U. S. CATTLE IMPORTS UNDER THE TRADE AGREEMENTS WITH CANADA

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INTRODUCTION

The purpose of this study is primarily to examine the relation of the U. S. - Canadian Trade Agreements to cattle imports and to determine, so far as possible, what effect these imports have on the American beef cattle industry. Especially when a price decline occurs, cattlemen, like other producers, are apt to view with alarm any competition which might be curtailed. However, to act on the assumption that the exclusion of imports is necessarily to the advantage of producers and others may result in a serious error.

While some beef, as well as live cattle, is imported into the United States this study is limited to live cattle imports. Such a limitation is not entirely arbitrary because the Trade Agreements with Canada made no change in the U. S. import regulations for beef and also because any consideration of tariff protection forthe beef cattle industry lends its self readily to largely separate examinations of beef and of live cattle imports. The effects of beef imports and of live cattle imports, especially thin cattle, on the American cattle and packing industries are distinctly different.

The procedure which seemed most useful was to examine historically and statistically: (1) the nature of the beef cattle industry of North America and the trend of U. S. trade in cattle and beef; (2) changes in cattle duties and their effects prior to 1936; and finally in more detail (3) the U. S. - Canadian Trade Agreements as they affected cattle imports and the American cattle industry.

CHAPTER I.

THE NORTH AMERICAN CATTLE AND BEEF ECONOMY

In several important respects the cattle and beef industries of the North American countries - of the United States in the center and Canada and Mexico on its borders - are essentially complimentary. If North America be considered as an economic entity in the production and consumption of beef, the United States, especially the northeastern states, is the center of consumption, much more beef being consumed than is produced in this heavily populated area; the mid-west Corn Belt furnishes the concentrated feeds for fattening cattle; the range areas of the far western United States, of the Prairie Provinces of Canada, and of northern Mexico are the breeding grounds and sources of supply for lean cattle. This, of course, is an over simplified statement which may be amplified by a description of the principal forms of production existing today in the countries of North America and by a historical examination of American beef cattle production and trade.

In so vast an area as the North American Continent, or even that part in which cattle are important, there must be great differences in such factors as climate, soil resources, competing forms of agriculture, and distance to centers of consumption which influence the character of the cattle industry. To facilitate this discussion it will be convenient to consider the cattle industry by countries and by principal production areas within each country. Even then it must be remembered that while cattle production differs sufficiently between large areas and has sufficiently characteristic features within these areas to afford a useful basis of classification, yet every type of production is likely to occur to some extent within each area. Moreover, any classification of types of production must be to some extent arbitrary.

Cattle Production in the United States

Cattle raising is definitely an important branch of American agriculture. As indicated in Table I. the gross income from farm sales of cattle, calves, beef, and veal in 1937 amounted to $1,240,172,000, or 12.3 percent of the gross farm income. By areas this ranged from 3.9 percent in the South Atlantic States to 21.6 percent in the West North Central States. In terms of net production in pounds and dollars the West North Central States take a pronounced lead over the South Central (chiefly Texas), Western, and East North Central States which compete closely with each other for second place. Neither the North Atlantic nor the South Atlantic States have as much as one-third the net production of any of the other regions.

Of course, by no means all beef and veal is from beef type animals. Table II shows that 52.8 percent of 1937 cattle numbers in the United States were classified as dairy cattle. The West North Central, South Central and Western States rank high in total beef cattle, in percent of all beef cattle in the United States, and in the proportion of beef cattle to dairy cattle. On the other hand the North Atlantic, South Atlantic and East North Central States show a predominance of dairy cattle.

While these census regions are convenient for purposes of statistical comparison, a more appropriate grouping from the standpoint of economic classification of the beef cattle industry of the United States is to be found in the areas commonly designated as the Western Range, the Corn Belt, the Great Lakes and Appalachian region, and the Cotton Belt.

1. The Western Range. The Western Range occupies most of the region between the one-hundredth meridian and the Sierra Nevada

TABLE I

Size, Distribution, and Relative Importance of the Cattle Industry on Farms in the United States, 1937[a]

Division of the U. S.	All cattle number	Farm value per head	(1937) Net Production[b] Quantity	Value	(1937) Gross income from sales of cattle, calves, beef and veal	Gross[c] farm income	% income from cattle, etc. sales
	(Thousands)		(1,000 pounds)	(1,000 dollars)	(1,000 dollars)	(1,000 dollars)	
North Atlantic	4,888	59.82	789,110	57,536	66,693	1,091,727	6.1
East North Central	11,063	44.35	2,428,345	187,720	234,243	1,964,005	11.9
West North Central	18,621	32.87	4,602,545	353,350	459,440	2,131,179	21.6
North Central	29,684	37.15	7,030,890	541,070	693,683	4,095,184	16.9
South Atlantic	4,568	27.40	647,880	42,009	47,041	1,209,354	3.9
South Central	16,417	21.99	2,954,200	172,597	208,970	2,093,426	10.0
Western	11,246	35.03	2,316,750	161,802	223,785	1,589,404	14.1
United States	66,803	34.06	13,738,830	975,014	1,240,172	10,057,715	12.3

(a) Data from "Agricultural Statistics" 1939.

