Factors contribute to depressed beef market

by Alan W. Scott

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At a recent Beef factors which have market Agricultural Represen- Outlook Meeting Charlie contributed significantly Gracey indicated three to the depressed beef

- The oversupply of

beef from off-shore - The increased markup presently able to buy allowed.

of U.S. retail chains A 71 per cent increase in steer kill and an unexpected flood of female beef has produced an 11 per cent increase in supply for 1976. This oversupply has been a significant factor in

lowering price. peak of the beef herd cycle. The breeding herd is now down by 8 per cent. It will be two years before the peak will pass through the market. Producers will probably over-react and kill off too many a per capita consumption females. We haven't made an overkill as vet. There isn't a great deal

of 95 lbs. at a higher price. Beef prices have been hurt by off-shore imports. of promise for 1977 and it Imports will likely increase from 112 million may be 1978 before the situation improves. One pounds in 1975 to 175 U.S. forecaster has inmillion pounds in 1976. dicated an even longer There has been drought. Beef- calf reasonable case

disposable income to buy

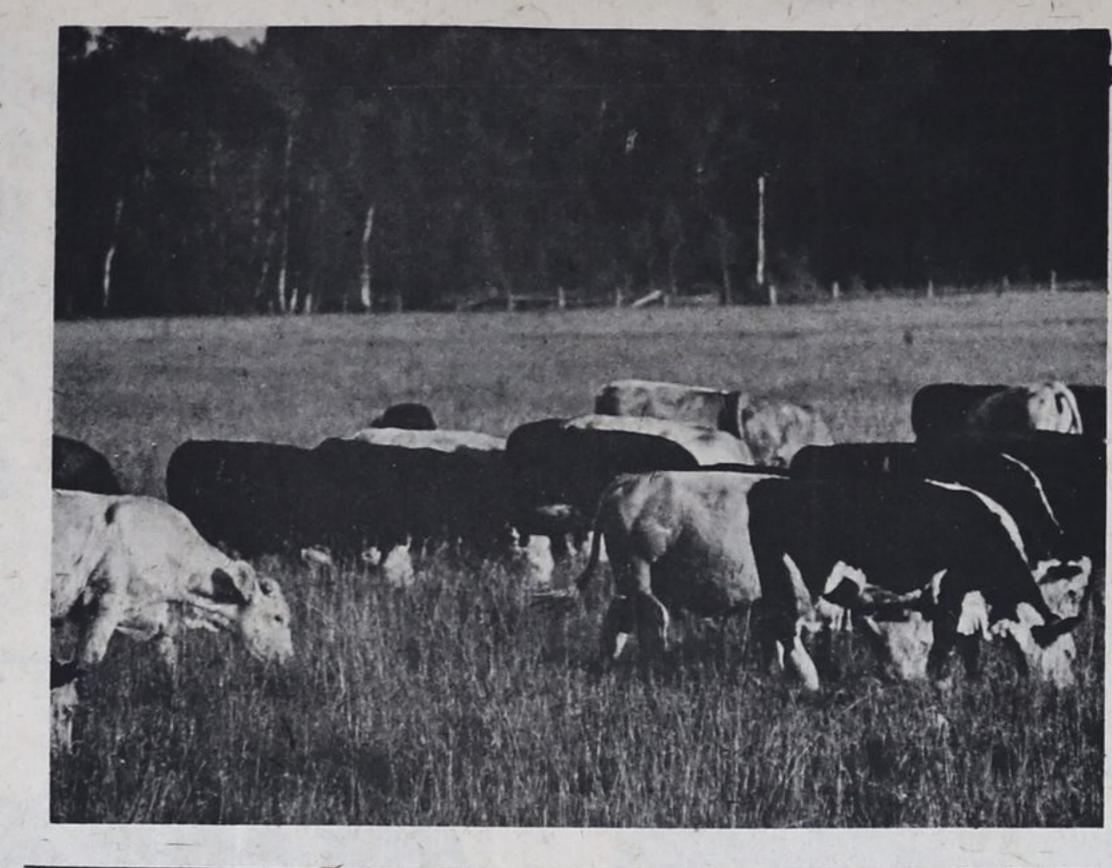
110 lbs. of beef. Producers

would be in a better

producers need a greater restrict imports of beef price than feedlot men but nothing has been done can justify, in view of about it. Canada is the - The surplus imports of future market prospects. only country where this Consumers are sort of abuse has been

more beef for the same The anti-inflation board percentage of disposable has posed more problems income. In 1950, the per for beef producers than it capita consumption of has for labour, because beef was 51 pounds and there has been a relucconsumers spent 2.51 per tance to restrict imports cent of their income to even though producers buy the 51 pounds. In 1975. have been operating at a 2.52 per cent of disposable loss. This approach is income bought a per short sighted as We have passed the capita consumption of 102 producers will be forced pounds. For 1976, it ap- out of business and in a pears that consumers will few years there will be a spend only 2.4 per cent of scarcity of supply and an increasing price for

> The performance of the position if they could sell retail stores in the U.S. has cost the Canadian producers money. The usual markup has been 35 per cent but this summer it has increased to 50-60 per cent. The increased markup appears to have resulted from the retailers desire to recoup some of the losses which



