3,231	3,142	3,004	2,842	2,723	2,788	2,957	3,115	3,060	3,060
Oceania										
Australia	18,270	19,218	20,598	22,162	24,372	27,373	29,101	30,839	32,793	33,412
New Zealand	7,747	8,247	8,605	8,777	8,818	8,755	9,088	9,415	9,653	9,777

Latin America										
Argentina	51,277	51,465	52,000	48,440	49,786	52,300	54,771	55,355	58,000	60,500
Brazil	90,060	89,992	92,276	95,268	78,258	81,000	85,000	90,437	92,480	94,802
Uruguay	8,300	8,300	8,400	8,548	8,700	9,273	9,860	10,790	11,362	11,500
Mexico	23,294	26,900	27,500	24,876	25,124	26,081	26,830	27,512	28,700	28,772
Eastern Europe										
U.S.S.R.	97,100	97,200	95,700	95,162	99,225	102,434	104,000	106,266	109,122	111,034
Poland	10,768	10,940	11,049	10,844	11,076	11,452	12,192	13,023	13,254	12,879
Hungary	2,015	2,095	2,063	1,933	1,917	1,901	1,965	2,035	2,041	1,904
Japan	2,928	3,155	3,458	3,593	3,615	3,568	3,598	3,650	3,644	3,717
World Total[1]	1,149,800	1,162,200	1,190,954	1,243,360	1,111,126	1,130,575	1,145,946	1,178,207	1,203,169	1,216,451

Sources: United States Department of Agriculture. *Agricultural Statistics* Statistics Canada. *Livestock and Animal Products Statistics* Economic Commission for Europe. *Review of the Agricultural Situation in Europe.* Australian Meat Board. *Annual Report.* New Zealand Meat Producers Board. *Annual Report* Food and Agriculture Organization. *Monthly Bulletin of Agricultural Economics and Statistics,* January 1977; *Production Yearbook.*

[1] FAO estimate of world cattle population

[2] Provisional data

more cows and heifers are retained for breeding. With the shortfall in supplies and the increased demand, prices rise, which in turn encourages producers to increase production. Prices continue to rise throughout the time it takes to raise the new calves to mature slaughter weights. As marketings increase, supply will exceed demand and then as prices decline, the cycle will turn down. Producers will increase further their marketings as prices continue to fall but eventually, the decline will exhaust itself. Herd sizes will have dropped to a level where marketings cannot satisfy demand and there will be an upturn in prices. The collapse of one beef cycle generates the next.

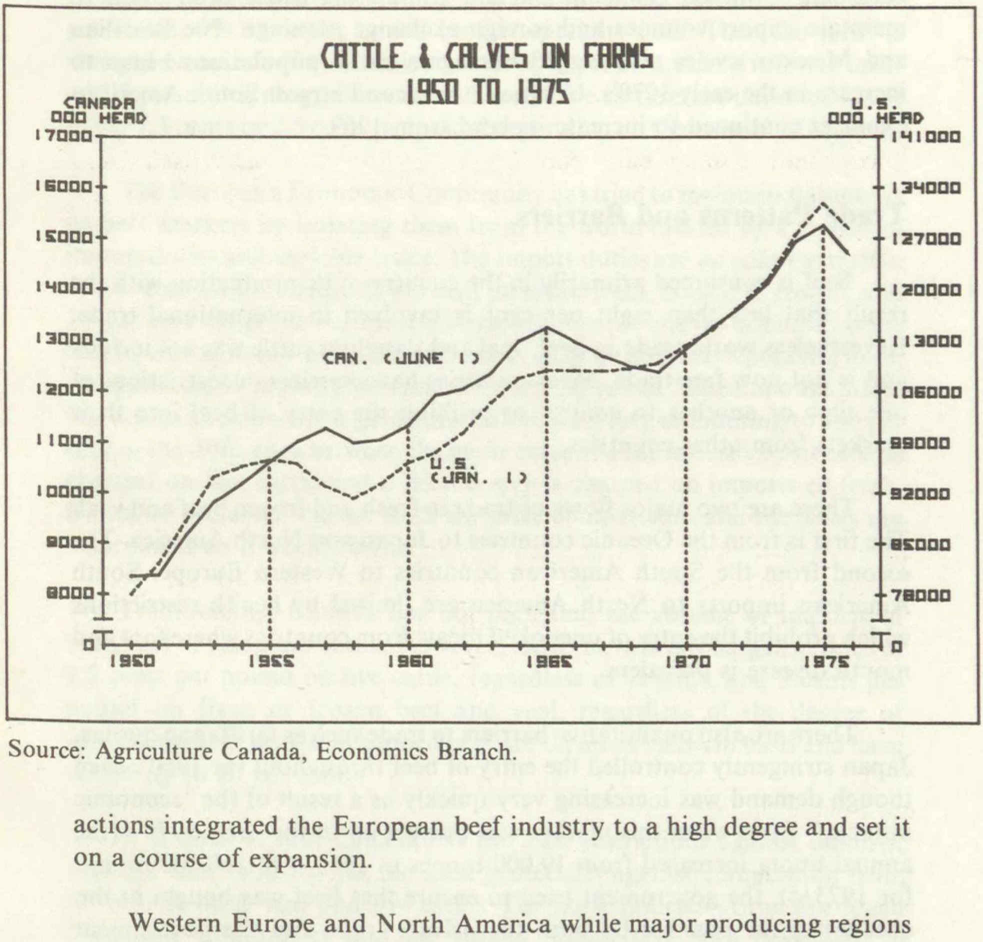
The general causes of the trend towards greater harmony among the regional beef cycles can be identified. The most important has been the continuation of significant economic growth in the developed countries in recent decades. Increasing per capita incomes in these countries has been accompanied by increased consumption of beef. In the late 1960's it was a common assumption that economic growth would be sustained and that the demand for beef would rise to even higher levels. For example, the Federal Task Force on Agriculture in its report dated December 1969 predicted that "world demand for beef will continue to rise more rapidly than supply and world prices will be strong."[1] An equally important factor, especially in the creation of regional beef cycles, has been the policy decisions of governments concerning agricultural development and trade.

The beef industry in Canada in the past thirty years has experienced three cycles (Figure I), each of which has become more closely related to the cycle in the United States first because of the increasing dependence of our economy on the American economy and second, because of the relatively free trade in beef, veal, and live cattle on the continent. The current North American cycle began with the upturn in cattle population in 1968/9, a time of economic optimism and plentiful supplies of cheap feed grain.

In Europe, the establishment of the European Economic Community has been the primary cause of a synchronized regional cycle. In 1968 the Community created a single market for industrial and agricultural products by setting up a full customs union. Through its Common Agricultural Policy, the Community also encouraged increased beef production to alleviate the severe problems of its dairy industry and to increase its self-sufficiency in beef. To achieve this expansion, financial assistance was provided to producers, the tariff walls were raised high and the guide prices, which influence the market price and govern market intervention (government purchases) were increased frequently. These

[1]Federal Task Force on Agriculture, *Canadian Agriculture in the Seventies*, (Ottawa December 1969) p. 163

FIGURE I



Source: Agriculture Canada, Economics Branch.

actions integrated the European beef industry to a high degree and set it on a course of expansion.

Western Europe and North America while major producing regions are the greatest importers of beef. South America and the Oceanic countries are the major exporting regions. The beef industries there were also in an expansionary phase which contributed to the harmonization and development of the world cycle. In 1969, the New Zealand government initiated an incentive scheme to increase dairy beef output and to diversify the sources of farm income. Several years earlier Australian producers had reacted to the relative changes in the prices of wool, mutton and beef by increasing their cattle herds. As a result, the national cattle population rose by some fifteen million to over thirty-three million between 1967 and 1976.

Synchronization into a world cycle was not complete for the cycles of some Latin American countries lagged behind these of North America, Western Europe and Oceania. For example, the cycle in Argentina only climaxed in 1969; meat output rose and prices fell. By 1971 declining meat production and high prices caused the government to intervene by curtailing domestic consumption and stimulating cattle production to maintain export volumes and foreign exchange earnings. The Brazilian and Mexican cycles also lagged but again cattle populations began to increase in the early 1970's. Uruguay, the second largest South American exporter continued to increase its herd from 1969.

Trade Patterns and Barriers

Beef is consumed primarily in the country of its production with the result that less than eight per cent is involved in international trade. Nevertheless world trade in beef, veal and slaughter cattle was not in 1969 and is not now free trade. Most countries have barriers or restrictions of one type or another to control or prohibit the entry of beef into their markets from other countries.

There are two major flows of trade in fresh and frozen beef and veal. The first is from the Oceanic countries to Japan and North America. The second from the South American countries to Western Europe. South American imports to North America are limited by health restrictions which prohibit the entry of uncooked meats from countries where foot and mouth disease is prevalent.

There are also quantitative barriers to trade such as tariffs and quotas. Japan stringently controlled the entry of beef throughout the 1960's even though demand was increasing very quickly as a result of the "economic miracle." Even when this market was opened up in the early 1970's (the annual quota increased from 19,000 tonnes in 1968/9 to 160,000 tonnes for 1973/4), the government tried to ensure that beef was bought at the cheapest price possible by both the private trade and the government import agency.

The United States has limited access to its markets through its *Meat Import Act* and its *Agricultural Act*. Under section 204 of the latter the United States negotiates bilateral agreements with its trading partners which provide for the voluntary restraint of exports of beef, veal, pork and other meats. Such agreements are possible because the *Meat Import Act* provides that import quotas must be calculated and that action to restrict imports must be taken if they exceed the quota levels by more than 110 per cent. The quotas are calculated on the basis of the historical level of imports in the period 1959 to 1963 and on the change in American beef production since then. The Act also provides that the President may suspend the quotas in the interests of national security or for the provision of adequate supplies.

The United States also utilizes tariffs to control imports. On fresh and frozen beef the tariff is 3 cents per pound unless the meat has been processed, for example, boxed beef of specialty cuts. Then the tariff is charged on an *ad valorem* basis at a rate of 10 per cent. An *ad valorem* tariff of 7.5 per cent is charged on canned beef. Live cattle enter under tariffs of either 1.5 cents or 2.5 cents per pound depending on the volume of imports.

The European Economic Community has tried to maintain stability in its beef markets by isolating them from the world market by a system of import duties and variable levies. The import duties are *ad valorem* tariffs: 16 per cent on live cattle; 20 per cent on meat, fresh, chilled or frozen; and 26 per cent on preserved meat and meat preparations. In addition to the tariffs, import levies on cattle and calves may be applied depending upon comparisons of import prices and Community prices. When market prices fall below an established guide price an import levy amounting to 100 per cent of the difference between the guide price and the lowest import price is charged on live cattle and a related levy is charged on imports of fresh, frozen or preserved meats. Both the price comparisons and the levies are determined on a weekly basis.

Traditionally, Canada has not regulated the volume of imports of beef, veal or slaughter cattle. However, tariffs have been charged at rates of 1.5 cents per pound on live cattle, regardless of volume, and 3 cents per pound on fresh or frozen beef and veal, regardless of the degree of processing. Our tariffs on canned beef are on an *ad valorem* basis and have varied up to 20 per cent.

It is obvious that Canada has the least restrictions against imports, that our beef industry has the least protection against competition from lower cost beef, veal and live cattle. The trade policies of the European Economic Community and the United States have been developed to promote either price or supply stability; they are specifically linked to domestic agricultural policy goals. Canada's restrictions on the importation of beef are not so linked. This lack of direction was to have disastrous effects on the beef industry from 1973 onward.

Recession and the Collapse of the World Beef Cycle

The trade restrictions and barriers established by the major beef importing nations were not mechanically applied throughout the past decade. Adjustments were made in light of changing conditions: first, in the period 1968 to 1973 when demand increased significantly and domestic production lagged; and, then, in 1974 when supply exceeded demand during a period of recession. All the importing countries, including Canada, made adjustments although in the latter period the particular reasons varied somewhat. The adjustments and their effectiveness varied also, some were drastic, others were long-term and still others were abandoned too soon.

There was a relatively consistent pattern of behaviour by importing countries during the period 1968 to 1973. It was towards allowing imports greater access to the domestic market (Tables VI and VII). The tremendous increase (842 per cent) in quota allocation by the Japanese government has already been mentioned. The Americans, although they negotiated voluntary restraint agreements in each year, suspended the provisions of the *Meat Import Act* in 1971, 1972, and 1973 to encourage additional imports. The European Economic Community lifted its trade restrictions on beef during the first three quarters of 1973 to encourage imports and satisfy demand at a time of declared scarcity. Even Canada took steps to reduce the impediments to the importation of beef during this period of rising prices. The federal budget of February 1973 provided for the removal of the tariffs on beef (3 cents per pound) and live cattle (1.5 cents per pound).

This trend towards freer and greater international trade in beef suffered its first reversal in the North American market as governments implemented policies to bring the general inflation under control. In the United States as part of its continuing income and price controls program, the government, in March 1973, imposed a ceiling on retail meat prices which effectively froze the live cattle price. As the ceiling did not apply to imported meat or imported live cattle the flow of these increased significantly when American producers began to withold their cattle from market in the anticipation of even higher prices when the freeze ended in September.

The producers' hopes were not realized for when the ceiling was lifted there was a flood of cattle onto the market and prices tumbled. The considerable export demand for Canadian beef during the freeze had set the Canadian market at a slightly higher level. The American flood started to flow into Canada, into markets unprotected by even nominal tariffs. On 21 September 1973 the Canadian government re-established the pre-February tariffs on live cattle and dressed meat signalling what was to become the new trend, the imposition of drastic trade restrictions. The nominal tariffs had little effect. Live cattle imports increased to a rate of 20,000 head per week by the end of October, roughly 30 per cent of the total slaughter, so on 2 November 1973 import surtaxes of 3 cents and 6 cents per pound were imposed on live cattle and dressed meat.

Canada's action did not cause the round of restrictions that was to follow in the next twelve months nor did the situation on the North American market. No, an event more calamitous than these minor aberrations shook the world economic system. The oil embargo, utilized as a weapon in the October 1973 war in the Middle East, precipitated an economic crisis and then a recession in the developed countries. Unfortunately, this happened at the time when beef supplies caught up with and then surpassed demand.

With the prices of most basic commodities, but especially energy, rising, the level of inflation increased. In the major OECD countries the growth rate fell from an average of 6.5 per cent in 1973 to -1.5 per cent (annual rate) in the first six months of 1974. The recent gains in personal real income were eroded, workers sought "catch-up" pay increases and began to decrease consumption. Countries too were forced to make difficult choices, to restrict imports, reduce consumer demand and increase domestic self-sufficiency.

In Japan, with industry now dependent on very costly imported energy and other basic commodity supplies, the government moved in February 1974 to cut the beef import quotas from the expected 90,000 tonnes in the first six months to 40,000 tonnes. Only a few months later, in May, the quota was suspended for the remainder of the year and this important market for Oceanic beef was lost.

The situation in the European Economic Community was more complex but the solution adopted was similar. There the problems of the beef producers, now selling on a surplus market, and of the stagnant economy caused the restriction of beef imports. The Community's policy of intervening on the market when prices fell below established levels resulted in the creation of a "beef mountain" by early 1974. Member countries, notably Ireland, France, and Italy called for the re-introduction of the safeguard measures to limit imports from third countries. The concern of Ireland and France was as the major producers of beef for intra-Community trade, while that of the Italian government was over its growing balance of payments deficit.

The decision by the European Economic Community came in April 1974 when licenses to import beef were linked to purchases of equivalent quantities from the intervention stocks and when the export sales of beef and veal were authorized at 25 per cent off purchase costs to facilitate competition on the world market. These actions had only a limited effect, stocks continued to rise as supplies flowed onto the market and as consumer resistance to rising prices strengthened. In July an embargo on

TABLE VI

Imports of Fresh, Chilled and Frozen Beef and Veal Into Certain Countries, 1967-1976[3]

Country	1967	1968	1969	1970	1971	1972	1973	1974	1975	Jan.–June 1975	Jan.–June 1976[2]
	Thousand Tonnes										
North America											
United States	381.8	429.7	470.2	527.1	517.6	602.3	611.6	490.4	557.3	273.4	319.5
Canada	10.2	9.5	49.3	61.0	46.9	60.5	67.8	53.7	58.3	35.7	46.1
Europe – EEC											
France	35.1	33.2	73.8	72.4	68.5	153.4	167.6	117.3	159.6	65.6	75.9
Germany, F.R.	134.0	172.2	192.8	185.3	178.5	257.9	237.0	175.9	197.1	64.1	110.1
United Kingdom	273.4	261.2	344.9	264.8	252.8	277.7	270.3	249.2	196.4	86.0	86.7
Italy	324.2	249.6	261.0	290.2	367.3	334.1	433.2	296.8	320.5	140.6	148.8
Netherlands	41.5	51.6	58.0	43.5	41.7	77.5	84.2	48.0	44.9	19.4	34.6
Ireland	–	–	–	0.3	0.3	0.2	0.5	0.7	1.7	–	–
Belgium-Luxembourg	30.1	36.1	20.9	18.7	21.7	33.3	35.7	20.4	29.2	13.1	18.9
Denmark	0.8	0.8	1.2	1.6	1.7	1.0	0.8	0.6	1.1	–	–
Oceania											
Australia	–	–	–	0.1	0.3	0.1	–	0.1	0.2	–	–
New Zealand	–	–	0.6	0.4	0.3	0.6	0.1	0.1	0.1	–	–

<u>Latin America</u>											
Argentina	–	–	–	–	–	–	–	–	–	–	–
Brazil	–	–	–	0.6	6.2	1.0	1.4	51.8	25.0	–	–
Uruguay	–	–	–	–	–	–	–	–	–	–	–
Mexico	0.1	0.1	–	–	–	–	–	–	–	–	–
Eastern Europe											
U.S.S.R.	–	–	–	–	–	40.1	46.2	395.7	406.1	–	–
Poland	7.8	2.5	2.1	1.6	2.8	7.8	14.4	2.0	2.0	–	–
Hungary	13.4	1.5	2.3	13.3	6.9	6.8	10.4	2.9	2.8	–	–
Japan	13.8	13.5	18.6	23.1	41.5	57.6	127.2	53.6	44.9	44.5	40.4
World Total[1]	1,612.8	1,641.4	1,887.1	2,135.6	2,085.4	2,359.6	2,619.6	2,301.7	2,438.8	–	–

Sources: Economic Commission for Europe. *Review of the Agricultural Situation in Europe.* Food and Agriculture Organization. *Trade Yearbook*

[1] FAO estimate of total imports

[2] Provisional data

[3] Product weight basis

TABLE VII

Exports of Fresh, Chilled and Frozen Beef and Veal from Certain Countries, 1967-1976[3]

Country	1967	1968	1969	1970	1971	1972	1973	1974	1975	Jan.–June 1975	Jan.–June 1976[2]
	– Thousand Metric Tons –										
North America											
United States	8.1	7.1	7.6	8.5	13.9	19.6	32.4	21.3	20.4	8.8	18.3
Canada	13.4	22.7	21.5	47.2	37.6	28.1	30.4	20.5	11.5	2.4	21.2
Europe – EEC											
France	91.3	154.9	124.7	114.4	142.7	123.1	134.5	251.6	291.6	161.3	149.2
Germany, F.R.	15.3	29.5	46.0	55.4	54.8	46.0	76.4	116.5	137.8	77.4	56.3
United Kingdom	6.3	2.8	7.3	9.9	13.7	52.9	65.5	60.3	114.6	–	–
Italy	–	–	1.0	0.9	0.8	0.8	0.5	0.5	2.5	–	–
Netherlands	66.5	84.9	96.3	114.5	111.0	114.7	120.7	134.2	137.3	67.4	61.3
Ireland	148.0	117.1	121.8	140.4	147.9	128.9	131.1	199.0	270.4	111.7	83.6
Belgium–Luxembourg	23.6	26.6	15.4	17.4	23.4	29.0	31.7	28.8	32.1	–	–
Denmark	107.6	98.6	78.6	70.1	78.8	69.9	93.2	105.3	128.5	60.6	70.7
Oceania											
Australia	262.5	255.9	256.1	327.9	339.1	402.1	582.7	493.3	417.6	239.0	270.3
New Zealand	106.2	129.3	133.3	177.7	180.9	186.2	202.7	183.4	192.4	103.3	51.9

Latin America											
Argentina	379.2	254.9	404.6	351.5	230.7	385.3	288.1	106.3	71.1	41.1	80.0
Brazil	11.6	39.2	77.6	98.3	88.7	155.6	98.5	19.2	5.3	4.2	6.0
Uruguay	57.9	95.6	106.5	130.7	80.3	104.9	99.1	99.6	78.7	13.9	70.0
Mexico	21.4	32.6	35.4	37.2	34.7	41.7	27.6	13.8	4.7	–	–
Eastern Europe											
U.S.S.R.	–	–	–	–	–	37.0	47.2	27.4	17.6	–	–
Poland	23.2	28.7	37.9	17.3	18.7	18.1	33.4	51.7	60.0	–	–
Hungary	24.4	22.6	28.3	27.3	20.9	16.7	22.7	19.4	57.0	–	–
Japan	–	–	–	–	–	0.017	0.019	0.008	0.007	–	–
World Total[1]	1,597.6	1,648.4	1,857.9	2,009.2	2,063.2	2,352.2	2,548.6	2,260.3	2,394.1		

Sources: Economic Commission for Europe, *Review of the Agricultural Situation in Europe.* Food and Agriculture Organization. *Trade Yearbook*

[1]FAO estimate of total exports

[2]Provisional data

[3]Product weight basis

the importation of beef, veal and live cattle from third countries was imposed. This was done under the "protection clause" of the *Treaty of Rome* which permits such actions when imports cause or threaten to cause serious market disruptions which might jeopardize the objectives of the Common Agricultural Policy. The embargo, originally scheduled to expire on 31 October 1974, was extended indefinitely by the Council of Agricultural Ministers in September.

