I would like first to say a few words on the current situation in Canada, making some reference to our import régime for 1977, and follow that with some comments on the prospects for 1977.

**Situation - beef cattle**

The high slaughter level of 1976 was reflected in a decrease in cattle on farms as reported by Statistics Canada's 1 January 1977, semi-annual survey. Overall Canada's total cattle population was down 4 per cent from January 1976; 5 per cent in the west and 2 per cent in the east. Most significantly the beef cow population was down 5 per cent, with similar reductions in both the east and west. The relatively high level of slaughter continues in early 1977. Total kill was up 5.5 per cent to 26 February; excluding live imports (1,869 head in 1977, 9,574 in 1976), domestic slaughter was up 6.9 per cent. Steer and heifer slaughter has increased significantly over year-earlier levels through January-February this year with A1, A2 slaughter up nearly 20 per cent. The increase relates to the relatively mild winter in western Canada and thus a substantial improvement in the rate of gain per day. Cow slaughter resumed the upward movement of the last two years, following a decline in the fourth quarter 1976, with an increase estimated at 2 per cent in January-February 1977. Stocks of beef and veal at year-end 1976 stood at some 70 million lb., about 75 per cent above the year-earlier level. 1976 per capita consumption reached a record 109.5 lb., up from 104 lb. in 1975 but is expected to revert this year to something closer to the 1975 level.

Canadian exports of dressed beef to 5 March were 19.2 million lb. (about double the same period last year) and imports 26.1 million lb. (about 20 per cent ahead of last year). In gauging the impact of these imports on the Canadian market one must also take into account some 8 million lb. of imports which were held in storage at year end. This represented meat in transit but in excess of the quotas established last October.
As notified to the GATT secretariat Canada's Article XIX emergency quota action of last October on beef and veal was terminated on 31 December 1976. Understandings have been reached with our principal trading partners, Australia, New Zealand and the United States regarding bilateral trade in beef and veal in 1977. Briefly these envisage imports of some 145 million lb. (65,000 tons) and exports of 75 million lb. (34,000 tons). Both figures are somewhat below the high levels reached in 1976.

Prospects

Heavy marketed slaughtering is likely to continue into the spring. An expected fall in steer and heifer slaughter in May and June will combine with a lower level of cow slaughter to produce a total slaughter fractionally below year-earlier levels. Pasture and range conditions in the west will play a key role in determining slaughter levels beyond June. While these are forecast to be moderately below 1976 levels, the possibility of a summer drought in both western Canada and the United States Plains States is much on forecasters' minds.

Continued heavy cattle slaughter into the spring combined with a heavy hog slaughter creates a red meat supply situation that does not hold much hope of price improvement until early summer. In early March, A1, A2 steers at Toronto averaged about $40 per cwt. and were below last year's depressed levels. While fed cattle prices in North America have not strengthened since late 1976, cow slaughter prices have. D4 cow prices at Toronto through February this year averaged $23.75, compared with $21.67 in January and $18.69 in December past. The rise in cow slaughter prices relates both to an improved market for boneless beef and to the depressed market for the better cuts. This may cause some problems with supply in the future.