Since the last meeting of the IMCG, the beef industry in Canada has been characterized by declining cattle numbers and, as in other countries, a significant increase in beef prices. This situation reflects the decrease in the number of cattle being slaughtered and the start of the process of rebuilding the beef-breeding herd.

At the beginning of 1979, cattle numbers show a decline for the fourth consecutive year. There were 12.3 million cattle on farms in Canada on 1 January 1979; a decline of 4 per cent compared with 1 January 1978, and a 14 per cent decrease from the peak inventory of 14.3 million head in 1975. During 1978, the number of beef cows declined 5 per cent to 3.7 million, but at the end of the year, the number of beef heifers was estimated to have increased by 2 per cent. This seems to indicate that some beef herd rebuilding is now under way:

<table>
<thead>
<tr>
<th></th>
<th>Beef cows</th>
<th>Dairy cows</th>
<th>Beef heifers</th>
<th>Dairy heifers</th>
<th>Steers¹</th>
<th>Calves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% change from 1978</td>
<td>3,740</td>
<td>1,870</td>
<td>1,088</td>
<td>464</td>
<td>1,612</td>
<td>3,554</td>
<td>12,328</td>
</tr>
</tbody>
</table>

¹Includes bulls

The downward trend in the number of cattle being slaughtered and the corresponding output of beef which began in late 1977, became well established during 1978. Commercial cattle slaughter reached an all-time high of 5.3 million head in 1976 and 1977. This was followed by a 9 per cent decrease in 1978. During the first quarter of 1979, federally inspected slaughter of cattle has averaged more than 15 per cent below the same period in 1978.
An examination of the composition of cattle marketings in early 1979, compared with a year ago, shows that both heifer and cow marketings have decreased by approximately 20 per cent while steer slaughter is 8 per cent lower. If these recent trends in female slaughter continue during the remainder of 1979, total slaughterings in 1979 will be sharply below 1978 levels. This lower level of beef output can be expected to continue in 1980. Since fed cattle slaughter is accounting for a higher percentage of the total slaughter and the number of cows and heifers being marketed has declined, average carcass weights in early 1979 show an increase of over 30 pounds per head. Thus, 1979 beef output may be expected to fall proportionately less than cattle slaughter.

The level and composition of cattle slaughter in late 1978 and early 1979 would therefore suggest that Canada's cattle industry has probably entered the first phase of an expansion of the breeding herd.

Following the upsurge in cattle prices in 1978, very firm prices have characterized the Canadian cattle and beef industries in early 1979. After a relatively stable market through the latter half of 1978, cattle and beef prices in North America during the first quarter of this year have risen significantly.

It is not entirely clear what has triggered this latest price rise but it is evident that the North American market is having to adjust to a sharp decrease in beef output. This is the first major reduction in beef supplies that the North American beef industry has experienced for many years.

In relation to trade in beef, Canada's exports of dressed beef and live beef cattle dropped in 1978 compared with 1977 levels. For 1979, a lower level of live exports can also be expected in view of reduced supplies. Following the record level of beef imports in 1976 of 130,000 metric tons (dressed carcass weight equivalent), imports have been regulated. In 1978, imports of fresh, chilled and frozen beef totalled 89,000 metric tons and, in 1979, imports are likely to reach 92,000 metric tons, an increase of 4 per cent.

Medium-term outlook

The rebuilding phase in the Canadian beef industry is likely to continue in the coming months. A number of factors are combining to maintain the improved confidence of beef producers and encourage them to expand their herds.

(i) the price for feeder cattle prices is remaining very strong – prices for all classes of feeder cattle and calves have more than doubled in the past twelve months.
(ii) the price recovery has been accentuated by the lower value of the Canadian dollar in relation to the United States currency.

(iii) prices for most grains together with limited delivery quotas for grains in Western Canada is making the feeding of cattle relatively attractive.

Whether or not a downward adjustment in cattle and beef prices from the current high levels will occur during the balance of this year largely depends on whether the strength in demand experienced during the first three months of 1979 continues. Consumer demand for beef will be influenced by the supplies of other meats. Through the latter half of 1979, the availability of pork and poultry meat supplies is expected to be considerably above earlier year levels and this can be expected to result in consumers purchasing increased quantities of meats other than beef.

Even if the decreases in cow and heifer marketings which have been evident early this year continue, it does not appear likely that an expansion in the national breeding cow herd in Canada will be registered in this year's 1 July inventory report. Therefore, the 1979 calf crop could again be smaller than last year's. This would suggest that the current decline in beef production will not be reversed until 1981.