The European Economic Community acted to restrict imports and to stabilize its beef market after the favourable world market was suddenly reversed. By so doing it further disrupted the world market by reducing its size. Exports from South American and from Oceania now only had access to the North American market but even there they had to compete with subsidized exports from Western Europe. Prices in the exporting countries began to weaken and then to collapse. In the fourth quarter of 1973, for example, the Australian beef price was 71.2 cents (U.S.) per kilogram liveweight, and by the fourth quarter of 1974 it had fallen to 21.2 cents (U.S.).[1]

There were changes in the North American trade situation during this same time. The import surcharges imposed by the Canadian government in November 1973 were removed in three equal stages in January and February 1974. The continental market had only a brief return to its normal restrictions before an embargo was imposed on the importation into Canada of American beef, lamb, mutton, live cattle and sheep. On 9 April 1974 an import certification program was established to prevent the entry of meat or animals whose growth had been stimulated by the use of diethylstibestrol (DES), a hormone linked to cancer. This action, although taken on health grounds, was clearly of assistance to the Canadian beef industry. Without the ban Canadian producers would have been at a considerable disadvantage. Agreement between the two governments on an acceptable DES certification program was finally reached on 2 August 1974 and imports were permitted to resume.

However, within two weeks the Canagian government acted to restrict the importation of beef and veal in fresh and frozen form and of live cattle over 700 pounds by establishing global quotas to be controlled through the *Export and Import Permits Act*.[2] These quotas were to be effective for twelve months from 12 August 1973 and permitted the entry during that time of 82,835 head of live cattle and 125.8 million pounds of dressed beef and veal. These quantities were equivalent to the average annual Canadian imports of the preceeding five years.

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[1]Appendix C, Table I, page 92.
[2]Appendix B, page 84.

The measures taken by Japan, the European Economic Community and Canada left the United States as the residual market for the excessive international beef supplies. Even though the *Meat Import Act* had already been suspended by the President, the dumping did not occur. Producers in the main exporting countries decided to withold their cattle from market and to take advantage of favourable grazing conditions in the expectation of future price improvements. The American government did, finally, react to the Canadian import quotas by announcing, in November, retaliatory quotas on Canadian exports of live cattle, 17,000 head, and dressed beef and veal, 17 million pounds, for the twelve month period from 12 August 1974. It went even further by placing exports of hogs and pork under quota. The American quota levels were set well below the quantities usually exported by Canada.

The trade restrictions imposed by the importing nations were directed at minimizing the impact on their producers of this premature but inevitable world surplus. They acted without hesitation to attack the immediate problem by isolating to greater and lesser degrees their markets and in some cases, by challenging the traditional exporters with subsidies on beef exports and food-aid programs. Thus, as the world economy completed the first year of its new era, the era of high cost energy, the international beef market was in a shambles and the future held only the prospect of lower returns to producers.

World Surpluses and the Canadian Market

Canada maintained its quotas on imports of beef and veal until 31 December 1975. Imports of slaughter cattle were taken off quota in August 1975 permitting a partial return to the traditional continental trade. The federal government had decided that from 1 January 1976 the Canadian beef industry needed only the protection of the nominal tariffs of 1.5 cents and 3 cents per pount on cattle and meat respectively. Other countries eased their restrictions as well but none reverted to such an open market position.

Japan permitted imports to enter at only 50 percent of the previous record levels but tied them very closely to a new domestic beef stabilization scheme. The European Economic Community returned to a twinning system where import licences were issued for amounts equivalent to purchases from the intervention stocks. In the United States the *Meat Import Act* remained operative and voluntary restraint agreements were negotiated with all the supplying countries excepting Canada.

With the New Year Canada became the only open market for our traditional suppliers. The industry's protection was nominal tariffs, the effectiveness of which was reduced by the premium value of the Canadian dollar.[1] The situation was unfortunately exploited by Canadian importers and Oceanic exporters. Increasing quantities of beef entered at depressed prices and damaged the Canadian market.

In our Committee hearings the impact of the Oceanic imports was clearly stated by Senator Sparrow:

> For a good portion of last year the cattlemen in this country, and other groups were aware that we were getting great influxes of Oceanic beef into this country, and nothing was done about it. . . This great problem not only cost the cattlemen of this nation thousands and thousands of dollars, but it eroded further the confidence in the cattle industry that we, as Canadians, required. I suppose that is more crucial than even the dollars that were lost.[2]

Australia beef, for example, entered Canada at prices considerably lower than it entered the United States.[3] This was at least partially the result of the Australian Meat Board's export diversification scheme whereby credits or entitlements to ship into the American market could only be earned by shipments to other markets, including Canada. Thus exporters were willing to discount these sales up to 27.5 cents (U.S.) per pound in order to obtain a higher average price through their sales to the United States. Canada was removed from the list of eligible diversification markets for sales after 30 April 1976, but the damage continued.

Some witnesses appearing before the Committee have contended that no damage was done at all, citing the higher price which Canadian producers received for their finished cattle (grades A and B), when compared to the returns in the United States. Beef producers appearing before the Committee disagreed, and emphatically stated that this large volume of imports depressed beef prices in general but particularly depressed cow prices. The Honourable Marvin Moore, the Alberta Minister of Agriculture, presented the Committee with evidence to prove this latter contention.

The evidence (Figure II and Table VIII) concerns the price margin which Canadian cows (grades D1 and D2) have usually enjoyed over cows in the United States. In the example, the Calgary and Omaha markets are compared. When imports began to increase in mid-1975, they depressed the price in Canada to a level below that in the United States. This negative price differential continued throughout 1976.

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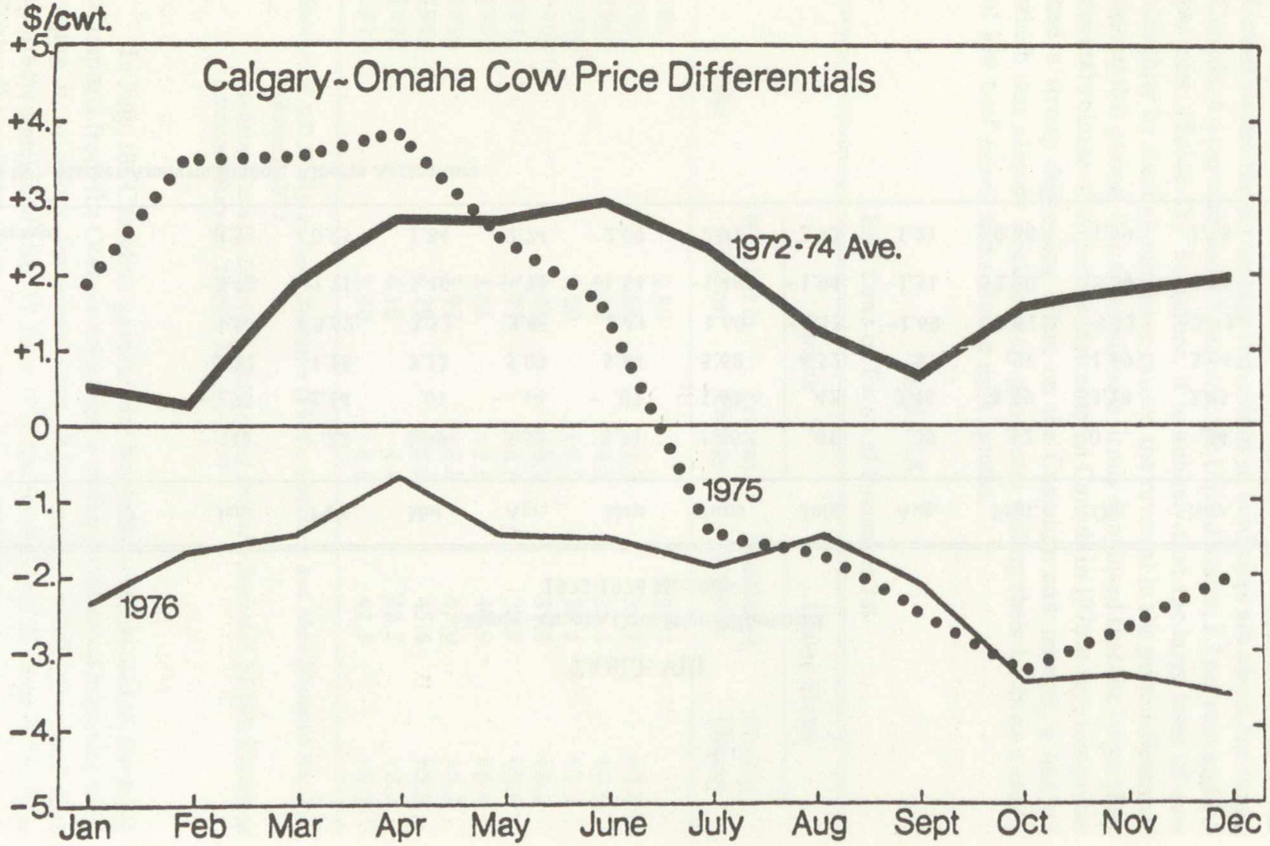
[1]The average exchange rate (Canadian dollars per American dollars) for the first nine months of 1976 was 0.9839, a premium greater than the 1.5 cent per pound tariff on live cattle. (Bank of Canada, *Review* (Ottawa, July 1977)).

[2]Senate of Canada, Proceedings of the Standing Senate Committee on Agriculture, Issue No. 4, 16 February 1977, p. 17-8.

[3]Appendix C, Table II, page 93.

FIGURE II



PREPARED BY: Market Analysis Branch, Alberta Agriculture

TABLE VIII

Calgary–Omaha Cow Price Differential

1972-1976 Monthly

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1972	- .13	.22	2.39	3.32	2.31	1.46	.01	.29	- .52	0	- .34	1.29
1973	- .73	-2.14	.01	- .14	- .07	1.62	.42	2.48	1.59	3.28	2.05	2.71
1974	2.42	1.18	3.13	5.03	5.84	5.68	6.52	.87	.91	1.49	3.64	1.69
1975	1.81	3.52	3.53	3.86	2.41	1.60	-1.53	-1.69	-2.51	-3.32	-2.73	-2.04
1976	-2.42	-1.71	-1.46	- .78	-1.54	-1.48	-1.94	-1.51	-2.20	-3.54	-3.36	-3.63
72-74 Average	0.52	0.25	1.84	2.74	2.69	2.92	2.32	1.21	0.66	1.59	1.78	1.90

Prepared by: Market Analysts Branch, Alberta Agriculture

Now it has been argued by some that it was the increased domestic cow slaughter, not the imports, which caused this price decline. However, when the cow slaughter in Canada for 1975 and 1976 is compared to that in the United States the percentage reductions in herd sizes are about the same: Canada, 4.4 per cent and 4.8 per cent; the United States, 3.7 per cent and 5.5 per cent. (Table IX) Therefore, it is unlikely that the large level of cow slaughter by itself should have caused the reversal in the price differential during this period. The Committee is firmly convinced that the larger than normal volume of imports which entered Canada in 1976 at very low prices had a strong depressing effect on the Canadian cow market, a market which was already weakened by producers culling their herds as a result of low beef prices and reduced milk quotas.

TABLE IX

Beef Cows on Farms at December 1st

	Canada		United States	
Year	Number in Millions	Percent Change	Number in Millions	Percent Change
1967	2.89		33.7	
1968	2.84	-1.7	34.5	+2.4
1969	2.97	+4.5	35.4	+2.6
1970	3.20	+7.7	36.6	+3.3
1971	3.48	+8.7	37.8	+3.2
1972	3.71	+6.6	38.8	+2.6
1973	3.65	-1.6	40.9	+5.4
1974	3.97	+8.8	43.0	+5.1
1975	4.29	+8.0	45.4	+5.6
1976	4.10	-4.4	43.7	-3.7
1977	3.90	-4.8	41.3	-5.5

Source: U.S.D.A., *Agricultural Statistics* (1976); *Livestock and Meat Situation* No. 213, February 1977

Statistics Canada, *Livestock and Animal Products Statistics*, 23-203; *Report on Livestock Surveys*, 23-004, January 1977

In July, the Canadian government belatedly acted to control the price of imports from the Oceanic countries; a policy producer groups had been urging it to adopt for some time. Agreements, which provided that contracts concluded after 11 June 1976 (Australia) and 18 June 1976 (New Zealand) would be written at prices CIF Canadian ports not more than 6 cents (U.S.) per pound below the price CIF American ports, were made with the governments of Australia and New Zealand. The agreements did not apparently have the desired results as Oceanic beef continued to enter at prices more than 6 cents below the American CIF price until November.[1]

Steps were not taken to control the volume of imports until 18 October 1976 when the federal government, again utilizing the *Export and Import Permits Act*, required shipments of fresh, chilled or frozen beef and veal to have individual import permits. A global quota of 17.5 million pounds was set for the remainder of the year.

This action did not result from the recognition of the damage that excessive imports were doing to the Canadian market. Rather, it was a reaction to the imposition, on 9 October 1976, of the mandatory quotas on meat imports by the President of the United States as required by the *Meat Import Act*. The American quotas were triggered by excessive imports from areas not covered by voluntary restraint agreements. Beef and veal from Oceanic and South American countries circumvented these agreements by entering through the foreign trade zone at Mayaguez, Puerto Rico. Canadian exports of live cattle, primarily cows, and boneless beef also increased substantially. With the imposition of the American quotas, which were applied for the first time to Canada, the Canadian government was forced to react.

Beef producers in the United States have the protection of the *Meat Import Act* which requires that quotas be established and adhered to in every year, unless the Act is suspended. Canadian producers do not have similarly institutionalized protection. The *Export and Import Permits Act* is a general piece of legislation which applies to all commodities and goods exported or imported by Canada. There are no provisions which determine when or whether the control mechanisms will be utilized; their use depends upon the decisions of the federal government. The Committee recognizes that such a situation might be acceptable if the government had a clearly articulated beef import policy but such was and is not the case.

For 1977 the federal government did establish quotas for the importation of beef and veal, but it apparently did so grudgingly when it became obvious that Canada's special status as an exporter to the United States was coming to an end. Canada unwillingly took part in the December 1976 negotiations concerning voluntary export restraint agreements with the United States and entered into similar negotiations with Australia and New Zealand. The American government announced its agreements on 22 December 1976 and the Canadian agreements were announced the following day. The global quota for Canadian imports of

[1]Appendix C, Table II, page 93.

beef and veal for 1977 was set at 144.5 million pounds (product weight) which was allocated as follows: United States, 24.75 million pounds; Australia, 59.35 million pounds; and, New Zealand, 60.65 million pounds. Live slaughter cattle and calves were excluded from these agreements.

The fact that our special status in the American market has ended was re-enforced this July when after negotiations with the United States about the level of exports, the federal government was forced to require individual export permits for shipments of dressed beef and veal to the United States to forestall the premature filling of our quota of 75 million pounds. Canada's position is now the same as all the other suppliers of beef to the United States, we have a quota and we must keep to it.

Canadian Beef Trade with the United States

We have already discussed Canada's changing relationship to the United States in our trade in beef and veal. When we consider the relationship between the beef cycles of the two countries, with the American market setting our prices based on their production costs, we find Canada ending up at a disadvantage. It is necessary, therefore, to carefully analyse our respective production costs and their relation to the present beef cycle to determine how our trade policy can make this relationship more equitable.

Canadian-American Trade Patterns

There are well established trade flows in cattle, beef and veal between Canada and the United States. Canada exports feeder cattle from Western Canada and slaughter cows from both Eastern dairy herds and Western beef herds to the United States. It imports from there grain fattened slaughter animals for Eastern Canadian markets. In the dressed beef market Canada exports boneless beef while the United States sends boneless beef and high quality cuts for the Hotel, Restaurant, and Institutional trade into Canada. Canada has been a net exporter to the United States of feeder cattle (in varying quantities) and of dressed beef and live cattle in eight of the last ten years, with a positive balance of 263,673 head in 1976 (Table X). Canada, however, has been an overall net importer of beef since 1969 because of the large imports from Oceanic countries especially since 1972.[1]

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[1]Appendix C, Table III, page 94.

TABLE X

Canada's Trade with the United States in Feeder Cattle Slaughter Cattle, and Beef in Terms of Slaughter Cattle, 1967-1976

Year	Feeder Cattle Exports	Slaughter Cattle		Beef in Terms of Slaughter Cattle[1]		Net Trade, Slaughter Cattle Equivalent[2]
		Exports	Imports	Exports	Imports	
				Number		
1967	116,499	12,025	24,009	55,708	17,029	+26,695
1968	127,845	35,279	1,216	103,084	8,182	+128,965
1969	26,248	26,536	308	104,426	10,054	+120,600
1970	7,507	17,357	53,458	183,950	13,138	+134,711
1971	15,130	11,346	55,548	175,775	36,416	+95,157
1972	52,084	10,767	64,003	129,963	56,528	+20,199
1973	128,167	16,146	208,539	129,575	74,510	-137,328
1974	10,109	8,167	109,207	86,790	40,605	-54,855
1975	28,762	112,063	41,895	57,809	25,906	+102,071
1976	54,693	249,738	133,171	202,138	55,032	+263,673

Sources: Agriculture Canada. *Livestock Market Review.* Statistics Canada. *Exports by Commodities* (65-004); *Imports by Commodities* (65-007); *Livestock and Animal Products Statistics* (23-203).

[1]Carcass weight of commodity categories of boneless beef (11-01 and 11-03) and bone-in beef (11-05) converted to numbers of cattle on the basis of the annual average cold dressed weight of domestic and imported cattle slaughtered in Canada.