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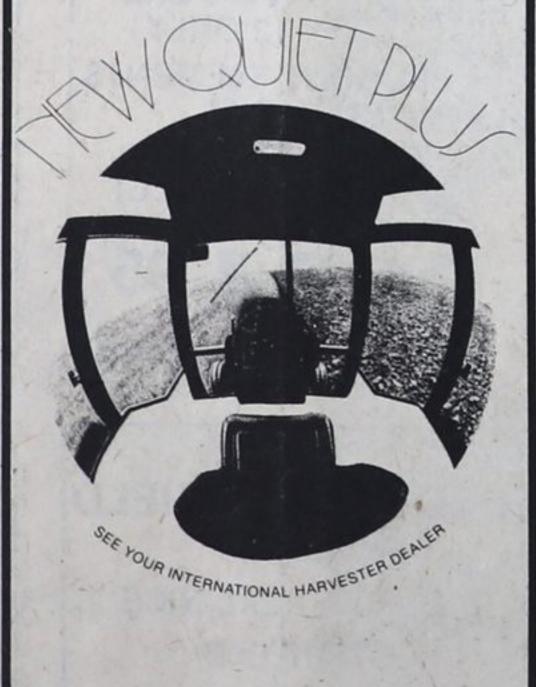
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recurrence of such retailer had held the the Canadian market controls. In short, the August markup to 35 per because of the open retailers guit "playing cent it would have meant ball" and declined to an increase of at least \$5 share the usual per- and perhaps \$6.50 on the also influenced the low

they suffered during the centage of gross sale live market in the U.S.

1973 price freeze and also price with the primary

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weights have increased by 30 to 32 lbs. In Ontario and Alberta, as producers held back cattle for rising markets. In addition, the confusion in the national dairy policy resulted in increased dairy cow marketings earlier in the vear and this factor has also had an impact. Gracey admitted that

he had been wrong on his 1975 predictions. He had underestimated the number of young cattle-in the beef marketing system, and the female slaughter statistics. In addition, there were some factors which couldn't have been predicted.

He cautioned that outlook information is constantly changing and must be continually reappraised as new information becomes available. Producers

should keep market This increase would have predictions in a proper to guard against the producer. If the U.S. been quickly reflected on perspective and not put complete faith in any forecaster.

The federal govern-Two other factors have ment has not released the fat cattle support price for 1976. Thus Gracey has calculated his own ver sion of what we might expect for a support

The weighed price of January 1st to August 31st has been \$39.46. The five vear average price is \$41.35. The government -could offer a support price at either 100 per cent or 90 per cent of the five year average. In any event the five year average would be adjusted for the cost of production. This ad justment might amount to \$4.69 based on last year'sadjustment. Thus the support price would be \$41.35 plus \$4.69 or \$46.04 if the government offers support at the 100 per cent level or \$37.21 plus 4.69 or \$41.90 if the government offers support at the 90 per cenf level.

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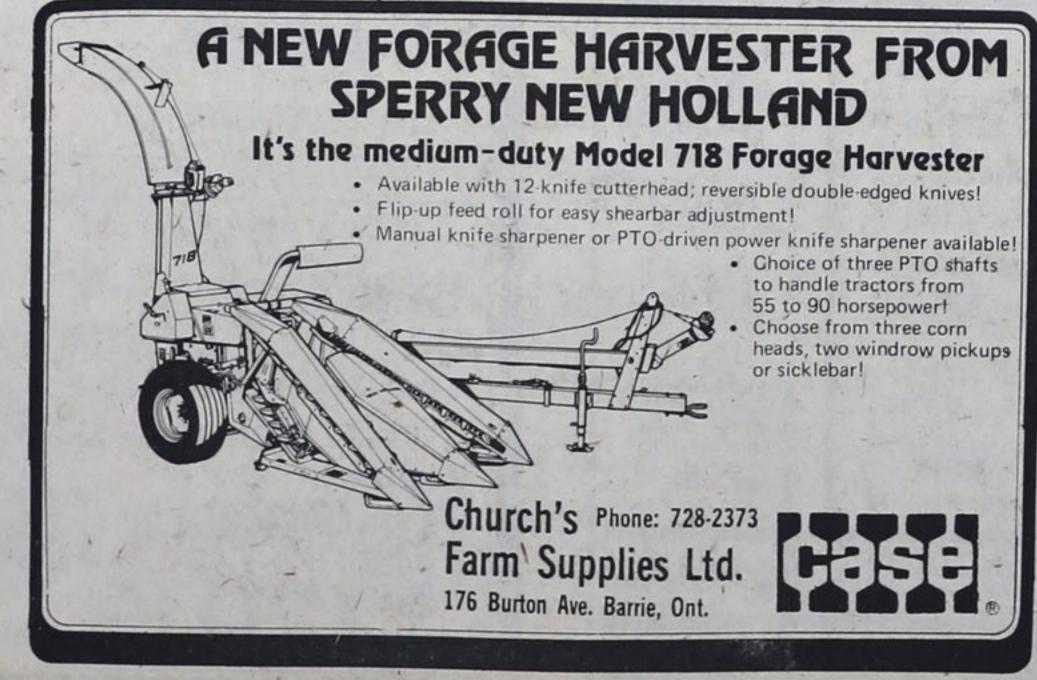
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the Farm Machinery Board of Ontario John Kessler said students need this kind of knowledge if they want to help their parents or eventually set up farms of their own. He also said that the course will provide students with a good base for more advanced courses if they want to make a career out of agricultural mechanics. Both students and teaching staff have shown great interest in the course since its con-

ception. Though originally designed for only 20 students, many more applications were received. Kessler said if the

course proves successful it will be extended to a four-year program.



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