

# Factors contribute to depressed beef market

by Alan W. Scott  
Agricultural Representative

At a recent Beef factors which have Outlook Meeting Charlie Gracy indicated three contributed significantly to the depressed beef

market. The oversupply of cattle

The surplus imports of beef from off-shore - The increased markup of U.S. retail chains - A 7 1/2 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.

We have passed the 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 females. We haven't made an overkill as yet.

There isn't a great deal of promise for 1977 and it may be 1978 before the situation improves. One U.S. forecaster has indicated an even longer drought. Beef-calf

producers need a greater price than feedlot men can justify, in view of future market prospects.

Consumers are presently able to buy more beef for the same percentage of disposable income. In 1950, the per capita consumption of beef was 51 pounds and consumers spent 2.51 per cent of their income to buy the 51 pounds. In 1975, 2.52 per cent of disposable income bought a per capita consumption of 102 pounds. For 1976, it appears that consumers will spend only 2.4 per cent of disposable income to buy 110 lbs. of beef. Producers would be in a better position if they could sell a per capita consumption of 95 lbs. at a higher price.

Beef prices have been hurt by off-shore imports. Imports will likely increase from 112 million pounds in 1975 to 175 million pounds in 1976. There has been a reasonable case to

restrict imports of beef but nothing has been done about it. Canada is the only country where this sort of abuse has been allowed.

The anti-inflation board has posed more problems for beef producers than it has for labour, because there has been a reluctance to restrict imports even though producers have been operating at a loss. This approach is short sighted as producers will be forced out of business and in a few years there will be a scarcity of supply and an increasing price for consumers.

The performance of the 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



they suffered during the 1973 price freeze and also to guard against the recurrence of such controls. In short, the retailers quit "playing ball" and declined to share the usual per-

centage of gross sale price with the primary producer. If the U.S. retailer had held the August markup to 35 per cent it would have meant an increase of at least \$5 and perhaps \$6.50 on the

live market in the U.S. This increase would have been quickly reflected on the Canadian market because of the open border situation.

Two other factors have also influenced the low beef prices. Carcass 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 year and this factor has also had an impact.

Gracy 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 re-appraised as new information becomes available. Producers

should keep market predictions in a proper perspective and not put complete faith in any forecaster.

The federal government has not released the fat cattle support price for 1976. Thus Gracy has calculated his own version of what we might expect for a support price.

The weighed price of January 1st to August 31st has been \$39.46. The five year 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 adjustment might amount to \$4.69 based on last year's adjustment. 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 cent level.

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## Farm mechanics course offered

Eastview Secondary School in Barrie marked an Ontario first this fall when it initiated a two-year course in farm mechanics.

The brainchild of high school teacher A. Pautsch, the course will instruct students in planning and utilization of power sources, economic and technical management, seeding and planting, weed, insect and disease control and harvesting techniques. Emphasis will also be placed on farm safety and shop practices.

Secretary-manager of 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 conception. 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.