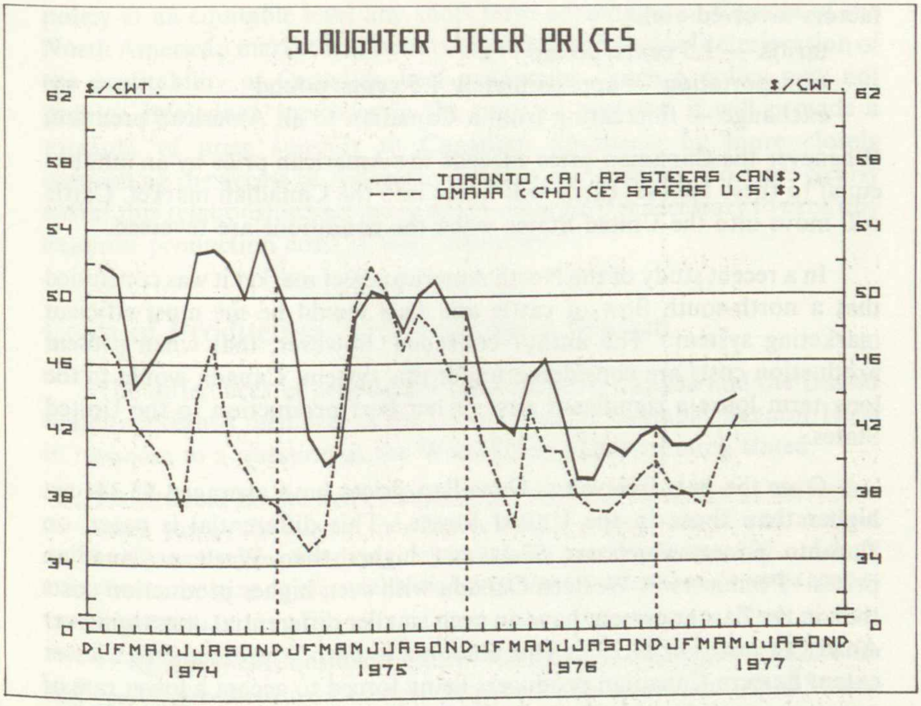
[2]Net trade of both slaughter cattle and beef in terms of slaughter cattle. Net exports +; net imports −.

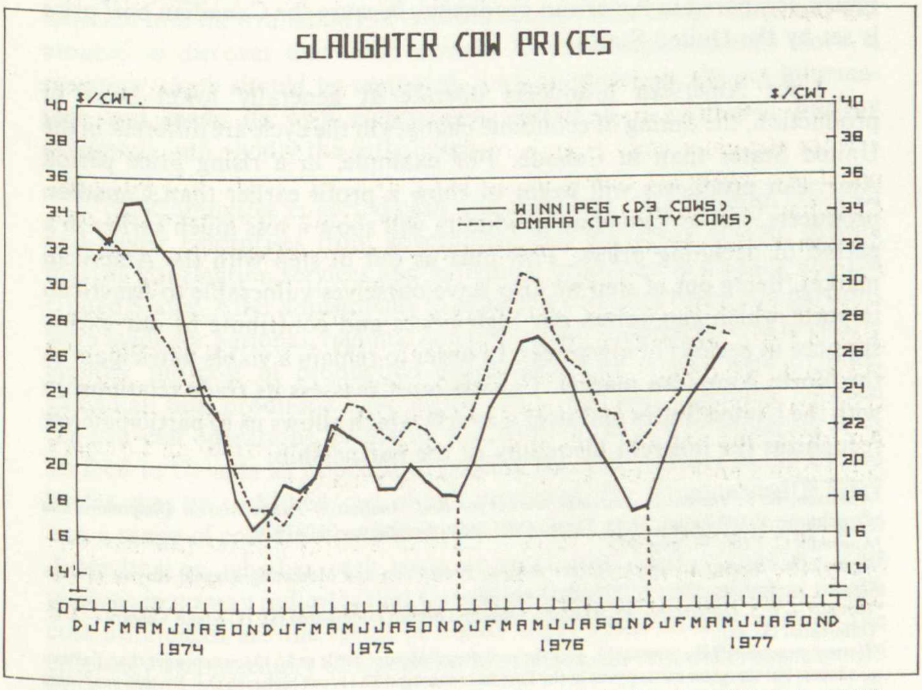
The United States is, therefore, important to the Canadian beef industry as both a supplier of beef and as a market for Western feeder cattle and for slaughter cows from across the country. Our two industries, as noted previously are closely linked but they are of vastly different sizes, Canadian beef production is approximately one-tenth of American production. In this situation it is important to determine the relative impact of beef, veal and live cattle exports on the Canadian and the United States markets. Over the past six years American exports to Canada have averaged 4.1 per cent of Canadian production while Canadian exports have averaged only 0.5 per cent of the United States production.[1] This relationship clearly illustrates the extreme vulnerability of the Canadian market to American imports and indicates the necessity of determining Canada's competitive position in the North American market.

The price of slaughter cattle in Canada is directly linked to the supply of and the demand for cattle in the United States. That Canadian prices are often higher than prices in the United States, as illustrated in Figure III is

[1]Appendix C, Tables IV and V, pages 95 and 96.

FIGURE III





Source: Agriculture Canada, *Market Commentary, Animals and Animal Products.* (Ottawa, June 1977).

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.

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.

Cow-Calf Enterprise Comparison

For its analysis of the differences in the 1975 calf production costs between Canada and the United States, the Committee adopted the methodology employed by the Agricultural Stabilization Board for the calculation of stabilization payments. These calculations are based on cash costs which include: winter feed costs, hired labour, interest on operating capital and other cash costs. As the Agricultural Stabilization Board data is an average for all of Canada, information on cow-calf costs were also obtained from Alberta Agriculture and Saskatchewan Department of Agriculture. This Canadian data was then compared with information from a United States Department of Agriculture study of five regions, which gives a very representative average figure for American producers.

TABLE XI

Cost Comparisons of a Cow-Calf Enterprise 1975 Cash Cost Basis

	Canada[1]	United States[2]
	$/calf	$/cow (Can $)[3]
	Canadian Average	United States Average
Winter Feed Costs	101.21	45.99
Hired Labor	.27	.27
Interest Operating Capital	7.38	5.02
Other Cash Costs[4]	32.40	28.57
$/cow		79.85
$/calf (85% calf crop)	141.76	93.90
$/cwt of calf produced (450 lb calf)	31.50	20.86[5]
Difference Canada vs. United States	10.64	

Sources:

[1]Agriculture Canada, Estimation of Costs of Production for Cow-Calf Program, Economics Branch, Ottawa, 1977

[2]U.S.D.A.–*Estimated Production and Expenses for Beef Cow-Calf Enterprizes in Five Regions of the U.S.*, Livestock and Meat Situation, August, Washington, D.C., 1976

[3]Bank of Canada Review, Ottawa, July 1977 (1975 Average rate) (1.017)

[4]Other cash costs include:
veterinary & medicine
minerals
taxes
machine operation
utilities
bedding
building and fence repairs

[5]Table I—Appendix D, page 100.

The results of the comparison, adjusted to Canadian dollars, are presented in Table XI. It is clear that the American producers have the cost advantage. In 1975 the average cash cost for the two United States regions was $20.86/cwt of calf produced, while the overall Canadian average cash cost was $31.50. The main factor in the difference was winter feed costs. Because of the mild winters American cattle can graze on crop residue and winter pasture for a much longer period so they require less grain and hay during this period than Canadian cattle. The other factors roughly balance out, although the miscellaneous cash costs are somewhat higher in the Canadian average.

In order to support these figures the detailed costs for each region of the United States study were also listed.[1] Another comparison was made by the Committee of cow-calf production costs in Alberta and Nebraska. These figures[2] show a cost advantage to American producers of $10.54 agreeing almost exactly with the National Average data. A further comparison is made of some average costs from Alberta and Saskatchewan which are similar to the Canadian averages.[3]

TABLE XII

Cash Cost of a Finished Steer based on the Cost of Feeder Animal

	Canada		United States	
	Cost/Cwt	Total Cash Cost	Cost/Cwt	Total Cash Cost
Average cash cost of producing 450 lb steer calf–1975	$31.50/cwt	$141.76	$20.86/cwt	$ 93.90
Average cash cost of producing 600 lbs of gain 1976 (basis Cdn. costs)	$37.25/cwt	$223.50	$37.25/cwt	$223.50
		$365.26		$317.40
Average cash cost of producing 1050 lb steer	$34.78/cwt		$30.22/cwt	
Difference Can/U.S. ($4.56)				

If American producers can produce their calves and feeder animals significantly cheaper than Canadians it is to be expected that their finished animals will also become profitable at a much lower price. When the average calf production costs, calculated above, are utilized in a calculation of slaughter cattle costs, this expectation is confirmed. In the above

[1]Appendix D, Table I, page 100.
[2]Appendix D, Table II, page 101.
[3]Appendix D, Table III, page 102.

example only cash costs as defined by Agriculture Canada have been used as an estimate of both Canadian and American costs. It is assumed that the feeding period will produce an animal of 1050 pounds at 2.5 pounds of gain per day. The spread is $4.56/cwt to the advantage of the feeders in the United States. Later evidence shows that feeding costs in the United States are themselves lower than Canadian costs. Therefore, the advantage in total cost will be much larger.

Cow-calf producers are the foundation of the beef industry; their costs are relatively fixed and if they do not receive adequate returns they must either subsidize their beef operation from other enterprises or move out of the cow-calf business. This analysis shows that it costs close to 30 per cent more to produce a 450 lb calf in Canada. Unless our trade policies reflect this reality, Canadian cow-calf producers will continue to operate at prices well below their cost of production since the Canadian beef price is established in the United States.

Costs of Production — Feedlot Feeding of Slaughter Animals

In order to define more precisely the cost differences between the two countries a further comparison was done of actual feedlot costs.

The majority of beef calves produced in Canada spend the latter portion of their lives on a high energy grain and roughage diet to produce the required level of fat content around and within the meat necessary to obtain a high grade. This process is called finishing and usually occurs in a feedlot where the cattle are fed a specific type and quantity of grain and roughage. There are two basic methods of feeding cattle in Canada:

Grain and hay ration: This system is common in Western Canada where barley is the main feed grain, the hay or roughage is usually a grass legume mixture, either dry or in the form of haylage. Animals are started on lower amounts of grain and high roughage levels; the amount of grain is increased as the animals come closer to reaching its finished wieght of 1050 — 1100 lbs.

Corn silage ration: In Eastern Canada, producers often feed corn silage and grain corn. The corn silage itself contains a considerable quantity of corn and is generally of a much higher energy value than the hay or roughage fed in Western Canada. Grain corn is also used to finish these animals and it also is a more efficient feed than barley.

As a result of these two different feeding systems, the cost of production in Eastern Canada tends to be lower than in the West. The West has some definite advantages in terms of housing (lack of humidity in the

West), fewer disease problems and lower operating capital (feeders and feed are often produced by a single farmer in the West, while Eastern producers must usually buy one or the other). The feed costs, however, give the East a definite overall cost advantage. Despite this fact, 60 per cent of beef animals are fed on the prairies close to the sources of feed grain (barley). Ontario feeds 32 per cent of the nation's beef.

In comparing the feeding costs between Canada and the United States it is important to consider that all producers in the United States are potential competitors in our beef markets. Comparisons must be made with the least cost areas as well as those areas with conditions similar to Canada. This is necessary particularly when distances to market are considered. It is 2200 miles from Calgary to Montreal but Montreal is only 1300 miles from Nebraska (in the corn belt), 2000 miles from Texas, and 1500 miles from Florida. All of these regions, which are major beef production regions with considerable climatological advantage,[1] are within shorther reach of our major markets than is our present major beef supplier — Alberta.

The following analysis outlines a cost comparison based on actual feedlot costs. Data on Canadian costs was again obtained from Agriculture Canada, based on their cost calculations for the slaughter cattle program under the *Agricultural Stabilization Act*. In addition, Alberta Agriculture provided a detailed trend analysis of feeding costs in that province. To supplement this, individual contacts with producers were made in Eastern and Western Canada and numerous cost of production studies were consulted. To obtain United States costs, a number of studies were collected from universities in various cattle producing regions of the United States, a large sample of feedlots in the Southern states was analysed and numerous individual contacts were made with producers. The data from the Southern States was from Texas, Oklahoma and Kansas and covered thirty major feedlots with over one million head of cattle on feed.

The first comparison is again made on the basis of cash costs which included:

(a) Feed costs
(b) Interest on the feeder animal
(c) Other costs:
    (1) miscellaneous costs
    (2) veterinary
    (3) labour
    (4) buildings and equipment
    (5) taxes

[1]Indeed 68 per cent of the American beef cattle population is raised below the Mason-Dixon line. (USDA, *Agricultural Statistics*, Washington, 1976)

These costs were established by Agriculture Canada as cash costs and they are used as a standard comparison base for Canada. The actual values obtained from these costs are shown below.

TABLE XIII

Average Feeding Costs in Canada, Steers, 1977

$/cwt of gain

	Canada	Western Canada	Eastern Canada
Short Keep Steers	40.80	43.15	38.44
Long Keep Steers	36.64	38.87	34.41
All Steers (Average)	38.72	41.01	36.43

The data from the United States was a major study done in Nebraska which showed an estimated average cost of $35.45/cwt of gain for 1977.[1] When the Nebraska figure is compared to Canadian figures we see higher costs in Canada, particularly in the West.

TABLE XIV

Comparison of United States–Canadian Feeding Costs

(a)	Nebraska Average	$35.45/cwt
	Canadian Average	38.72/cwt
	Nebraska Advantage	$ 3.27/cwt
(b)	Nebraska Average	$35.45/cwt
	Western Canada Average	41.01/cwt
	Nebraska Advantage	$ 5.56/cwt

The comparisons show that the Nebraska costs are $3.27/cwt lower than the Canadian average and $5.56/cwt less than the average for Western Canada.

It seems likely that feeding costs in Canada, especially Eastern Canada are underestimated. Agriculture Canada's figures for 1976 are significantly lower when compared with a major provincial study done in Ontario.[2] This study showed that cash costs in a sample of thirty-two feedlots was $44.64/cwt of gain.

[1]Appendix D, Table IV, page 103.
[2]Appendix D, Table V, page 104.

When these costs are compared to the 1976 average for Eastern Canada compiled by Agriculture Canada, we find the following:

Eastern Canada Average 1976 (Short Keep Steers)	$39.29/cwt
Ontario Study — 1976 (Short Keep Steers)	$44.64/cwt

It appears, therefore, that the Agriculture Canada figures may in fact be underestimating cash costs of production thus allowing for an even larger advantage to the American producers.

As it is possible that some regional cost differences could have entered this first comparison, although Nebraska's cattle population is only slighlty smaller than all of Canada's[1], a second comparison was made between an Alberta study and a survey from the Southern United States. This data is on total costs of production and is, therefore, at a higher cost level than the previous example. The American[2] data is from Texas, Oklahoma and Kansas and is a regular monthly survey of thirty custom feedlots with over one million head of cattle on feed, a number greater than the total number of cattle in feedlots in Canada at the present time. This analysis (Table XV) clearly shows a consistent and significant differential between Canada and the United States of $6.99/cwt of gain.

To compare to this data which was compiled mostly by governments and universities, producers were also contacted. In the U.S. producers in Kansas and Colorado quoted the following current (July 1977) costs:

Kansas	$37.67[3]	Short Keep steers, total cost less 7% (same as the
Colorado	$37.20[4]	U.S. survey above)

Although costs fluctuate greatly between producers, representative feedlots quoted costs which compare almost exactly with the data from the Southern States. In order to validate the accuracy of the Alberta data, evidence presented by producers during the Committee's proceedings was utilized. These costs which were quoted on the same total costs basis as the Alberta Agriculture data agree very closely with this trend data.[5] The data from producers clearly supports the wide variations in costs between Canada and the United States.

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[1]Nebraska Cattle population in 1976 was 6.550 million, the Canadian cattle population in the 1976 Census was 7.252 million.

[2]The United States data have been adjusted. As "close-out" figures from custom feedlots they included a profit margin so 7 per cent was deducted from the costs to make them compare with the Canadian data. The United States data does not include interest on the feeder animal so this was added on at the rate of 8% on 38 cent/lb feeders.

[3]Mr. Dick Far, Far Farms, Greely, Colorado — records obtained by telephone.

[4]Mr. G. R. Ham, Hams Feedlot, Kansas — records obtained by telephone.

[5]Appendix D, Table VI, page 104.

TABLE XV

Average Monthly Cost of Feeding Steers (Short Keep Steers)

$/cwt of gain

	Alberta[1] 700 lbs to 1100 lbs	U.S. Survey[2] 667 lbs to 1098 lbs	Difference U.S. vs. Canada
1976			
July	54.06	42.77	-11.29
August	53.24	42.61	-10.63
September	51.56	43.23	- 8.33
October	47.16	43.42	- 3.74
November	46.82	43.10	- 3.72
December	46.88	42.98	- 3.90
1977			
January	47.50	42.96	- 4.54
February	47.06	41.65	- 5.41
March	47.42	41.83	- 5.59
April	47.82	41.79	- 6.03
May	49.19	41.12	- 8.07
June	49.14	39.80	- 9.34
July	48.50	38.29	-10.21
Average	48.95	41.96	- 6.99

[1] Alberta Agriculture, *Breakeven Analysis for Steers*, Statistics Branch, Edmonton Alberta, 1977

[2] Hoelschur, M. A. *Feedlot Survey*, Hereford, Texas, 1977

The feedlot industry is constantly changing and for this reason monthly or yearly averages are used in these comparisons. Current feeding costs in Canada have dropped in September to somewhere in the $39.00 to $42.00 range because of the grain surplus as the harvest begins. The same phenomenon is occuring in the United States with the harvesting of their corn crop and spring grains. Feedlots in Colorado and Kansas are contracting feedlot costs at $33.00 to $35.00 per cwt for September and October. Thus the margin of $6.00 — $7.00/cwt is still evident.

Input Costs

The cost differences between the two countries must of course relate to the cost of inputs such as feed. The Committee collected some input cost data from comparable periods in the two countries and has confirmed that feed costs are generally lower in the United States. Corn silage is 32 per cent cheaper in the Southern States compared to Southern Ontario, and feed wheat is 17 per cent cheaper.[1] When Canadian feed costs are considered it is also necessary to determine the Canadian costs of production of the feed grains. To a certain extent these costs establish a minimum level to which feed costs can fall without affecting the grain producer. For example, average total costs of producing barley in Alberta were $1.98/bushel in 1977 and operating or cash costs were $0.68/bushel.[2] Thus, with barley selling in the $1.75 to $1.91 range the grain producer will not be covering his total production costs, while the beef feeder is enjoying feed prices which are finally allowing him to achieve a positive feeding margin. The grain — beef interrelationship is, of course, a major cause of instability in the livestock industry and the Committee plans to address this problem in its next report.

Summary

The Committee considers it of the upmost importance that Canada's productivity position be clearly stated in respect to her major trading partners. This is a complex and detailed task, which is beyond the scope of the Committee's current objectives. In compiling the above figures, however, the Committee feels it is accurately stating the situation which exists on the North American market. The Committee is convinced that although there may be minor aberations, a major study would confirm the differences presented above.

The major conclusion based on these analyses is that in order for Canadian beef producers to achieve an equitable return for their product, there will have to be a permanent rise in prices received by producers for beef. Canada has some production cost limitations, including climate and feed grain costs, which require a higher price level for beef to allow both the grain and beef sector to remain viable. A primary concern to the Committee is the cow-calf producer who is the foundation of the beef industry. Feeders have great flexibility in their operations[3] whereas the cow-calf producer has little. Any price increases therefore must be reflected back to the cow-calf sector in order for the whole beef industry to prosper.

Canada has a strong and economically and socially important beef industry. It is obvious, however, from these statistics that in a free trade

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[1]Appendix D, Table VII, page 105.