(b) Adjustments made for cattle shipped in and changes in inventory.

(c) Gross farm income from crops, livestock, and livestock products.

TABLE II

Number and Distribution of Cattle in the United States, 1937[a]

Division of the U. S.	Number all cattle	Number beef cattle	Number dairy cattle	Percent U. S. all cattle	Percent U. S. beef cattle	Percent U. S. dairy cattle	Percent beef cattle are of all cattle of division	Percent dairy cattle are of all cattle of division
	(thousands)	(thousands)	(thousands)					
North Atlantic	4,888	432	4,456	7.3	1.3	12.6	8.8	91.2
East North Central	11,063	2,614	8,449	16.6	8.3	24.0	23.6	76.4
West North Central	18,621	9,366	9,255	27.9	29.6	26.3	50.3	49.7
North Central (total)	29,684	11,980	17,704	44.4	38.0	50.2	40.4	59.6
South Atlantic	4,568	1,826	2,742	6.8	5.8	7.8	40.0	60.0
South Central	16,417	9,308	7,109	24.6	29.5	20.2	87.0	13.0
Western	11,246	8,002	3,244	16.8	25.4	9.2	71.2	28.8
United States	66,803	31,548	35,255	100.0	100.0	100.0	47.2	52.8

(a) Compiled and calculated from data in "Agricultural Statistics" 1939.

and Cascade Mountains. Cattle production generally takes the form of breeding and grazing on an extensive fashion adapted to large areas of cheap land - including public lands. The southwestern ranges are frequently able to carry cattle the year around and, besides producing feeders, furnish a large number of grass fat cattle for slaughter. But in the northern range states some winter feeding increases the safe carrying capacity of the range.

Although some lot-fed as well as grass-fat cattle are regularly shipped from the Western Range states, this area serves principally as a source supplying lean cattle for the Corn Belt. Since there is no definite demarcation between stocker and feeder cattle and slaughter cattle, the immediate destination of range cattle, especially the heavier classes on the market, is influenced by both the nature of the supply and the relative demands for feeders and for slaughter cattle. Feeder cattle, moreover, have classes of their own, the most highly specialized being high grade calves and yearlings, which generally command a premium.

2. The Corn Belt. On the generally high priced land of the Corn Belt rather intensive types of agriculture naturally prevail. Here the fattening of cattle from the Western Range has an important place. It is estimated, however, that two-thirds of the cattle marketed from the Corn Belt are native cattle.(1) Beef cattle production in the Corn Belt includes many forms both intensive and extensive. While numerous farms on which beef production is a sideline and some on which it is a main enterprise, notably those producing "baby-beeves", breed their own stock, yet probably most farmers engaged in fattening high class beef animals are dependent on the Western Range for their feeders.

(1) Roscoe R. Snapp, "Beef Cattle, Their Feeding and Management in the United States", p. 82.

Thin cattle and feed are the raw materials of the Corn Belt cattle feeder. His profit is dependent partly on efficiency in obtaining weight increases, but a pound of gain in the feedlot, especially with older cattle, may cost more than it sells for. Consequently the cattle feeder's profit is strongly influenced by his "margin", that is, the excess of price received per hundredweight for his fat cattle over the price paid per hundredweight for his thin cattle. When cattle prices are low relative to feed a wider margin is necessary. So the man who finishes cattle is doubly interested in lower feeder cattle prices. But the rancher whose finished product is thin cattle is interested in higher prices for his feeders. Here exists a conflict of interest within the domestic cattle industry as to the desirability of tariff protection since imports are largely thin cattle.

3. _The Great Lakes and Appalachian Region_. This is an area of generally rolling land becoming mountainous in the East and which throughout has only limited areas of productive tillable land. The less productive and more remote sections commonly practice extensive methods such as carrying breeding herds and pasturing young stocker cattle. Some richer limestone regions grass fatten older cattle for slaughter. The northeastern and Great Lakes states are particularly adapted to dual-purpose production. A rather dense population in these regions has favored the expansion of dairying which has frequently taken dual-purpose form.

4. _The Cotton Belt_. The South, with the notable exception of Texas and Oklahoma whose cattle industry is more properly a part of the southwestern range, has not had a large cattle industry. Southern cattle generally have a poor reputation because of scrub breeding and poor care. Cattle production in the South until recently has been under

several handicaps including the fever-tick, exclusive attention to cotton in most localities, and lack of highly productive pasture and forage crops. Now, with the eradication of the fever-tick, better breeding stock is being introduced. Diversified farming is receiving more attention, especially in the South Atlantic States as a result of the reduced cotton market and the official emphasis on soil conservation. Because of the long growing season and a considerable proportion of land better adapted to pasture than to cropping, the South may be able eventually to support a relatively self contained cattle industry of some importance.