[2]Alberta Agriculture, *A Consensus of Costs and Returns*, Production Economics Branch, No. 122-130 (Edmonton, 1977).

[3]For example, considering the lower grain prices this fall and the current spread between feeder and slaughter cattle, producers can profitably feed, but this operation is occuring at the expense of the cow-calf producer who is providing the low cost feeder animal.

situation with the United States she would be in the long run at a strong disadvantage. There are benefits to Canadians of being part of the North American beef market but it appears Canada is also a victim of this market. The United States dominates the market and price movements are related to the American situation. Canada must, therefore, take an assertive stance in any negotiations with the United States to preserve the structure of trade between the countries yet recognize Canada's long term policies for strengthening her domestic beef industry.

These factors combine to create the need for a margin between Canadian and American beef producers, a margin throughout the range of the beef cycle to ensure that the domestic market is not exploited by the American market but rather moves with it in harmony.

Our relationship to the Oceanic countries has been clearly stated and we must take positive action to prevent a recurrence of the 1976 disaster. Canada needs Oceanic imports but we need them in an orderly regulated flow and on our own terms. The Committee is convinced that it is also in the interests of Oceanic beef producers to know the quantity and type of long term market they can expect from Canada. A long term policy will allow them to adjust their production decisions to supply known future Canadian markets.

The problems caused by the North American and Oceanic beef markets can be simply solved if we as Canadians decide exactly how much and what type of beef our industry should produce. From this our import and export requirements will become clear and we can enter into long term agreements on this basis. The Committee has developed such a long term import policy framework which is described in Chapter IV. This policy is formulated from a position of strength; Canada has a strong viable beef industry and steps must be taken immediately to ensure it remains that way in the years to come.

Chapter III: Recommendations Made to the Committee

At its hearings in Ottawa and its public meetings in Western Canada and in Ontario, witnesses and speakers frequently drew the Committee's attention to the problems caused in the Canadian beef market by imports. The experience of 1976 was still fresh in the memories of most producers so their condemnations of importers and the federal government were clear.

Andy Glovel, Saskatchewan

It's a manipulated market, it's controlled by outside forces and one of the reasons why we have Oceanic beef and other kinds of beef available in this country is that somebody can make a faster and a quicker buck bringing in that beef and marketing it to the consumer and meeting that demand. The buck is faster and the buck is bigger than what he'd get if he had to buy it from me at cost.

(Statement at Yorkton, 12 April 1977)

John Venerheimer, Lethbridge, Alberta

I think that it is our obligation to produce beef for Canadians as cheaply as possible, but I think there is something wrong with the government when they allow beef to be dumped here in Canada at a low-cost price. . . If we got 60 cents for our beef while the cost was 50 cents, I could see bringing it in from other countries. But, if the cost price is around 50 cents or 45, it varies, and we are getting only around 35 cents and on top of that the government allows the dumping of beef for the purpose of bringing it lower, I think there is something wrong somewhere.

(Statement at Lethbridge, 14 April 1977)

Howard Lowewen, Gardentown, Manitoba

If the Minister of Agriculture and his bureaucrats could not sense what was going on last year and move in there at least six months earlier — if not twelve months earlier — then how in the world can we expect them to have any kind of sensitivity for our problems in the future. They will move in too late; too damn late, and I say that there is no way in which the minister can explain away what he has done in the past year with respect to Oceanic beef.

(Statement at Portage-la-Prairie, 11 April 1977)

While most of the concern was about imports of manufacturing quality beef from New Zealand and Australia, some producers raised the problem of imports from the United States and their effects on the butcher beef market.

Tony Riley, Manitoba

For Canadians to have the Canadian market we must have guaranteed border closing when we can show guaranteed supply. In the process of reaching that goal we would require a degree of restrictions on imports. That most definitely includes the United States border as it is just as much a threat to our income as any exporting country.

(Statement at Portage-la-Prairie, 11 April 1977)

All but a few of the recommendations made to the Committee favoured more stringent regulation of imports. There were, as could be expected, differences of opinion as to which beef imports should be controlled, what method of regulation was best, and whether or not the regulations should be applied equally to all of our suppliers. The suggestions do, however, fit into several groups. These will be discussed briefly with a minimum of interpretation so that the producers, the organizations and the other witnesses may speak for themselves.

A Beef Import Act

The most frequently suggested method, the one with the support of most of the national and provincial farmers' and beef producers' organizations, was special legislation to specifically regulate beef imports. This suggestion takes as its model the *Meat Import Law* of the United States.

Mr. Charles Munroe, President,
Canadian Federation of Agriculture

The C.F.A. position on trade in beef is that Canada should have a meat import law that regulates imports on a formula basis, and thus allows for some realistic planning by Canadian producers. The Federation expects that such a law would be accepted as a guide by exporting countries, and that it would not need to be enforced until imports exceeded the target by some previously established "trigger" level. The U.S.A. has a meat import law, and so this measure would place Canadian beef producers on the same footing as their American counterparts.

(Standing Senate Committee on Agriculture, Proceedings, 2nd Session, 30th Parliament, 1976-77, Issue No. 1, page 12)

Mr. Boyd Anderson, President,
Canadian Cattlemen's Association

It appears obvious that with the unsettled state of the world economy, with arbitrary import policies being practised by other major importers, and because of our close relationship to the U.S., it is essential that Canada develop a beef import policy that will give us at least the same measure of protection as is enjoyed by the United States. **For this reason the C.C.A. has developed a proposed Canadian beef import law for the consideration of government.**[1]

(Proceedings No. 1, Page 37)

Mr. D. Merz, First Vice-president,
British Columbia Cattlemen's Association

Entry of offshore beef supplies should be related to domestic supplies of similar quality beef. **Enactment of a beef import law setting out quotas and tariffs would permit long term planning by our producers as well as the exporting countries.** We do support the concept of a North American market for beef and cattle, and to this end Canadian laws controlling offshore imports must be similar to those of the United States.

(Proceedings No. 1, page 64)

Mr. Don Matthews, Chairman,
Alberta Cattle Commission

With respect to offshore beef: Submissions have been made by the cattle industry in Canada to have the federal government implement a proper "Beef Import Law". Such a law would be based on historical trading patterns (imports) and the domestic supply and demand for a similar type product in Canada. This is necessary to protect our industry in Canada at times when foreign countries are trying to unload products due to their own distressed economic situation. **We are not opposed to offshore beef coming into Canada at reasonable levels, based on proper historical trading patterns.**

(Proceedings No. 1, Page 96)

[1]See Appendix 1-B, Standing Senate Committee on Agriculture, Proceedings, 2nd Session, 30th Parliament, Issue No. 1

Mr. Charles Mayer, President,
Manitoba Beef Growers Association, joint brief with
Manitoba Cow-Calf Producers Association.

We believe that there are no all-encompassing solutions to all of our ills in the beef industry; however, there is one step that could be taken quite easily and one which, we believe, would help immensely. **This would be the establishment of an effective beef import law, patterned largely on the same basis as the American one...** We believe also that the imposition of a beef import law would be accepted by an overwhelming majority of beef producers and would be met with general acceptance by consumers.

(Proceedings No. 2, Page 8)

Mr. Alex Campbell,
Ontario Cattlemen's Association

The Ontario Cattlemen's Association strongly supports the establishment of a Beef Import Law which would function similarly to the Meat Import Law in the United States. While justification for such a law in the eyes of cattlemen is based on differences in production costs between Oceania, for example, and North America, probably a greater justification is the need for protection when other major importing countries undertake unilateral embargoes or other restrictions which forces the product moving in international trade channels to take the route of least resistance.

(Brief at public meeting
Stratford, Ontario, 10 May 1977)

The Honourable Marvin Moore,
Minister of Agriculture, Alberta

1. The Government of Canada to implement legislation as effective as the Meat Import Law of the United States so that any necessary regulation of international trade can be implemented in advance of anticipated circumstances, rather than after damage has occurred.

2. The Government of Canada to impose annual global quotas (with quarterly limits) on imports of live and processed beef. It is further recommended that:

(a) Quotas for live and processed beef exports from the United States be established to guarantee equal market share if possible. If this approach is not possible, the quota should relate to historical trade volume relationships.

(b) The establishment of quota on processed non-U.S. beef imports at a level equal to 10 per cent of the American global quota be implemented as soon as possible.

(Proceedings No. 9, Page 50)

Mr. Robert Eaton, M.P.P., Parliamentary Assistant to the Ontario Minister of Food and Agriculture

We recognize that from time to time Canada has adopted ad hoc measures to stem the flow. In 1974 and again in 1976 quotas on beef were established. Recently Canada has exchanged letters with the U.S., Australia and New Zealand under which anticipated levels of beef trade were outlined. These measures have been helpful but they are not sufficient.

They do not provide Canadian beef producers with knowledge of maximum beef imports.

Canadian producers have noted the wide fluctuations and the increase in beef imports... They are correct when they diagnose the cause as the absence of a Meat Import Law when other importing nations act to stabilize the domestic market by import control. They have requested Canada to implement legislation similar to that of the U.S. which would provide for a more secure basis for individuals to plan future productions **We support the cattlemen's request for a Meat Import Law.**

(Proceedings No. 9, Page 44)

Agency or Marketing Board Control over Imports

However, an import law was not the only suggestion made to the Committee. Some producers and governments recommended that producers themselves through either an agency or a marketing board, should be empowered to regulate the flow of imports, perhaps even to import and market this beef.

Mr. Randy Konkin, Secretary, Western Canada Cow-Calf Association

While we recognize that it is difficult for a country to restrict imports when there is no domestic supply management, thus violating the terms of the General Agreement on Tariffs and Trades, the fact that Canada, with an immense beef industry, finds herself in this predicament, reflects the low priority Canadians place on agriculture in general and on our cow-calf industry in particular. **We feel it only proper to demand that henceforth the beef industry, including**

representation from the cow-calf segment, regulate and control the import of offshore beef into our market with the intent of insulating the Canadian beef industry from the dangerous gyrations of the intercontinental beef trade.

We must also work towards a continental trade policy with the United States. Historically, we have traded with the United States with the net effect of evening out regional shortages and surpluses. Our major export market is across the forty-ninth parallel. Any trade agreement should take into consideration the factors of cattle population, consumption and production. In such a policy, arrangements should be made to accommodate and yet regulate imports into the continental market by both countries. Such an agreement would bring more stability into the continental market and therefore the Canadian market.

(Proceedings No. 2, Page 33)

... we as an association advocate a producer import agency that would... actually determine what amount of this cheap offshore beef should be imported into the country and then act as the selling agency putting it on the Canadian market at Canadian prices.

(Brief at Yorkton, 12 April 1977)

Mr. Roy Atkinson, President,
National Farmers Union

In order to countervail the abuse of market power exercised by corporations against farmers, **we recommend the introduction of greater public planning in the beef industry through the organization of a National Meat Authority** which would be accountable, through Parliament, to farmers and the general public. We visualize the powers of such an authority to include: (among others).

(d) Holding jurisdiction over all exports and imports of dressed beef and veal and slaughter cattle;

(Proceedings No. 7, Page 78)

Mr. Ron Cocking,
Fisherville, Ontario

There is only one remedy for the beef industry in the whole of Canada, and that is a beef marketing agency which controls the production and distribution of all beef. No beef would be imported unless it was needed. It is needed; we don't produce enough beef; we have got to have imports, either from the States, Australia or New Zealand. But for it to come in willy-nilly and destroy our market is entirely our own fault as beef farmers. We have the remedy in our own hands, and we have had it for years, but we don't do anything about it. We can control our own industry.

(Statement at Stratford, 10 May 1977)

The Honourable Samuel Uskiw,
Minister of Agriculture, Manitoba

As an integral part of the supply management program, the agency should have control over imports. Beef should be imported only as needed to supplement domestic supply and be made available at prices in line with those prevailing in the domestic market. Similarly only beef surplus to domestic requirements should be exported. In this way importing and exporting should be used to a modest degree in balancing domestic supply with consumer requirements... In terms of philosophical approach to this question as a whole, I would not want to hang my hat on import laws. I would only want to do that if they were tied to a national program on production and marketing. Without that I would not want it to be the vehicle we would use to stabilize our industry.

(Proceedings No. 9, Pp. 18, and 39)

The Honourable Edgar Kaeding,
Minister of Agriculture, Saskatchewan

A national beef agency operating a domestic supply management program recognized by GATT would need the power to regulate imports and exports in order to maintain stability in the domestic market. There are a number of ways in which the agency could do this. It could act as a single-desk buyer and seller in the international market; it could issue licences to importers and exporters for the appropriate quantities and at the appropriate times in accordance with the needs of the Canadian market at any given time; or the agency could enter into contracts with private import and export firms on a fee-for-service basis.

(Proceedings No. 9, Page 85)

Tariffs as an Import Regulator

The two alternatives discussed above involved quantity control of beef imports through annual quotas which were based either on historical import levels and changes in population, consumption and domestic production or on the deficit between demand and production in an industry geared to greater Canadian self-sufficiency. Producers also suggested that imports should be controlled through price, that is by the use of variable tariffs.

Mr. Alex Olson,
Wheat Pool Committee, Spy Hill, Saskatchewan

Resolved that we favour a floor price for beef near the cost of production and to be adjusted to meet changing conditions, with a tariff placed on the imported beef equal to the difference between the cost price and the Canadian floor price.

While a floor price with a tariff on beef coming into Canada would discourage the importing of cheap beef, it wouldn't place any restriction on it except price... It would also be necessary to have the same tariff apply on feeder cattle coming into Canada.

... the only time it would affect trade with the United States is when we were below the cost of production, and we reached this floor price, then there would be no restriction as far as our plan is concerned.

(Brief, Yorkton, 12 April 1977)

Others recommended that tariffs should be used in combination with quotas to regulate beef imports.

Mr. D. Merz, First Vice-President,
British Columbia Cattlemen's Association

Tariffs are necessary to give a measure of protection against imports from countries with lower costs of production due to more favourable climate, or lower input costs and rates of taxation.

. . . it is very easy for buyers of boneless beef in Australia to upset our market tremendously. There is supposed to be an amount of 140 million pounds this year. Even if there was 50 million pounds, and they did it all in a two-month period. . dumped the meat on the market, the impact on the whole market could be very devastating. **I think we need a tariff boundary as well as a poundage boundary.**

(Proceedings No. 1, Pp. 64, 66)

Tariff quotas have been advocated by the Canadian Cattlemen's Association to regulate live cattle imports from the United States. Live cattle are not included under their suggested beef import act. The tariff quotas relate the volume of live cattle entering in a quarter to specific tariff levels. The volumes to be permitted are proportional, 1:10 ratio, to those now governing Canadian exports to the United States:

Quarterly Quota	Tariff
Up to 12,000 head	1.5 cents/lb.
12,001 to 20,500 head	2.5 cents/lb.
Over 20,500 head	5.0 cents/lb.

The proposal recognizes the smaller size of the Canadian beef industry and the effects which large flows of live cattle from the United States can have on the Canadian market. The tariff levels are used to discourage imports but the quotas are not themselves maximum volumes, if the price were right then as many cattle as were wanted could be shipped to Canada as long as the tariff were paid.

Tariffs as a Barrier to Trade

It was, however, another aspect of Canada's tariff policy and that of our southern neighbour that was of greater concern to those appearing before the Committee. On most categories of beef imports the tariffs are equivalent but on some the Canadian tariff is much lower than the American one. The example most frequently mentioned is the *ad valorem* tariff of 10 per cent levied by the United States on processed beef products like boxed beef shipments of steaks or roasts. The Canadian tariff classification system does not distinguish this type of processed beef and veal from the broader class of fresh, chilled or frozen beef or veal so the levy is only 3 cents per pound. There are also differences in the tariffs on feeder calves; the American tariff is 2.5 cents per pound on cattle weighing from 200 to 699 pounds, while the Canadian tariff is only 1.5 cents.

The witnesses have called for the renegotiation of these tariffs to effect their harmonization by either lowering the American tariff or raising the Canadian.

The Honourable Marvin Moore,
Minister of Agriculture, Alberta

It is on this basis that the Government of Alberta strongly recommends negotiations leading to harmonization of trade and tariff policies that affect the Canadian beef industry. An example of the inequities in this area is the continued acceptance by the Government of Canada of the 10 per cent *ad valorem* duty applicable to some fresh and frozen Canadian beef products, as opposed to a 3 cents per pound duty on similar products moving into Canada.

(Proceedings No. 9, Page 43)

Mr. Robert Eaton, M.P.P.,
Parliamentary Assistant to the
Ontario Minister of Food and Agriculture

We call for full reciprocity in tariffs, quotas and non-tariff measures between Canada and the United States, for all live cattle, calves, fresh and frozen beef and veal. Most of our tariffs are set on a specific cents-per-pound basis, at a level established many years ago which now offers little or no protection to our industry. We should have *ad valorem* tariffs where our trading partners have *ad valorem* tariffs.

(Proceedings No. 7, Page 49)

Objections to the Regulation of Beef Imports

Not all organizations making presentations to the Committee supported the conclusion that the Canadian beef industry needed or should have additional protection through quotas or tariffs. The Consumers' Association of Canada rejected these mechanisms and urged the Committee to look closely at the existing legislation to see whether or not it was adequate to deal with the real problems which could arise without affording an unnecessary level of protection.

Mrs. Yvonne Miles, Executive Vice-President,
Consumers' Association of Canada

Recent months have seen the growth of a considerable controversy around the question of a meat import law and its advisability for Canada. In large part, the concern among some groups about meat imports has developed since the spring and summer of 1976, when partly as a result of a world surplus in cattle meat, Oceanic beef was finding its way into the Canadian market in record quantities and often at discounted prices. It is a long-standing concern of the CAC that too often the problems that become evident in the market for a particular commodity are attributed to imports, when in fact the major causes for the particular market disruption resides right here in Canada. The problem with this type of thinking is that it can lead to the introduction of measures such as import restrictions, which attack a symptom but not the cause of a problem and meanwhile bring hardships upon other participants in the marketing system. In the case of beef, it must be recognized that the principal reason for last year's oversupply of cow meat was that at that time, when beef production had reached its cyclical peak, surplus supply was greatly aggravated as the Canadian cow herd was culled in response to government-dictated dairy cut-backs.

We do not deny that certain safeguards may be required to deal with extraordinary forces resulting from sudden supply and demand changes in other countries. However, this does not mean that a meat import law which would impose permanent restraints on Canada's meat trade is called for. We already have the tools, in the

Import/Export Permits Act and the Anti-Dumping Tribunal, to treat the negative consequences of extraordinary trade situations. If used wisely and decisively these mechanisms can provide all of the protection that is needed by Canadian producers, yet they are flexible enough to permit easy adaptation to changing market conditions and to guard against the dangers of excessive import restriction. **Overall, however, we believe that an essentially free trade policy is necessary both to keep Canadian prices in line with U.S. or world prices and to give Canadian products continued access to important world markets.**

(Proceedings No. 7, Page 101)

Summary

Unrestricted imports of beef, veal, and live slaughter cattle were recognized as a real threat to the Canadian industry by beef producers and by the provincial governments. The actions of the federal government with respect to imports was severly criticized by many producers, although most expressed their approval of the quotas on beef and veal for 1977. Unfortunately, this approval did not signify a re-establishment of trust in the federal government. The Committee heard beef producers voice their suspicions, again and again, that Canada had a cheap food policy, that once the long awaited price recovery began imports would be permitted to flow freely and that the beef industry and agriculture in general would continue to be traded off in favour of manufacturing in international negotiations. It was these fears, and the knowledge of industry's inherent production disadvantages, which prompted so many producers, either as individuals or through their organizations, to recommend a long-term or a continuing policy concerning beef imports. The beef import act was suggested by those producers who reject supply management as a solution to the problem of instability in their industry. They believe that with prior knowledge of the permitted level of imports and with satisfactory market information, producers can themselves smooth out the cycle. Other producers have less faith in the functioning of the present market system. They see supply management as a means to assure producers of fair and reasonable prices while providing consumers with a stable supply. Imports are to them a lesser problem as they would be necessary only to maintain supplies in an industry seeking to be fully self-sufficient.

Whatever the differences in economic philosophy of their proponents, the main two proposals have in common the demand that Canada should have a long-term import policy for beef, veal and live slaughter cattle. The producers, their organizations and the provincial ministers of agriculture are also agreed that the policy must be implemented, either through specific legislation respecting quantities and/or tariffs or through a national marketing board. It is a degree of assurance in its continuity as well as the protection it affords against the variations and fluctuations of the international beef market that producers are seeking in an import policy. The Standing Senate Committee on Agriculture considers their demand to be a reasonable one, indeed a necessary one. Without such a policy Canada cannot maintain a productive, viable beef industry.

Chapter IV: Recommendations of the Committee

The Standing Senate Committee on Agriculture has examined the effects of Canada's trade laws on the achievement of stability in the beef industry and found that these laws are inadequate and in many respects counter-productive. Canada needs a strong, viable beef industry. Yet the trade policy pursued by the Canadian government has drained away the resources of beef producers and caused considerable instability in both supply and price. The Committee has concluded that this policy and the laws which implement it must be changed.

In this report several problems in Canada's beef trade policy have been identified and discussed. Each problem will be reviewed briefly here and the Committee's recommendation for the alleviation of each problem will be stated. Then the recommendations will be discussed in detail.

PROBLEM 1: Over the past decade Canada's beef trade policy has been a series of ad hoc solutions to domestic and international problems. These measures have usually been implemented in reaction to, not in anticipation of, the problems so that the beef industry has suffered considerable damage. The Canadian government has ignored the special problems of this important sector of the farm economy, its production disadvantages and its inherent instability. Producers have called for a revision in Canada's trade policy to provide their industry with better long term protection. They have also asked that the policy be implemented through special legislation so that they will have the assurance of its consistent application for years to come.

RECOMMENDATION 1: The Committee is convinced that it is in the best interests of Canada for the federal government to adopt a long-term beef trade policy and that this policy must be sufficiently flexible yet consistently applied so as to assist in stabilizing the industry at a viable level. **Therefore, the Committee recommends that Canada adopt a long-term beef import policy and that Parliament enact legislation to regulate the importation of beef, veal and live cattle for slaughter.**

However, the Committee doubts that legislation can be prepared and passed prior to 31 December 1977 when the present quotas lapse.

Therefore, the Committee recommends that bilateral agreements be negotiated with the supplying countries on the basis of the trade policy outlined in the following recommendations.

PROBLEM 2: Since 1968 Canada's imports of beef and veal, whether in the form of meat or live cattle, have increased considerably. These imports of manufacturing and lower quality butcher beef have gained an increased share of our market for several reasons. During this period Canadian beef producers were witholding animals from market as they expanded their herds, consumption of beef increased as consumer expenditures rose rapidly and consumers were demanding large quantities of lower quality "hamburger" beef. Part of this demand was satisfied by large increases in Oceanic imports and Canadian producers lost some of their market share.

RECOMMENDATION 2: The Committee has had suggested to it by producers, their organizations and by provincial ministers of agriculture that Canada should adopt an import quota policy similar to that in the United States. The Committee considers that such a policy would permit a return to an appropriate level of imports as well as providing assurances to producers about the future level of imports and thus promote stability. **Therefore, the Committee recommends that the legislation regulating the importation of beef, veal and live cattle for slaughter provide for the establishment of annual quotas for each supplying country; that the quotas be based on the average of imports from each country during the period 1967 to 1974; and, that the quotas be adjusted annually to take into consideration changes in Canadian population, consumption and beef production.**

PROBLEM 3: Canadian beef producers because of climatic conditions, feed costs, taxes and other reasons have higher production costs than do producers in most other beef producing countries. The disadvantage is very considerable in the cases of New Zealand and Australia and, although smaller in the case of the United States still very significant. The traditional tariff barriers of 1.5 cents per pound on live cattle and 3 cents per pound on dressed meat have afforded very little protection to the industry against lower cost beef imports. Indeed they have permitted the supply and demand situation in the United States to determine market prices in Canada to the detriment of Canadian producers at all stages of the beef cycle.

RECOMMENDATION 3: The Committee is concerned that even with a quota policy the Canadian market will remain too closely tied to that in the United States and that our beef producers will not receive sufficient returns to recover their costs. **Therefore, the Committee recommends that the tariff on imports of beef, veal and live slaughter cattle be set at 5 cents per quota pound.**

PROBLEM 4: Import quotas alone do not prevent the entry of beef when our market prices are depressed. Canada has a national stabilization program for beef which establishes a price below which producers are eligible for federal subsidies. Since our beef market is close to the same cycle as the American market, their beef as well as Oceanic beef can enter Canada when our market price is below the stabilization price and further aggravate our excess supply situation. This would amount to increased subsidies to Canadian producers because of foreign imports.

RECOMMENDATION 4: The Committee is concerned that distress priced imports can further disrupt the stability of Canadian markets during periods of low domestic prices. **Therefore, the Committee recommends that the import legislation include provisions which permit the levying of additional duties when domestic market prices for manufacturing and butcher beef fall below guide prices established in relation to existing beef stabilization programs.**

PROBLEM 5: As Canadian consumers are funding through their taxes programs which provide producers with a floor level of support they want to be assured that import restrictions do not lead to excessively high prices. The policy being recommended by the Committee should by the variation of import quotas in relation to domestic production, consumption and population encourage stability of supply and provide sufficient supplies at reasonable prices.

RECOMMENDATION 5: The Committee is concerned that Canadian consumers have protection against unreasonable or excessive beef prices as a result of the import restrictions which it is recommending. **Therefore, the Committee recommends, for the protection of Canadian consumers, that a maximum guide price be established prior to each import year and that import quotas should be adjusted if the Canadian market price rises to the guide price level.**

PROBLEM 6: Canada is a signatory of the *General Agreement on Tariffs and Trade*, Articles XI and XIX of which govern the imposition of quantitative restrictions. Article XIX permits the use of temporary quotas if imports "cause or threaten to cause serious injury to domestic producers." The Canadian government utilized this Article when it established quotas in 1974, 1975 and late 1976. However, Article XI prohibits the establishment of permanent quantitative restrictions unless there are "government measures ... to restrict the quantities of the like domestic product permitted to be marketed or produced", that is unless there is supply management. Article XI also provides that imports must be permitted entry even with a supply management program in the proportion to total domestic production prevailing during a previous representative period.

RECOMMENDATION 6: The Committee recognizes the importance of the *General Agreement on Tariffs and Trade* as a regulator of international trade and as a forum for the reduction of trade barriers. However, the Committee considers that the prerequisite of a supply management program for the introduction of quotas is unreasonable. Furthermore, it has found that directly relating imports to domestic production would increase the harmonization of beef cycles and contribute to instability by accentuating both shortages and surpluses. **Therefore, the Committee recommends that the Canadian government adopt as a priority for the current round of multilateral trade negotiations the amendment of Article XI to provide for the adoption of quantitative restrictions when governmental measures are taken to stabilize the supply of agricultural commodities and to provide for the assurance of compatible market access through market shares based on typical historical patterns.**

Detailed Discussion of Recommendations

Recommendation 1: The Committee recommends that Canada adopt a long-term beef import policy and that Parliament enact legislation to regulate the importation of beef, veal and live slaughter cattle.

Why an Act?

When the Canadian Government has acted to restrict the quantity of beef, veal and live slaughter cattle imports it has used the *Export and Import Permits Act*. This Act is inadequate because it does not contain provisions concerning either the price or volume of imports which determine whether or when it will be used. This, combined with the lack of a long-term import policy, has meant that restrictions have been imposed only after considerable damage has been done. Producers have grown weary and poorer waiting for government action and have concluded that only a specific piece of legislation with mandatory restrictions will assure them of adequate protection. With this conclusion the Committee agrees.

The Underlying Policy

However, before Canada has an import act there must be an import policy. Such a policy should be based on the following principles:

—it should be directed at assisting Canadian producers to maintain a viable beef industry producing most of Canada's beef needs;

—it should operate as an essential element of the policies designed to achieve long-term stability in the Canadian beef industry;

—it must be equitably applied to all countries supplying Canada with beef and provide these suppliers with the assurance of continued access to the Canadian market;

—and, it must provide assurances to Canadian consumers that it will not be used to force prices to unreasonably high levels.

Why include live slaughter cattle?

The Committee considered the suggestions of producers, their organizations and other witnesses as to what import categories should be included in the quotas. Some wanted all imports, live slaughter cattle, fresh and frozen beef and veal, and cooked or otherwise processed beef and veal, included; others wanted live slaughter cattle excluded. After considering both the international and the continental trade the Committee found it necessary to include all categories in the quota. To exclude live slaughter cattle would permit disruptions of our markets by American exports as happened in 1973 and to exclude cooked and preserved beef and veal would open the possibility for circumvention of the quotas.

Recommendation 2: The Committee recommends that the legislation regulating the importation of beef, veal and live slaughter cattle provide for the establishment of annual quotas for each supplying country; that the quotas be based on the average of imports from each country during the period 1967 to 1974; and, that the quotas be adjusted annually to take into consideration changes in Canadian population, consumption and beef production.

The Committee has recommended an import act with quotas and variable tariffs because the quotas can be utilized to counteract the market imbalances of the domestic beef cycle and promote stability in the industry, and because such a policy is in line with current suggestions for assuring market access to exporting nations through setting of specific shares.

The Committee has accepted the suggestion of the Canadian Cattlemen's Association concerning the calculation of the quotas. Their suggestion although based on the United States *Meat Import Act* recognized that the quotas can be utilized to promote stability by inversely relating quota size to domestic production. Thus during the expansionary phase of the beef cycle imports will increase and during the contraction when Canadian beef supplies rise, imports will decrease. As a result our producers will be encouraged to plan their production to closely mirror the growth in Canadian consumption which is directly related to changes in population and income. The Canadian Cattlemen's Association also suggested that imports be adjusted to take into account changes in Canadian population and consumption so as to permit our suppliers to maintain their relative share of our market.

Base period: The Committee has recommended that the base period for the calculation of quotas should be the period 1967 to 1974. This period includes years when Canada was both a net exporter and a net importer. As such it produces a market share for imports that the Committee considers to be fair and reasonable while at the same time permitting Canadian producers to recoup some of the market lost during the abnormal situation after 1969 when consumption patterns changed.

Quota pound: The Committee has concluded that the quotas should be expressed on the basis of cold dressed carcass weight to facilitate the proper monitoring of beef imports in whichever form they enter: live cattle, dressed carcasses, bone-in cuts, boneless beef, or canned and processed product. Conversion rates for each of these categories have been or can be established. The ratios commonly accepted are 0.57 for live cattle, 1.32 for bone-in cuts and 1.54 for boneless beef and veal.

Minimum quotas: Each supplying country will be guaranteed a market share equivalent to its average annual exports to Canada during the period 1967 to 1974. These averages will also be used as the basis for the calculation of the annual import quota. For example, the minimum quotas for our main three suppliers calculated on their imports of live slaughter cattle and fresh, chilled or frozen beef and veal but excluding cooked or processed meat would be, expressed on a cold dressed carcass weight basis:

New Zealand	71,329,000 pounds
Australia	55,243,000 pounds
United States	58,482,000 pounds

Quota adjustments: For each factor, population, consumption and net domestic production, an estimate will have to be made concerning the import year. Then the percentage difference between the estimate and the average of the factor during the base period, 1967 to 1974, would be calculated. The minimum annual quota allocated to each country would then be adjusted by these percentage changes, with increases in population and consumption adding to the quota while an increase in production would be subtracted. This is best illustrated by example, so the quotas for 1976 will be calculated. This will allow a comparison with the actual level of imports in that disastrous year. From the base to 1976 the increase in the three factors are as follows:

(i) Consumption: During the base period the average annual consumption was 94.0 pounds. In 1976 the level was 115.5 pounds, an increase of 22.9 per cent.

(ii) Population: During the base period the Canadian population averaged 21,413,000 as of the first of June each year. In 1976, the population was 23,110,000 an increase of 7.9 per cent.

(iii) Production: During the base period net domestic production (domestic slaughter minus imported slaughter cattle and calves minus meat exports) averaged 1,840,779,000 pounds. In 1976, it was 2,196,916,000 pounds an increase of 19.3 per cent.

The quota calculations for 1976 are shown in Table XVI. All three of our major suppliers of beef and veal exported to Canada shipments in excess of the quantities which would have been permitted under an act such as the Committee has recommended. In the case of New Zealand, the excessive imports amounted to 51.4 per cent of the suggested quota; for Australia, they represented 165.6 per cent; and, for the United States, 80.0 per cent. In total Canada's actual imports in 1976 were 94.5 per cent above the quota levels suggested here.

TABLE XVI

Sample Calculation of 1976 Quotas

(000's lbs cold dressed carcass weight)

	New Zealand	Australia	United States
Minimum Quota	71,329	55,243	58,482
Consumption Adjustment (+22.9%)	16,334	12,651	13,392
Population Adjustment (+7.9%)	5,635	4,364	4,620
Production Adjustment (−19.3%)	−13,766	−10,662	−11,287
1976 Quota	79,532	61,596	65,207
1976 Imports	120,405	163,617	117,374
Excess Imports	40,873	102,021	52,167

Quota monitoring: Various suggestions were made to the Committee concerning the acceptable flow of imports into the country. The most reasonable is to permit only a certain proportion of the total to enter in any one quarter. The Committee considers that a reasonable proportion is 30 per cent and notes that this proportion was utilized in 1974/5 by the federal government and accepted by the supplying countries.

Recommendation 3: The Committee recommends that the tariff on imports of beef, veal and live slaughter cattle be set at 5 cents per quota pound.

The Committee's research has found that costs of production are significantly higher in Canada than they are in the United States. Canadian cow-calf producers cash costs are on average $10.64 higher per hundred weight of calf raised than those in the United States. This wide variation in costs was also evident in the production of finished cattle. Cash cost differentials of from $3.27 to $5.56 per hundred weight of gain and total cost differences of up to $6.99 were found when feeding operations in Canada, Ontario, and Alberta were compared with those in several of the United States, including Nebraska, Texas, Oklahoma, Kansas and Colorado. These cost differences which create a considerable cost of production disadvantage are mainly attributable to winter feed costs which are higher in Canada due to our harsher climate, as well as the overall higher costs of feed grains in Canada.

The Committee has concluded that Canadian producers need a higher tariff to permit them to make a reasonable return. Under present circumstances with Canadian prices being determined by the supply and demand situation in the United States, our producers are in a very vulnerable position. They are forced to take nearly the same price for their higher cost production as producers in the United States receive. The Committee considers that this dependence on the market in the United States should be reduced as it is detrimental to the achievement of stability in the Canadian industry.

Recommendation 4: The Committee recommends that the import legislation include provisions to permit the levying of additional duties when domestic market prices for manufacturing and butcher beef fall below guide prices established in relation to beef stabilization programs.

While imports should be used to promote stability of supply they must not be permitted to severely destabilize prices. The Committee has concluded on the basis of the evidence provided to it that Canadian producers have significant production disadvantages when their costs are compared to those of producers in the supplying countries. Furthermore, the experiences of the fat cattle market in 1973 and the cow market in 1976 clearly show the effects that distress selling has on prices in the Canadian market.

Canada's beef imports are of two types, manufacturing beef for use as hamburger which originates in the Oceanic countries and butcher beef which is primarily consumed as cuts and mostly originates in the United States. These import types reflect closely the markets for domestic production; manufacturing beef competes in Canada against cattle grading C and D and butcher beef competes on the market with cattle grading A and B.

Various methods for the regulation of import prices were studied by the Committee to determine whether they would be effective, easy to administer, and consistent with long-term stabilization programs being considered by the Committee. The method which best met these criteria involves the use of guide price levels and variable tariffs.

These guide prices would be established on a quarterly basis for both categories of imports. At this time the Committee considers that the method of calculating the support price under the *Agricultural Stabilization Act* to be an acceptable model for the calculation of the guide prices. However, the Committee is reviewing the price stabilization program as it has many deficiencies and may not be the best method for providing government assistance to the industry, and its future recommendations on stabilization may suggest modifications to this method of calculating guide prices. In the case of butcher beef the Committee recommends that the guide price be the support price for A1/A2 slaughter cattle set under the Act. A guide price will have to be calculated for manufacturing beef as there is not a stabilization program for D grade cows.

An additional tariff would be charged on imports when the Canadian market price for that category of beef plus the existing tariff falls below the guide price level. For example, the 1976 support price for butcher beef on a cold dressed carcass weight basis, was \$70.28 per cwt. If the Canadian market price on this same basis had fallen to \$63.00 per cwt, then imports of butcher beef would have been charged an additional tariff of \$2.28 per cwt over and above the existing tariff of \$5.00 per cwt. This would bring the total tariff to \$7.28 per cwt.

Recommendation 5: The Committee recommends, for the protection of Canadian consumers, that a maximum guide price be established for each import year and that import quotas should be adjusted if the Canadian market price rises to this guide price level.

The Committee in its terms of reference for this inquiry undertook to consider the interests of both producers and consumers. The recommendations which it has made with regard to quotas and tariffs are intended to assist beef producers to re-establish a strong and viable beef industry in Canada. This objective is also in the interests of our consumers for in the long run it will bring stability to the industry, reduce the extreme price fluctuations, and assure a sufficient supply of domestic beef.

However, shortages and unreasonable prices may occur and the Committee believes that Canadian consumers have the right to an assurance that the federal government will consider their interests at such times. The Committee could have followed the example of the United States *Meat Import Act* by recommending a general provision for the modification of import quotas in the interest of national security or adequate supplies. However, the Committee wanted to be more specific. It concluded that the establishment, after discussions with producers and consumers, of maximum guide prices for butcher beef and manufacturing beef prior to each import year would be the best alternative. The continuance of import quotas would depend on the domestic market prices remaining below these levels. When the market prices rose to the guide price then the quotas would be adjusted for subsequent quarters until market prices fell again. In this way the import restrictions would not contribute to the maintenance of unreasonable beef prices.

Recommendation 6: The Committee recommends that the Canadian government adopt as a priority for the current round of multilateral trade negotiations the amendment of Article XI to provide for the adoption of quantitative restrictions when governmental measures are taken to stabilize the supply of agricultural commodities and to provide for the assurance of compatible market access through market shares based on typical historical patterns.

The *General Agreement on Tariffs and Trade* is the major international trading agreement. Its primary objective is the "substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce"; the liberalization of trade. Canada was an original signatory of this agreement and the Committee recognizes that as a trading nation it is in our interests to promote the development of free trade.

However, the case can and should be made that the agricultural sector, because of its inherent instability and its importance to Canadian society, deserves special consideration. The Committee agrees therefore with the conclusions of the Economic Council of Canada in its recent report on trade strategy:[1]

> Several difficult problems facing both Canadian and foreign agriculture, militate against a rapid move to free trade for farm products . . . Thus special rules for agriculture could be negotiated on the principle that adjustment in this particular industry requires a longer-term approach.

The Committee has found two Articles of the G.A.T.T. which it considers too restrictive and incompatible with the objectives of Canada's agricultural policy. These are Article XI which prohibits the establishment of permanent quantative restrictions unless there are "governmental measures . . . to restrict the quantities of the like domestic product permitted to be marketed or produced . . .", and Article XIX which permits the temporary restriction of imports when these reach a level such "as to cause or to threaten to cause serious injury to domestic producers . . ."

The Committee's objective for the Canadian beef industry is the introduction of a series of measures which will promote stability of supply and price. Canada's beef producers are not prepared at this time to accept supply management with production controls as required by Article XI. Acceptance of this principle means that Canada can only take actions to regulate imports when serious damage is threatened or occured as per Article XIX. The Committee has concluded that this is an intolerable situation as it reduces drastically the effectiveness of any attempt, short of rigid supply management, to bring stability to the industry.

It is clear from the evidence discussed in Chapter Two that the United States with its *Meat Import Act* has permanent measures to regulate imports, and that the European Economic Community and Japan have stringent import controls involving tariffs and quotas. All of these exist without supply management. They have been structured to meet the needs of beef producers in the various countries and have as their underlying objective stability in the domestic market place. Should Canada settle for less? The Committee thinks not.

The *General Agreement on Tariffs and Trade* needs amendment. The Committee has recommended that the Government of Canada seek such amendments, especially of Article XI, as are necessary to permit the achievement of Canada's agricultural goals within an acceptable international framework. The Committee believes that other importing countries might be amenable to such changes and that exporting countries

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[1]Economic Council of Canada, *Looking Outward, A New Trade Strategy for Canada*, (Ottawa, 1975) P. 151.

would be prepared to consider them if market access is guaranteed through representative market shares.

Conclusion

Beef producers from across Canada have asked the Standing Senate Committee on Agriculture to recommend both an effective import control policy for beef and legislation to implement it. The Committee is convinced that this request is a reasonable and a necessary request. The events of the past decade and the evidence presented to the Committee prove that the Canadian beef market is vulnerable to damage by foreign beef supplies and that Canadian beef producers have much higher costs of production than do producers in New Zealand, Australia and the United States. It is obvious that to prevent the further erosion of our beef industry Canada must adopt and implement a long-term beef import policy.

Canada needs a strong, viable beef industry for beef production is of major importance to both the farm economy and the economy in general. Yet the events of the last three or four years have shaken the confidence of the beef producers and placed many of them on the verge of bankruptcy. Cow-calf producers, the bedrock of the industry have been the most severely injured and Canada is in danger of loosing a large portion of its cow herd if actions are not taken soon.

It is clear what these actions should be. The Standing Senate Committee on Agriculture has identified serious problem areas which an import policy must seek to remedy. It has made six detailed recommendations which will, if implemented, do much to reduce the negative influence which imports have on the Canadian beef industry. The recommendations will also assist in the development of greater stability in the industry a goal which is in the best interests of both consumers and producers.

The importation of beef, veal and live slaughter cattle must be regulated; of this the Committee is convinced. We hope that our recommendations will be supported by Canadians interested in the preservation of this important industry and accepted by the government.

Appendices

Appendix A: List of Witnesses

Hearings:

16 December 1976: Ottawa

Canadian Federation of Agriculture:
Mr. C. Munroe, President;
Mr. William Hamilton, Executive Secretary

Canadian Cattlemen's Association:
Mr. Boyd Anderson, President;
Mr. Charles Gracey, Manager;
Mr. Chris Mills, Secretary

British Columbia Cattlemen's Association:
Mr. D. Merz, 1st Vice President;
Mr. N. L. Campbell, Member of the Executive Committee

La Fédération de Producteurs de bovins du Québec:
Mr. Xavier Fortin, 1st Vice President;
Mr. Maurice Mercier, Secretary;
Mr. Francois Dagenais, Economist

Alberta Cattle Commission:
Mr. Don Matthews, Chairman;
Mr. Jim Boyd, Director and Member of the Executive

17 December 1976: Ottawa

Manitoba Cow-Calf Producers:
Mr. Terry Eyjolfson, President

Manitoba Beef Producers Association:
Mr. Charles Mayer, President

Western Canada Cow-Calf Association:
Mr. Evann Thordarson, Director;
Mr. Randy Konkin, Secretary

Battle River Citizens Group:
Mr. Cliff Downey, Delegate

9 February 1977: Ottawa

Department of Agriculture:
The Honourable Eugene Whelan, Minister
Mr. Roger Eyvindson, Economics Branch

16 February 1977: Ottawa

Department of Industry, Trade and Commerce:
Mr. R. E. Latimer, Assistant Deputy Minister, International Trade Relations
Mr. Eugene Lapointe, Export & Import Permits Division
Mr. R. Ablett, Office of General Relations
Mr. Campbell Stuart, General Director, Agriculture, Fisheries and Food Products Branch
Mr. E. Crowston and Mr. A. G. Baker, Livestock, Meat and Dairy products Division

22 February 1977: Ottawa

Ontario Agricultural College:
Mr. Larry Martin, Associate Professor of Agricultural Economics

8 March 1977: Ottawa

Department of Agriculture British Columbia:
Mr. I. C. Carne, Director of Financial Services
Department of Agriculture and Food, Ontario:
Mr. Robert Eaton, P.P.P. Parliamentary Assistant to the Ontario Minister of Agriculture and Food
Mr. Earl Hastett, Director, Economics Branch
National Farmers' Union
Mr. Roy Atkinson, President
Mr. Stuart Thiessen, Executive Secretary
Consumers' Association of Canada
Mr. Yvonne Miles, Executive Vice-President
Mrs. Maryon Brechin, Past-President

9 March 1977: Ottawa

Department of Agriculture and Forestry, Prince Edward Island:
- The Honourable A. E. Ings, Minister
- Mr. A. W. Humphrey, Deputy Minister
- Mr. D. Faulkner, Director, Economics and Marketing Statistics

Department of Agriculture and Marketing, Nova Scotia:
- The Honourable John Hawkins, Minister
- Mr. Stuart Allaby, Director of Livestock Services

Nova Scotia Beef Breeders Association:
- Mr. M. Oulton

Department of Agriculture and Rural Development, New Brunswick:
- Mr. R. H. Scovil, Deputy Minister
- Mr. F. R. Johnson, Director of Livestock and Poultry Branch

The Agricultural Institute of Canada:
- Mr. Allan W. Beattie, President
- Mr. James A. Lore, Agriculture Consultant
- Mr. Lex Rutherford

10 March 1977: Ottawa

Department of Agriculture, Manitoba:
- The Honourable Samuel Uskiw, Minister
- Mr. W. P. Janssen, Deputy Minister

Department of Agriculture, Alberta:
- The Honourable Marvin E. Moore, Minister
- Mr. J. H. Hanna, Assistant Deputy Minister, Marketing
- Mr. J. L. Dawson, Head of Market Analysis Branch
- Mr. J. E. Miller, M.L.A. Chairman, Caucus Agriculture Committee

Department of Agriculture, Saskatchewan:
- The Honourable Edgar Kaeding, Minister
- Mr. R. Dalgliesh, Deputy Minister

23 March 1977: Ottawa

University of Saskatchewan:
- Mr. D. G. Devine, Associate Professor, Department of Agricultural Economics, Coordinator and Conference Chairman, "Meat-Grain Interface Project".
- Mr. C. M. Williams, Professor and Head, Department of Animal and Poultry Science, Steering Committee Chairman, "Meat-Grain Interface Project".

12 May 1977: Ottawa

Canadian Egg Marketing Agency:
Mr. M. E. Gerry Pringle, Chairman
Mr. Max Roytenberg, General Manager
National Livestock Markets Association:
Mr. Doug McDonell, Vice-President;
Mr. Don Allewell, Director
Mr. Fred Campbell, Secretary Manager

1 June 1977: Ottawa

Mr. John Pahara, Lethbridge, Alberta
Mr. Dick Boulton, Lethbridge, Alberta

2 June 1977: Ottawa

Mr. John Pahara, Lethbridge, Alberta
Mr. Dick Boulton, Lethbridge, Alberta
Mr. S. B. Williams, Hays & Williams Co.

16 June 1977: Ottawa

Department of Industry, Trade and Commerce:
The Honourable Jean Chretien, Minister
Mr. Robert Latimer, Assistant Deputy Minister, International Trade Relations
Mr. Richard Abblet, Office of General Relations
Mr. Campbell Stuart, General Director of Agriculture, Fish and Food Product Branch
Mr. George Baker, Agriculture, Fish and Food Product Branch

23 June 1977: Ottawa

Canada Packers Co. Ltd.:
Mr. W. F. McLean, President
Mr. E. J. Robert, Vice President and General Manager
Mr. L. W. MacLeod, General Beef Manager

Public Meetings:

11 April 1977:

Portage la Prairie, Manitoba

12 April 1977:

Yorkton, Saskatchewan

13 April 1977:

North Battleford, Saskatchewan

14 April 1977:

Lethbridge, Alberta

15 April 1977:

Wetaskiwin, Alberta

16 April 1977:

Kamloops, British Columbia

18 April 1977:

Shaunavon, Saskatchewan

10 May 1977:

Stratford, Ontario

11 May 1977:

Smith Falls, Ontario

Appendix B: Relevant Agreements and Acts

General Agreement on Tariffs and Trade

Article XI

General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

(*a*) Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party;

(*b*) Import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade;

(*c*) Import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

Any contracting party applying restrictions on the importation of any product pursuant to sub-paragraph (*c*) of this paragraph shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value. Moreover, any restrictions applied under (i) above shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the contracting party shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

Article XIX

Emergency Action on Imports of Particular Products

1. (*a*) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(*b*) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in sub-paragraph (*a*) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the CONTRACTING PARTIES as far in advance as may be practicable and shall afford the CONTRACTING PARTIES and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this Article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (*a*) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the CONTRACTING PARTIES, the application to the trade of the contracting party taking such action, or, in the case envisaged in paragraph 1 (*b*) of this Article, to the trade of the contracting party requesting such action, of such substantially equivalent concessions or other obligations under this Agreement the suspension of which the CONTRACTING PARTIES do not disapprove.

(*b*) Notwithstanding the provisions of sub-paragraph (*a*) of this paragraph, where action is taken under paragraph 2 of this Article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such concessions or other obligations as may be necessary to prevent or remedy the injury.

Export and Import Permits Act

2-3 ELIZABETH II.

CHAPTER 27.

An Act respecting the Export and Import of Strategic and Other Goods.

[Assented to 31st March, 1954.]

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

SHORT TITLE.

Short title.

1. This Act may be cited as the *Export and Import Permits Act*.

INTERPRETATION.

Definitions.

2. In this Act,

"Area Control List." (*a*) "Area Control List" means a list of countries established under section 4;

"Export Control List." (*b*) "Export Control List" means a list of goods established under section 3;

"Import Control List." (*c*) "Import Control List" means a list of goods established under section 5;

"Minister." (*d*) "Minister" means the Minister of Trade and Commerce, and includes any person authorized by him to perform his functions under this Act; and

"Resident of Canada." (*e*) "resident of Canada" means, in the case of a natural person, a person who ordinarily resides in Canada and, in the case of a corporation, a corporation having its head office in Canada or operating a branch office in Canada.

ESTABLISHMENT OF CONTROL LISTS.

Export list of goods.

3. The Governor in Council may establish a list of goods, to be called an Export Control List, including therein any article the export of which he deems it necessary to control for any of the following purposes, namely,

(*a*) to ensure that arms, ammunition, implements or munitions of war, naval, army or air stores or any articles deemed capable of being converted thereinto or made useful in the production thereof or otherwise having a strategic nature or value will not be made available to any destination wherein their use might be detrimental to the security of Canada;

2-3 ELIZABETH II.

CHAPITRE 27.

Loi concernant l'exportation et l'importation de marchandises de valeur stratégique et d'autres marchandises.

[Sanctionnée le 31 mars 1954.]

Sa Majesté, sur l'avis et du consentement du Sénat et de la Chambre des Communes du Canada, décrète:

TITRE ABRÉGÉ.

1. La présente loi peut être citée sous le titre: *Loi sur les licences d'exportation et d'importation.* Titre abrégé.

INTERPRÉTATION.

2. Dans la présente loi, l'expression Définitions

a) «liste de pays visés par contrôle» signifie une liste de pays établie selon l'article 4; «liste de pays visés par contrôle»

b) «liste de marchandises d'exportation contrôlée» signifie une liste de marchandises établie selon l'article 3; «liste de marchandises d'exportation contrôlée»

c) «liste de marchandises d'importation contrôlée» signifie une liste de marchandises établie selon l'article 5; «liste de marchandises d'importation contrôlée»

d) «Ministre» désigne le ministre du Commerce et comprend toute personne qu'il autorise à remplir ses fonctions sous le régime de la présente loi; «Ministre»

e) «résident du Canada» désigne, dans le cas d'une personne naturelle, une personne qui réside ordinairement au Canada et, dans le cas d'une corporation, une corporation qui a son siège social ou qui exploite une succursale au Canada. «résident du Canada»

ÉTABLISSEMENT DE LISTES DE CONTRÔLE.

3. Le gouverneur en conseil peut établir une liste de marchandises, appelée «liste de marchandises d'exportation contrôlée», comprenant tout article dont, à son avis, il est nécessaire de contrôler l'exportation pour l'une quelconque des fins suivantes, savoir: Liste visant l'exportation de marchandises.

a) assurer que des armes, des munitions, ou du matériel ou des armements de guerre, des approvisionnements navals, des approvisionnements de l'armée ou de l'Air, ou des articles jugés susceptibles d'être transformés en l'un des susdits ou de pouvoir servir à leur production, ou ayant autrement une nature ou valeur stratégique, ne seront pas rendus disponibles à une destination où leur emploi pourrait être préjudiciable à la sécurité du Canada;

201.00.1

(*a*.1) to ensure that any action taken to promote the further processing in Canada of a natural resource that is produced in Canada is not rendered ineffective by reason of the unrestricted exportation of that natural resource;

(*a*.2) to limit or keep under surveillance the export of any raw or processed material that is produced in Canada in circumstances of surplus supply and depressed prices and that is not a produce of agriculture;

(*b*) to implement an intergovernmental arrangement or commitment; or

(*c*) to ensure that there is an adequate supply and distribution of such article in Canada for defence or other needs.

Export list of countries.

4. The Governor in Council may establish a list of countries, to be called an Area Control List, including therein any country the export of any goods to which he deems it necessary to control.

Import list of goods.

5. The Governor in Council may establish a list of goods, to be called an Import Control List, including therein any article the import of which he deems it necessary to control for any of the following purposes, namely,

(*a*) to ensure, in accordance with the needs of Canada, the best possible supply and distribution of an article that is scarce in world markets or is subject to governmental controls in the countries of origin or to allocation by intergovernmental arrangement;

(*a*.1) to restrict, for the purpose of supporting any action taken under the *Farm Products Marketing Agencies Act*, the importation in any form of a like article to one produced or marketed in Canada the quantities of which are fixed or determined under that Act;

(*b*) to implement any action taken under the *Agricultural Stabilization Act*, the *Fisheries Prices Support Act*, the *Agricultural Products Co-operative Marketing Act*, the *Agricultural Products Board Act* or the *Canadian Dairy Commission Act*, to support the price of the article or that has the effect of supporting the price of the article; or

(*c*) to implement an intergovernmental arrangement or commitment;

and where any goods are included in the list for the purpose of ensuring supply or distribution of goods subject to allocation by intergovernmental arrangement or for the purpose of implementing an intergovernmental arrangement or commitment, a statement of the effect or a summary of the arrangement or commitment, if it has not previously been laid before Parliament, shall be laid before Parliament not later than fifteen days after the Order of the Governor in Council including those goods in the list is published in the

a.1) s'assurer que toute mesure prise pour favoriser le traitement supplémentaire au Canada d'une ressource naturelle qui y est produite ne devienne pas inopérante du fait de l'exportation sans restriction de cette ressource naturelle;

a.2) limiter les exportations de matières premières ou transformées d'origine canadienne, ou en conserver le contrôle, lorsqu'il y a surproduction et chute des cours et qu'il ne s'agit pas d'un produit agricole;

b) mettre en œuvre un arrangement ou un engagement intergouvernemental; ou

c) assurer un approvisionnement et une distribution de cet article au Canada qui suffisent aux besoins de la défense ou autres.

4. Le gouverneur en conseil peut établir une liste de pays, appelée «liste de pays visés par contrôle», comprenant tout pays vers lequel il estime nécessaire de contrôler l'exportation de marchandises.

Liste de pays aux fins d'exportation.

5. Le gouverneur en conseil peut établir une liste de marchandises, appelée «liste de marchandises d'importation contrôlée», comprenant tout article dont, à son avis, il est nécessaire de contrôler l'importation pour l'une quelconque des fins suivantes, savoir:

Liste visant l'importation de marchandises.

a) assurer, selon les besoins du Canada, le meilleur approvisionnement et la meilleure distribution possibles d'un article rare sur les marchés mondiaux ou soumis à des régies gouvernementales dans les pays d'origine ou à une répartition par arrangement intergouvernemental;

a.1) appuyer une mesure prise en vertu de la *Loi sur les offices de commercialisation des produits de ferme*, en limitant l'importation sous quelque forme d'un article semblable à un article produit ou commercialisé au Canada dont les quantités sont fixées ou déterminées en vertu de cette loi;

b) mettre à exécution toute mesure prise selon la *Loi sur la stabilisation des prix agricoles*, la *Loi sur le soutien des prix des produits de la pêche*, la *Loi sur la vente coopérative des produits agricoles*, la *Loi sur l'Office des produits agricoles* ou la *Loi sur la Commission canadienne du lait*, ayant pour objet ou pour effet de soutenir le prix de l'article; ou

c) mettre en œuvre un arrangement ou un engagement intergouvernemental;

et lorsque des marchandises sont incluses dans la liste en vue d'assurer l'approvisionnement ou la distribution de marchandises sujettes à répartition par arrangement intergouvernemental ou pour donner suite à un arrangement ou engagement intergouvernemental, un exposé de l'effet ou un sommaire de l'arrangement ou engagement, s'il n'a pas été antérieurement présenté au Parlement, doit l'être au plus tard quinze jours après que l'arrêté du gouverneur en conseil faisant entrer ces marchandises dans la liste est publié dans la

Canada Gazette pursuant to the *Statutory Instruments Act* or, if Parliament is not then sitting, on any of the first fifteen days next thereafter that Parliament is sitting.

(2) Where at any time it appears to the satisfaction of the Governor in Council on a report of the Minister made pursuant to

(*a*) an inquiry made by the Textile and Clothing Board with respect to the importation of any textile and clothing goods within the meaning of the *Textile and Clothing Board Act*, or

(*b*) an inquiry made under section 16A of the *Anti-dumping Act* by the Anti-dumping Tribunal in respect of any goods other than textile and clothing goods within the meaning of the *Textile and Clothing Board Act*

that goods of any kind are being imported or are likely to be imported into Canada at such prices, in such quantities and under such conditions as to cause or threaten serious injury to Canadian producers of like or directly competitive goods, any goods of the same kind may, by order of the Governor in Council, be included on the Import Control List in order to limit the importation of such goods to the extent and for the period that, in the opinion of the Governor in Council, is necessary to prevent or remedy the injury.

Amendment of lists.

6. The Governor in Council may revoke, amend, vary or re-establish any Area Control List, Export Control List or Import Control List.

PERMITS AND CERTIFICATES.

Export permits.

7. The Minister may issue to any resident of Canada applying therefor a permit to export goods included in an Export Control List or to a country included in an Area Control List, in such quantity and of such quality, by such persons, to such places or persons and subject to such other terms and conditions as are described in the permit or in the regulations.

Import permits.

8. The Minister may issue to any resident of Canada applying therefor a permit to import goods included in an Import Control List, in such quantity and of such quality, by such persons, from such places or persons and subject to such other terms and conditions as are described in the permit or in the regulations.

Import certificates.

9. The Minister may, in order to facilitate importation of goods into Canada and compliance with the laws of the country of export, issue to any resident of Canada applying therefor an import certificate stating that the applicant has undertaken to import the goods described in the

Gazette du Canada en application de la *Loi sur les textes réglementaires* ou, si le Parlement ne siège pas à ce moment-là, l'un des quinze premiers jours où il siège par la suite.

(2) Lorsque à un moment quelconque le gouverneur en conseil est convaincu, sur rapport du Ministre établi en application

a) d'une enquête effectuée par la Commission du textile et du vêtement relativement à l'importation d'articles de textile et d'habillement tels qu'ils sont définis dans la *Loi sur la Commission du textile et du vêtement*, ou

b) d'une enquête effectuée en vertu de l'article 16A de la *Loi antidumping* par le Tribunal antidumping relativement à des marchandises autres que les articles de textile et d'habillement définis par la *Loi sur la Commission du textile et du vêtement*,

que des marchandises de tout genre sont importées ou seront vraisemblablement importées au Canada à des prix, en quantités et dans des conditions portant ou menaçant de porter un préjudice sérieux aux producteurs canadiens de marchandises semblables ou directement concurrentes, toutes marchandises du même genre peuvent, par décret du gouverneur en conseil, être incluses dans la liste de marchandises d'importation contrôlée afin de limiter l'importation de ces marchandises dans la mesure et pour la période nécessaires, de l'avis du gouverneur en conseil, pour empêcher ce préjudice ou y remédier.

6. Le gouverneur en conseil peut révoquer, modifier, changer ou rétablir toute liste de pays visés par contrôle, liste de marchandises d'exportation contrôlée ou liste de marchandises d'importation contrôlée. **Modification des listes.**

LICENCES ET CERTIFICATS.

7. Le Ministre peut délivrer à tout résident du Canada qui en fait la demande une licence d'exporter des marchandises comprises dans une liste de marchandises d'exportation contrôlée ou à un pays nommé dans une liste de pays visés par contrôle, en la quantité et de la qualité, par les personnes, aux endroits ou personnes et sous réserve des autres stipulations et conditions que décrivent la licence ou les règlements. **Licences d'exportation.**

8. Le Ministre peut délivrer à tout résident du Canada qui en fait la demande une licence d'importer des marchandises comprises dans une liste de marchandises d'importation contrôlée, en la quantité et de la qualité, par les personnes, des endroits ou des personnes et sous réserve des autres stipulations et conditions que décrivent la licence ou les règlements. **Licences d'importation.**

9. Le Ministre peut, afin de faciliter l'importation de marchandises au Canada et l'observation des lois du pays d'exportation, délivrer, à tout résident du Canada qui en fait la demande, un certificat d'importation énonçant que l'auteur de la demande s'est engagé à importer les marchan- **Certificats d'importation.**

certificate within the time specified therein and containing such other information as the regulations require.

Alteration of permits, etc.

10. The Minister may amend, suspend, cancel or reinstate any permit, certificate or other authorization issued or granted under this Act.

Other lawful obligations not affected.

11. A permit, certificate or other authorization issued or granted under this Act does not affect the obligation of any person to obtain any licence, permit or certificate to export or import that may be required under this or any other law or to pay any tax, duty, toll, impost or other sum required by any law to be paid in respect of the exportation or importation of goods.

REGULATIONS.

Regulations.

12. The Governor in Council may make regulations,

(*a*) prescribing the information and undertakings to be furnished by applicants for permits, certificates or other authorizations under this Act, the procedure to be followed in applying for and issuing or granting permits, certificates or other authorizations, the duration thereof, and the terms and conditions, including those with reference to shipping or other documents, upon which permits, certificates or other authorizations may be issued or granted under this Act;

(*b*) respecting information to be supplied by persons to whom permits, certificates or other authorizations have been issued or granted under this Act and any other matter associated with their use;

(*c*) respecting the issue of and conditions or requirements applicable to general permits or general certificates;

(*d*) respecting the certification, authorization or other control of any in-transit movement through any port or place of any goods that are exported from Canada or of any goods that come into any port or place in Canada;

(*e*) exempting any person or goods or any class of persons or goods from the operation of any or all of the provisions of this Act; and

(*f*) generally for carrying out the purposes and provisions of this Act.

OFFENCES AND PENALTIES.

Export or attempt to export.

13. No person shall export or attempt to export any goods included in an Export Control List or any goods to any country included in an Area Control List except under the authority of and in accordance with an export permit issued under this Act.

dises décrites au certificat dans le délai y spécifié et renfermant les autres renseignements qu'exigent les règlements.

10. Le Ministre peut modifier, suspendre, annuler ou rétablir toute licence, tout certificat ou toute autre autorisation délivrée ou concédée selon la présente loi.

Modification des licences, etc.

11. Une licence, un certificat ou une autre autorisation délivrée ou concédée sous le régime de la présente loi n'atteint pas l'obligation, pour qui que ce soit, d'obtenir une licence, un permis ou certificat d'exportation ou d'importation qui peut être requis selon la présente ou toute autre loi ou d'acquitter un impôt, droit, taxe ou autre somme à payer, en vertu de quelque loi, relativement à l'exportation ou à l'importation de marchandises.

Les autres obligations imposées par la loi ne sont pas atteintes.

RÈGLEMENTS.

12. Le gouverneur en conseil peut établir des règlements

Règlements.

a) prescrivant les renseignements et les engagements que doivent fournir ceux qui demandent des licences, certificats ou autres autorisations selon la présente loi, la procédure à suivre pour la demande et la délivrance ou la concession de licences, certificats ou autres autorisations, leur durée et les conditions, y compris celles qui concernent les documents d'expédition ou autres, auxquelles des licences, certificats ou autres autorisations peuvent être délivrés ou concédés sous le régime de la présente loi;

b) concernant les renseignements que doivent fournir les personnes à qui des licences, certificats ou autres autorisations ont été délivrés ou condédés sous le régime de la présente loi et autres matières connexes à leur emploi;

c) concernant la délivrance de licences ou certificats de portée générale et les conditions et exigences y applicables;

d) concernant la certification, l'autorisation ou autre contrôle de tout mouvement, en cours de route, par un port ou endroit, de toutes marchandises qui sont exportées du Canada ou de toutes marchandises qui entrent dans un port ou endroit du Canada;

e) exemptant de l'application de la totalité ou de l'une quelconque des dispositions de la présente loi toute personne ou toute marchandise ou toute catégorie de personnes ou de marchandises; et

f) tendant d'une façon générale à l'accomplissement des fins et à l'exécution des dispositions de la présente loi.

INFRACTIONS ET PEINES.

13. Nul ne doit exporter ou tenter d'exporter des marchandises comprises dans une liste de marchandises d'exportation contrôlée, ni des marchandises vers un pays dont le nom parait sur une liste de pays visés par contrôle, si ce n'est sous l'autorité et en conformité d'une licence d'exportation délivrée selon la présente loi.

Exportation ou tentative d'exportation.

201.00.4

Import or attempt to import.

14. No person shall import or attempt to import any goods included in an Import Control List except under the authority of and in accordance with an import permit issued under this Act.

Diversion, etc.

15. Except with the authority in writing of the Minister, no person shall knowingly do any hing in Canada that causes or assists or is intended to cause or assist any shipment, transshipment or diversion of any goods included in an Export Control List to be made, from Canada or any other place, to any country included in an Area Control List.

No transfer of permits.

16. No person who is authorized under a permit issued under this Act to export or import goods shall transfer the permit to, or allow it to be used by, a person who is not so authorized.

False information.

17. No person shall wilfully furnish any false or misleading information or knowingly make any misrepresentation in any application for a permit, certificate or other authorization under this Act or for the purpose of procuring its issue or grant or in connection with any subsequent use of such permit, certificate or other authorization or the exportation, importation or disposition of goods to which it relates.

Aiding and abetting.

18. No person shall knowingly induce, aid or abet any person to violate a provision of this Act or the regulations.

Offence and penalty.

19. (1) Every person who violates any of the provisions of this Act or the regulations is guilty of an offence and is liable

(*a*) on summary conviction to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding twelve months or to both fine and imprisonment; or

(*b*) on conviction upon indictment to a fine not exceeding twenty-five thousand dollars or to imprisonment for a term not exceeding five years or to both fine and imprisonment.

Limitation on summary offences.

(2) A prosecution under paragraph (*a*) of subsection (1) may be instituted at any time within three years from the time when the subject-matter of the complaint arose.

Officers of corporations.

20. Where an offence under this Act has been committed by a corporation, whether or not the corporation has been prosecuted or convicted, every person who at the time of the commission of the offence was a director or officer of the corporation, is guilty of the like offence and is

Importation ou tentative d'importation.

14. Nul ne doit importer ou tenter d'importer des marchandises mentionnées sur une liste de marchandises d'importation contrôlée, si ce n'est sous l'autorité et en conformité d'une licence d'importation délivrée selon la présente loi.

Détournement, etc.

15. Nul ne doit, sans l'autorisation écrite du Ministre, faire sciemment au Canada quelque c ose qui cause ou qui est destiné à causer l :xpédition, le transbordement ou le détournement de marchandises mentionnées sur une liste de marchandises d'exportation contrôlée, ou quelque chose qui contribue ou qui est destiné à contribuer à l'expédition, au transbordement ou au détournement de telles marchandises, en provenance du Canada ou de quelque autre endroit, vers un pays inclus dans une liste de pays visés par contrôle.

Aucun transfert des licences.

16. Nulle personne autorisée, en vertu d'une licence délivrée selon la présente loi, à exporter ou à importer des marchandises ne doit transférer la licence à une personne qui n'est pas ainsi autorisée, ni lui permettre de s'en servir.

Faux renseignements.

17. Nul ne doit fournir volontairement quelque renseignement faux ou trompeur ni faire sciemment un faux exposé dans une demande de licence, certificat ou autre autorisation en vertu de la présente loi, ou pour en obtenir la délivrance ou la concession, ni à l'égard de l'usage qu'il sera fait par la suite de cette licence, ce certificat ou cette autre autorisation, ou à l'égard de l'exportation, de l'importation ou de la disposition de marchandises auxquelles a trait cette licence, ce certificat ou cette autorisation.

Aider et encourager.

18. Nul ne doit sciemment engager, aider ou encourager quelque personne à violer une disposition de la présente loi ou des règlements.

Infraction et peine.

19. (1) Quiconque viole l'une des dispositions de la présente loi ou des règlements est coupable d'une infraction et passible

a) sur déclaration sommaire de culpabilité, d'une amende d'au plus cinq mille dollars ou d'un emprisonnement d'au plus douze mois ou à la fois de l'amende et de l'emprisonnement; ou

b) après déclaration de culpabilité sur acte d'accusation, d'une amende d'au plus vingt-cinq mille dollars ou d'un emprisonnement d'au plus cinq ans, ou à la fois de l'amende et de l'emprisonnement.

Prescription dans le cas d'infractions punissables sur déclaration sommaire de culpabilité.

(2) Des poursuites en vertu de l'alinéa *a*) du paragraphe (1) peuvent être intentées en tout temps dans les trois ans du moment où le sujet de la plainte a pris naissance.

Fonctionnaires de corporations.

20. Lorsqu'une infraction tombant sous le coup de la présente loi a été commise par une corporation, que la corporation ait ou non été poursuivie ou déclarée coupable, chaque personne qui, lors de l'accomplissement de l'infraction, était un administrateur ou un fonctionnaire liable, on conviction, to the punishment provided for the offence, upon proof that the act or omission constituting the offence took place with his knowledge or consent or that he failed to exercise due diligence to prevent the commission of such offence.

de la corporation, est coupable de la même infraction et passible, sur déclaration de culpabilité, de la peine prévue pour l'infraction, sur preuve que l'acte ou l'omission constituant l'infraction a eu lieu à sa connaissance ou avec son consentement, ou qu'elle a omis d'exercer la diligence requise pour empêcher l'accomplissement de cette infraction.

Responsibility of resident applicants for non-resident permittees.

21. Where a permit under this Act is issued to a person who has applied therefor for or on behalf of or for the use of another person who is not a resident of Canada and such other person commits an offence under this Act, the person who applied for the permit is, whether or not the non-resident has been prosecuted or convicted, guilty of the like offence and is liable, on conviction, to the punishment provided for the offence, upon proof that the act or omission constituting the offence took place with his knowledge or consent or that he failed to exercise due diligence to prevent the commission of such offence.

Responsabilité des résidents qui demandent des licences pour des non-résidents.

21. Lorsqu'une licence prévue par la présente loi est délivrée à une personne qui l'a demandée pour une autre personne, ou de la part ou pour l'usage d'une autre personne, qui n'est pas un résident du Canada, et que cette autre personne commet une infraction visée par la présente loi, la personne qui a demandé la licence, que le non-résident ait été poursuivi ou déclaré coupable ou non, est coupable de la même infraction et passible, sur déclaration de culpabilité, de la peine stipulée pour l'infraction, sur preuve que l'acte ou l'omission constituant l'infraction a eu lieu à sa connaissance ou avec son consentement, ou qu'elle a omis d'exercer la diligence requise pour empêcher l'accomplissement de cette infraction.

Venue.

22. (1) Any proceeding in respect of an offence under this Act may be instituted, tried or determined at the place in Canada where the offence was committed or at the place in Canada in which the person charged with the offence is, resides or has an office or place of business at the time of institution of the proceedings.

Ressort.

22. (1) Toute procédure à l'égard d'une infraction tombant sous le coup de la présente loi peut être intentée, jugée ou décidée à l'endroit du Canada où l'infraction a été commise ou à l'endroit du Canada où la personne inculpée de l'infraction se trouve, réside ou a un bureau ou une place d'affaires au moment où les procédures sont intentées.

Where more than one offence.

(2) In any proceedings in respect of offences under this Act, an information may include more than one offence committed by the same person and all such offences may be tried concurrently and one conviction for any or all offences may be made, and no information, warrant, summons, conviction or other proceedings for such offences shall be deemed objectionable on the ground that it relates to two or more offences.

Lorsqu'il y a plus d'une infraction.

(2) Dans toutes procédures à l'égard d'infractions visées par la présente loi, une dénonciation peut contenir plus d'une infraction commise par la même personne, et toutes ces infractions peuvent être jugées simultanément et une déclaration de culpabilité peut être faite pour la totalité ou l'une des infractions, et aucune dénonciation, aucun mandat, aucune sommation, déclaration de culpabilité ou autre procédure à l'égard de ces infractions ne doit être réputée inadmissible du fait qu'elle a trait à deux ou plusieurs infractions.

Evidence.

23. Where it appears from the original or a copy of a bill of lading, customs form, commercial invoice or other document (hereinafter called a "shipping document") that

(*a*) goods were shipped or sent from Canada or came into Canada,

(*b*) a person, as shipper, consignor or consignee, shipped or sent goods from Canada or brought goods into Canada, or

(*c*) goods were sent to a destination or person other than as authorized in any export or import permit relating to the goods,

the shipping document is admissible in evidence in any prosecution under this Act in respect of those goods and is *prima facie* proof of any of the facts set out in paragraph (*a*), (*b*) or (*c*) appearing therefrom.

Preuve.

23. Lorsqu'il appert de l'original ou d'une copie d'un connaissement, d'une formule de douane, facture commerciale ou autre document (ci-après appelé un «document d'expédition»)

a) que des marchandises ont été expédiées ou envoyées du Canada ou sont venues au Canada,

b) qu'une personne, à titre d'expéditeur, de consignateur ou de consignataire, a expédié ou envoyé des marchandises du Canada ou a fait entrer des marchandises au Canada, ou

c) que des marchandises ont été envoyées à une destination ou une personne autre que celle qu'autorise une licence d'exportation ou d'importation relative aux marchandises,

le document d'expédition est admissible en preuve dans toute poursuite, selon la présente loi, à l'égard de ces marchandises et constitue une preuve *prima facie* de n'importe lequel des faits mentionnés à l'alinéa *a*), *b*) ou *c*) qui en ressort.

GENERAL.

Customs officers' duties.

24. All officers, as defined in the *Customs Act*, before permitting the export or import of any goods, shall satisfy themselves that the exporter or importer, as the case may be, has not violated any of the provisions of this Act or the regulations and that all requirements of this Act and the regulations with reference to those goods have been complied with.

Application of powers under the *Customs Act*.

25. All officers, as defined in the *Customs Act*, have, with respect to any goods to which this Act applies, all the powers they have under the *Customs Act* with respect to the importation and exportation of goods, and all the provisions of that Act and the regulations thereunder respecting search, detention, seizure, forfeiture and condemnation apply, *mutatis mutandis*, to any goods that are tendered for export or import or exported or imported or otherwise dealt with contrary to this Act and the regulations and to all documents relating to such goods.

Report to Parliament.

26. As soon as practicable after the 31st day of December of each year the Minister shall prepare and lay before Parliament a report of the operations under this Act for that year.

27. REPEALED (7th May, 1974).

Repeal.

28. The *Export and Import Permits Act*, chapter 104 of the Revised Statutes of Canada, 1952, is repealed.

Coming into force.

29. This Act shall come into force on a day to be fixed by proclamation of the Governor in Council.

GÉNÉRALITÉS.

Devoirs des préposés des douanes.

24. Tous les préposés, tels que les définit la *Loi sur les douanes*, doivent, avant de permettre l'exportation ou l'importation de marchandises, s'assurer que l'exportateur ou l'importateur, selon le cas, n'a violé aucune disposition de la présente loi ou des règlements, et que toutes les prescriptions de la présente loi et des règlements, relativement à ces marchandises, ont été observées.

Exercice des pouvoirs conférés par la *Loi sur les douanes*.

25. Tous les préposés, tels que les définit la *Loi sur les douanes*, ont, relativement aux marchandises visées par la présente loi, tous les pouvoirs que leur confère la *Loi sur les douanes*, à l'égard de l'importation et de l'exportation de marchandises, et toutes les dispositions de ladite loi et de ses règlements d'exécution visant la perquisition, la détention, la saisie, la confiscation et la condamnation s'appliquent, *mutatis mutandis*, à toutes marchandises présentées pour exportation ou importation, ou exportées ou importées, ou autrement traitées en opposition avec la présente loi et les règlements, ainsi qu'à tous les documents qui ont trait à ces marchandises.

Rapport au Parlement.

26. Aussitôt que possible après le 31 décembre de chaque année, le Ministre doit dresser et présenter au Parlement un rapport sur les opérations découlant de la présente loi pour l'année en question.

27. ABROGÉ (le 7 mai 1974).

Abrogation.

28. Est abrogée la *Loi sur les permis d'exportation et d'importation*, chapitre 104 des Statuts revisés du Canada (1952).

Entrée en vigueur.

29. La présente loi entrera en vigueur à une date que le gouverneur en conseil fixera par proclamation.

Appendix C: Canada's Trade in Beef and Veal

Table I — Beef Cattle: Prices in Selected Countries, quarterly averages, 1970-1976

Table II — Average Monthly Prices of Australian Frozen Boneless Cow Beef in Eastern United States and Canada, and Cow Carcasses in Montreal 1971-1976

Table III — Canada's Trade with All Countries in Slaughter Cattle and Fresh, Chilled or Frozen Beef in Terms of Slaughter Cattle

Table IV — Impact of United States Beef, Veal and Slaughter Cattle Imports on the Canadian market

Table V — Impact of Canadian Beef, Veal and Slaughter Cattle Exports on the United States Market

Table VI — Toronto A1/A2 — Omaha Choice Steer Price Differentials

TABLE I–APPENDIX C

Beef cattle: Prices in selected countries, quarterly averages, 1970-76

		Italy	Germany, Fed. Rep.	United States	Denmark	Australia
		(U.S. cents per kilogramme liveweight)				
1970:	I	78.3	79.7	67.2	49.6	39.1
	II	80.0	78.5	68.2	51.0	38.4
	III	80.9	79.4	68.3	53.5	39.2
	IV	79.3	78.7	63.3	49.7	42.0
1971:	I	76.4	78.0	68.3	49.8	41.0
	II	77.8	78.3	71.8	51.0	40.2
	III	78.4	80.5	71.4	54.8	43.0
	IV	80.5	82.7	74.1	56.8	41.3
1972:	I	83.9	100.1	78.7	64.2	44.2
	II	86.9	110.5	79.4	79.5	43.9
	III	95.5	122.3	79.9	86.1	45.1
	IV	96.9	123.3	77.3	84.2	50.9
1973:	I	120.0	131.4	95.2	106.0	54.5
	II	124.2	135.0	101.4	113.0	61.5
	III	127.4	140.6	108.1	105.9	70.5
	IV	121.3	136.3	88.6	93.7	71.2
1974:	I	110.1	127.7	100.1	88.6	56.2
	II	116.7	138.1	87.1	97.4	44.9
	III	118.4	136.9	97.5	95.9	31.8
	IV	124.6	146.0	84.4	99.9	21.2
1975:	I	141.9	157.2	78.7	107.7	17.8
	II	148.7	167.8	105.9	120.5	18.2
	III	146.4	157.9	107.2	109.3	21.5
	IV	153.8[1]	159.9	101.5	108.3	30.0
1976:	I	149.6[2]	158.5	85.3	112.6[2]	31.5

[1]October-November only. [2]January only.

Italy: Oxen, 1st quality, wholesale prices, Modena. From January 1973, Verona market.
Germany, F.R.: Young bulls, Class A, average for all markets.
United States: Steers, choice, all weights, Chicago. From November 1970, Omaha market.
Denmark: Steers for export, best quality. From January 1974, bullocks, 1st quality.
Australia: Oxen, first and second export quality, Brisbane.

Source: FAO, *Commodity Review and Outlook, 1975-1976*, (Rome, 1976), p. 57.

TABLE II–APPENDIX C

Average Monthly Prices of Australian Frozen Boneless Cow Beef
in Eastern United States and Canada, and Cow Carcasses in Montreal, 1971-1976.

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
Australian frozen boneless manufacturing beef (boneless cow); c.i.f. New York, U.S. Cents per Pound.													
1971	55.5	56.9	56.9	57.8	57.9	57.0	55.7	–	53.4	54.3	53.4	54.9	55.8
1972	57.9	58.5	60.7	62.2	63.0	64.3	63.3	62.8	61.8	62.7	63.7	67.5	62.4
1973	72.7	79.5	85.5	79.7	78.3	76.7	83.9	102.6	95.7	93.8	92.8	88.0	85.8
1974	87.4	84.7	74.1	68.4	63.3	57.8	67.0	64.0	55.9	56.2	53.7	51.5	65.3
1975	47.1	46.2	46.1	53.3	56.3	54.5	55.5	53.1	57.2	63.4	60.6	60.8	54.5
1976	62.3	68.4	73.0	77.3	75.5	66.5	64.8	67.1	67.0	59.1	59.1	63.6	67.0
Australian frozen boneless beef (commodity class 11-03); f.o.b. eastern Canadian ports, Cdn. Cents per Pound.													
1971	45.8	43.4	45.2	43.7	49.4	51.6	51.8	64.3	64.1	61.8	64.9	59.6	53.8
1972	59.2	50.0	53.0	52.4	55.3	58.6	61.4	70.1	70.3	71.0	66.3	60.6	60.7
1973	57.2	67.8	62.6	73.3	83.7	81.0	87.0	88.0	85.0	89.7	101.7	100.1	81.4
1974	102.2	98.8	91.8	91.8	79.4	71.5	67.0	68.8	62.6	62.4	66.1	69.3	77.6
1975	60.4	68.0	65.6	44.3	43.4	46.2	51.0	46.3	44.7	41.0	40.9	44.6	49.7
1976	63.0[1]	58.8	54.8	49.5	53.0	52.0	55.1	49.5	49.6	49.0	52.9	56.7	53.7
Beef carcass, good cow; wholesale price at Montreal, Cdn. Cents per Pound.													
1971	46.5	46.5	46.5	49.5	49.5	49.5	48.0	48.5	50.5	51.0	45.0	51.0	48.5
1972	52.0	50.5	57.5	57.5	56.5	56.5	54.5	55.5	55.0	55.5	52.0	53.5	55.0
1973	52.3	57.8	67.3	64.4	65.6	69.2	64.6	81.9	75.3	72.3	64.2	61.9	66.4
1974	71.2	67.3	69.7	74.1	66.9	70.8	71.1	53.8	48.6	44.6	44.2	44.6	60.6
1975	45.0	50.2	51.1	56.9	57.8	52.8	48.8	45.9	45.1	47.8	42.6	44.7	49.1
1976	48.9	54.2	55.1	62.6	60.8	57.6	52.2	51.6	53.7	46.4	42.7	44.5	52.5

Sources: Australian Meat Board. *Annual Report; The Meat Producer and Exporter.* Statistics Canada. *Imports by Commodities* (65-007); *Livestock and Animal Products Statistics* (23-203).

[1]Estimated value based on duty paid. Actual value is expected to be in the range of 46-50 cents per pound.

TABLE III–APPENDIX C

Canada's Trade with all Countries in Slaughter Cattle and Fresh, Chilled or Frozen Beef in Terms of Slaughter Cattle, 1967–1976

Year	Slaughter Cattle		Beef in Terms of Slaughter Cattle[1]		Net Trade Slaughter Cattle Equivalent[2]
	Exports	Imports	Exports	Imports	
			–Number–		
1967	12,025	24,009	57,865	53,418	- 7,537
1968	35,279	1,216	105,179	48,904	+ 90,338
1969	26,536	308	106,725	262,199	-129,246
1970	17,357	53,458	186,565	321,856	-171,392
1971	11,346	55,548	179,270	245,353	-110,285
1972	10,767	64,003	133,233	295,318	-215,321
1973	16,146	208,539	136,173	346,021	-402,241
1974	8,167	109,207	89,784	287,062	-298,318
1975	112,063	41,895	63,969	323,639	-189,502
1976	249,738	133,171	211,962	517,579	-189,050

Sources: Agriculture Canada. *Livestock Market Review.* Statistics Canada. *Exports by Commodities* (65-004); *Imports by Commodities* (65-007); *Livestock and Animal Products Statistics* (23-203).

[1]Carcass weight of commodity categories of boneless beef (11-01 and 11-03) and bone-in beef (11-05) converted to numbers of cattle on the basis of the annual average cold dressed weight of domestic and imported cattle slaughtered in Canada.

[2]Net trade of both slaughter cattle and beef in terms of slaughter cattle. Net exports +; net imports –.

TABLE IV–APPENDIX C

Impact of United States Beef, Veal and Slaughter Cattle Imports on the Canadian Market

	Canadian Imports from the United States					Imports from the United States	
Year	Dressed Beef and Veal	Slaughter Calves	Slaughter Cattle	Total	Total Canadian Production (Consumption)	As a percent of Canadian Production	As a percent of Canadian Consumption
	000's lbs dressed carcass weight						
1970	8,544	4*	30,471	39,019	1,844,822 (1,922,175)	2.1	2.0
1971	24,655	4*	31,662	56,321	1,944,425 (2,025,670)	2.8	2.8
1972	38,194	4.3	36,482	74,680	1,942,367 (2,097,412)	3.8	3.5
1973	49,719	67.3	118,845	168,631	1,857,520 (2,100,425)	9.0	8.0
1974	25,826	3.4	62,244	88,073	2,014,274 (2,207,644)	4.3	3.9
1975	16,286	5,776	23,880	45,942	2,283,493 (2,457,041)	2.0	1.8
1976	35,446	6,004	75,924	117,374	2,325,989 (2,668,926)	5.0	4.3
Average	28,381	118,630	54,215	84,291	2,030,412 (2,211,328)	4.14	3.75

Source: Agriculture Canada, *Livestock Market Review*, 1971, 1973, 1975, 1976

: U.S.D.A. *Livestock and Meat Statistics* (1973, Statistical Bulletin No. 522)
Agricultural Statistics (1976); Livestock and Meat Situation (LMS-213, February 1977)

TABLE V–APPENDIX C

Impact of Canadian Beef, Veal and Slaughter Cattle Exports on the United States Market

Year	Canadian Exports to the United States: Slaughter Cattle and Feeders	Slaughter Calves	Dressed Beef and Veal	Total	United States Production	United States Consumption	Canadian Exports: As a percent of United States Production	As a percent of United States Consumption
				'000 lbs (Carcass weight)				
1970	38,989	14,472	78,000	131,461	22,240,000	23,391,000	.60	.56
1971	69,784	14,161	74,683	158,628	22,414,000	23,491,000	.70	.70
1972	22,439	12,278	53,770	88,487	22,846,000	24,265,000	.38	.38
1973	49,319	7,294	55,487	112,100	21,634,000	23,058,000	.51	.48
1974	7,819	634	35,946	44,399	23,627,000	24,684,000	.18	.17
1975	72,879	365	22,534	95,778	24,855,000	25,676,000	.38	.37
1976	128,268	4,212	83,733	216,213	26,842,000	27,679,000	.80	.78
Average	48,596	7,630	57,736	121,009	23,494,000	24,606,000	0.50	0.49

Source: Agriculture Canada, *Livestock Market Review*, 1971, 1973, 1975, 1976

: U.S.D.A. *Livestock and Meat Statistics* (1973, Statistical Bulletin No. 522)
Agricultural Statistics (1976); Livestock and Meat Situation (LMS-213, February 1977)

TABLE VI–APPENDIX C

Toronto A1/A2–Omaha Choice Steer Price Differentials

Quarter	1972	1973	1974	1975	1976	5-year Average
Quarter 1	1.67	0.47	3.40	7.27	3.80	3.32
Quarter 2	1.41	-0.09	6.83	-0.94	3.33	2.11
Quarter 3	0.37	3.17	8.51	0.72	2.40	3.04
Quarter 4	2.11	6.34	12.99	3.29	1.78	5.30
Average	1.39	2.47	7.93	2.58	2.82	3.44

Appendix D: Cost of Production Calculations

TABLE I–APPENDIX D

Cash Costs–Cow Calf Enterprises United States 1975[1]

$/cow (Canadian Dollars)

	Corn Belt	Southeast	Northern Plains	South West	Inter-mountains
	Nebraska, Wyoming 50 cow herd	S. Caroline & Georgia 50 cow herd	Montana Wyoming 150 cow herd	Texas 300 cow herd	Nevada & Utah 300 cow herd
Winter Feed Costs	68.43	46.34	31.79	27.19	56.20
Hired Labor	.28	.28	.28	.30	.25
Interest on Operating Capital	7.33	7.53	3.49	3.26	3.50
Other Cash Costs	35.50	29.67	23.96	32.83	20.90
Total	111.11	83.87	59.54	63.58	80.85

Average cost per cow	$79.85
Average cost per calf (85% calf crop)	$93.90
Average cost per cwt of calf produced (450 lb calf)	$20.86

[1]U.S.D.A., "Estimated Production and Expenses for Beef Cow Calf Enterprises in Five Regions in the U.S.", *Livestock and Meat Situation*, (Washington, D.C., August 1976).

TABLE II—APPENDIX D

Cost Comparisons of Cow-Calf Enterprises

	Canada[1]		United States[2]	
	Alberta		Nebraska	
	Ranching Area 175 cows 1977	Mixed Farming Area 100 cows 1977	Ranching Area 1977	Mixed Farming Area 1977
	$/cow Canadian Dollars ($USx0.98)[3]			
Winter Feed Costs	77.42	121.91	92.46	56.35
Hired Labor	.30	.30	.29	.29
Interest on Operating Capital	5.15	8.59	8.57	5.54
Other Cash Costs	32.74	25.35	11.86	13.38
Total cost per cow	115.61	156.15	113.18	75.56
Cost per calf (85% calf crop)	135.95	183.63	133.09	88.86
Cost per cwt of calf produced (450 1b calf)	30.20	40.81	29.57	19.75
Average Cost per cwt of calf produced	$35.50		$24.66	
	Difference Canada vs. United States $10.54			

In Table II a comparison is made between two regions in each country; Alberta and Nebraska. Alberta is the major cattle producing province in Canada, examples are taken from a typical ranching area (Buffalo, Alberta) and prosperous mixed farming area with a high cattle population (Westlock, Alberta). Nebraska has a large cattle population and two distinct production regions, the corn belt or mixed farming area in the east and the ranching area in the west. The Table shows that in the ranching areas the costs of production are almost equal $30.20 vs. $29.57, in the mixed farming area however there is a wide difference in costs ($40.81 vs. $19.75). The average difference of $10.54 is almost equal to the difference in the national example. The main variation in these examples is again in winter feed costs. In Alberta the ranching occurs in the South and East of the province where winters are mild, the mixed farming is in the Central and Northern regions which regularly have a 180 day winter feeding period. In many cases the mixed farms have crop residue but are unable to fully utilize it.

1 Alberta Agriculture, *A Consensus of Costs and Returns,* Production Economics Branch, Report No. 132 and No. 104 (adjusted to 1977 costs on the basis of Report No. 132) (Edmonton, 1976, 1977.)

2 University of Nebraska, *Estimated Crop and Production Costs, Nebraska 1977,* Department of Agricultural Economics, (Lincoln, Nebraska 1976.)

3 Bank of Canada, *Review,* Ottawa, July 1977 (1976 Average Rates)

TABLE III–APPENDIX D

Cash Costs–Cow-Calf Enterprises–Alberta and Saskatchewan 1975
Canada
$/cow

	Alberta[1] Average 138 cows	Saskatchewan[2] Average 50 cows, Straw-Grain
Winter Feed Costs	103.88	78.10
Hired Labor	.30	.30
Interest on Operating Capital	8.79	8.25
Other Cash Costs	30.23	25.60
Cost per cow	143.20	112.25
Cost per calf (85% calf crop)	168.40	131.99
Cost per cwt of calf produced (450 lb calf)	37.42	29.33
Average Alberta and Saskatchewan	$33.37	

In order to support the Canadian average figures from Agriculture Canada, two independent studies were consulted from Alberta and Saskatchewan. Based on 1975 data the Alberta cash costs are very close to the Canadian average while Saskatchewan costs are slightly lower. This data was the best available from both Alberta and Saskatchewan and there is a wide variation in the final cash costs. In discussing these figures with their authors it became clear that Saskatchewan is using much stricter assumptions for costs than Alberta. This exemplifies the problems of comparing costs from region to region. The average of these two major beef producing provinces is $33.37/cwt of calf produced which is above the Canadian average of $31.50 for 1975 and well above the American average of $20.86/cwt of calf produced.

[1] Alberta Agriculture, Cow-Calf Production Costs and Returns 1970-1976, Production Economics Branch, Edmonton, Alberta, August, 1976

[2] Saskatchewan Department of Agriculture, Estimated Beef Calf Production Costs, Marketing and Economics Branch, Regina, Saskatchewan, June, 1977

TABLE IV–APPENDIX D

Feeding Costs in Nebraska, 1977 Fattening Steers

	Grain & Hay		Corn Silage	
	650-1100 lbs Short Keep Steers	500-1100 lbs Long Keep Steers	650-1100 lbs Short Keep Steers	400-1050 lbs Long Keep Steers
	$/Steer		$/Steer	
Feed Cost	134.60	186.75	128.11	168.97
Interest on Feeder Animal	9.90	10.90	14.80	13.50
Other Costs				
Miscellaneous Costs	3.40	3.40	4.20	4.50
Veterinary	2.55	3.30	2.60	3.10
Labour (Cdn equivalent)[1]	2.00	4.00	2.00	4.00
Bldg. & Equipment	8.25	8.70	10.40	11.45
Taxes	3.55	2.35	3.55	2.35
Total Cost	164.25	219.40	165.66	223.67
Pounds of gain	450	600	450	650
Cost in dollars per cwt of gain	36.50	36.50	36.81	31.97

Average for Nebraska

$35.45/cwt of gain

Source: University of Nebraska, Estimated Crop and Livestock Production Costs, Department of Agricultural Economics, Report No. 72, Lincoln, Nebraska, 1976.

[1] Labour charges in the Nebraska example were calculated in a different manner than the Canadian example so the Canadian figures were used throughout.

Table V – Appendix D

Ontario Feedlot Study[1]
1976
Average of 32 feedlots 1976
Short Keep Steers

	$/cwt of gain
Feed Costs	34.62
Interest on Feeder Animal	5.26
Miscellaneous Costs	4.76
Cash Costs/cwt of gain	$44.64

Table VI – Appendix D

Summary of Feedlot Costs in Alberta[2]
Current Costs May, June, July 1977
Short Keep Steers

Producer	Cost Per cwt of gain
	April – May 1977
V & B Feeds – Vauxhall, Alta.	$49.12
W.W. Feeders – Lethbridge, Alta.	47.00
Hi-Way 52 Feeders – Raymond, Alta.	47.90
Vanee Livestock Ltd.[3] – Lethbridge, Alta.	47.66
Average Cost	$47.92

In addition to this evidence from our proceedings other contacts were made with producers with the following results:

(a) Haney Farms – Picture Butte, Alta. –
$47.00/cwt of gain (short keep steers) June 1977

(b) Custom Feedlot – Calgary, Alta. –
$43.35/cwt of gain (short keep steers) June 1977

(c) Prime Feeders – Fort Macleod, Alta. –
$49.76/cwt of gain (short keep steers) May 1977

(d) John Pahara, Lethbridge, Alta. –
$48.90/cwt of gain (short keep steers) June 1977

[1] Abraham, F. and L. Small, *Beef Feedlot Cost Study Southern and Western Ontario, 1976* Ontario Ministry of Agriculture and Food, University of Guelph (Guelph, Ontario 1976)

[2] Standing Senate Committee on Agriculture, Inquiry into the Desirability of Long Term Stabilization in the Beef Industry, Issue No. 16

[3] Only feedlots No. 1, 2, 3 as presented on Page 16A:6, Issue No. 16 of the Committee's Proceedings were used in this calculation

TABLE VII–APPENDIX D

Feed Costs

Canada vs. United States

Canadian Inputs	U.S. Inputs
Barley – \$1.82/bushel (83.50/Tonne) (July 1977)[1]	Barley – \$1.36 (62.50/ton) August 9/77[6]
Feed Wheat – \$2.31/bushel[2] \$2.53/bushel[3]	Feed Wheat – Colorado – \$1.86/bushel[7] Kansas – \$2.00/bushel delivered[8] Nebraska – \$2.16/bushel[9]
Corn Silage – New Crop Contracts – \$17.00 delivered[4]	Corn Silage – New Crop Contract Texas – \$11.50/ton delivered[10] Kansas – \$11.00/ton delivered[11]
Corn – Chatham – \$3.22/cwt[5] (\$1.94/bushel)	Grain Corn – Texas – \$3.25/cwt delivered[12] Colorado – \$2.90/cwt delivered[13] Nebraska – \$2.88/cwt[14]

[1] Canadian Livestock Feed Board, *Monthly Average Feed Grain Prices*, July 1977, basis Lakehead

[2] Winnipeg Cash Price, August 23, 1977 (No. 3 Red Spring \$84.70)

[3] Ontario Ministry of Agriculture and Food, Market Information Service, Toronto, August 23, 1977

[4] Ontario Corn Council, Monthly News Letter, Toronto, August 1977

[5] Op. Cit.

[6] United Statess Department of Agriculture, *Feed Grain Market News*, Washington, D.C. (basis Minneapolis)

[7] Far Feeders, Greely, Colorado, July 1977

[8] Ham Feedlot, Kansas, July 1977

[9] University of Nebraska, *Cornhusker Economics*, Dept. of Agricultural Economics, Lincoln, Nebraska, August 5, 1977

[10] Hoelscher, Marcus, Consulting Nutritionist, Hereford, Texas, August 1977

[11] Ham Feedlot, Kansas, July 1977

[12] Op. Cit.

[13] Far Feeders, Greely, Colorado

[14] University of Nebraska, *Cornhusker Economics*, Department of Agricultural Economics, Lincoln, Nebraska, August 5, 1977