Cattle Production in Canada

Cattle production in Canada is in many respects similar to that of our northern states. It is characterized by extensive methods in the West and by more intensive practices in the East. The Prairie Provinces of Manitoba, Saskatchewan, and Alberta engage in cattle production under range, semi-range, and mixed farming conditions. The Eastern Provinces, especially Ontario and Quebec, feed slaughter cattle, under mixed farming conditions, both of their own breeding and of Prairie Province origin.

The distribution of Canadian cattle shown in Table III indicates that only Ontario exceeds the Prairie Provinces in beef cattle numbers and even then only 24 per cent of her cattle were beef type compared to 44.9 per cent in Alberta. Ontario cattle production most nearly corresponds to that of our northern North Central States. Cattle feeders in Ontario make use of coarse grains and root crops but have little corn to feed. Manitoba, with 157,000 head of beef cattle in 1938, has been turning from wheat to feed grain production and more mixed farming.

Cattle production in the Prairie Provinces is carried on under both ranching and general farming conditions. In the areas adapted

TABLE III

Number of Cattle on Farms in Canada, June 1, 1938[a] (In thousands)

Class	Prince Edward Island	Nova Scotia	New Bruns-wick	Quebec	On-tario	Mani-toba	Sas-katche-wan	Al-berta	British Colum-bia	Total Canada
Milk cows & year-lings	58	146	142	1,225	1,421	474	614	545	148	4,771
Beef cows yearlings & steers	17	39	22	103	449	157	192	445	118	1,542
Total milk & beef(b) animals	75	185	164	1,328	1,870	631	806	990	266	6,313
Beef animals as per-centage of total[b]	22.7	21.1	13.4	7.8	24.0	24.9	23.8	44.9	44.4	24.4

(a) "The Beef Cattle Situation", April 18, 1939.

(b) Excluding bulls and calves.

to grain production cattle are generally sold in slaughter condition. Alberta, with 445,000 head of beef cattle in 1938 - nearly as many as the other three Western Provinces combined - was an even more important ranching area before wheat production was introduced. The milder winters of this area gives it a considerable advantage in cattle ranching. "Speaking generally, the semiranch system of Canada prevails in newer settled regions east and north of the ranching area of Saskatchewan and Alberta. Its counterpart in the United States is the belt comprising the western Dakotas and eastern Montana and extending to the Panhandle of Texas."(1)

There are also some distinct differences between the Canadian industry and our own. Canada has no great feed producing area at all comparable to our Corn Belt. In place of a fertile valley such as the Mississippi, a thousand miles of rough, unproductive land, sometimes described as a granite wilderness, separates the Prairie Provinces from the general farming and more densely populated Eastern Provinces. Long, severe winters make expensive winter feeding necessary in most areas and handicap grass fattening. The wide expanses of the Prairie Provinces and the relatively low per acre feeding value of crops adapted to the climate of that region makes possible a large supply of feeder cattle in relation to concentrated feeds. Because of this surplus capacity to produce feeders, and because of the much shorter rail shipment to St. Paul and Chicago markets as compared to Toronto and Montreal, the natural outlet for western Canadian cattle is our northern Mississippi Valley.

As in the United States, the population of Canada is growing more rapidly than the number of cattle. Nevertheless, as indicated in

(1) United States Tariff Commission, "The Cattle Industries of the United States and Canada." p. 7.

Table IV, the ratio of cattle to human population is considerably higher in Canada. The absolute size of Canada's cattle industry, however, is small in comparison with that of the United States. For 1937 the number of all cattle in Canada was approximately 13 percent of all cattle in the United States.

Cattle Production in Mexico

Mexico, as a cattle country, is a land of both promise and problems. The interior plateaus and southern mountain valleys are well adapted to cattle production. The climate is for the most part mild permitting a ten to twelve month grazing season. But drought frequently causes serious trouble in respect to both feed and water supply in northern Mexico. In the low coastal regions fever-ticks and other insects are troublesome. Mexican cattle are generally of low quality, and fever-ticks enterfere with the introduction of well bred stock from the outside. Besides these more or less natural obstacles, political disturbances have further checked the Mexican cattle industry. Between 1902 and 1921, largely as a result of revolution, political unrest, and outlaw raiding, Mexican cattle numbers were reduced from 5,142,500 to 2,363,000. Although they had increased to 10,083,000 by 1930 there are indications that northern Mexican herds are again being reduced partly because of political uncertainty.

Lacking feed to finish many cattle and being remote from any other market for thin cattle most of Mexico's cattle surplus has entered the United States. Cattle imported from Mexico are generally small, angular, and undesirable from the standpoint of both the butcher and the Corn Belt feeder. For the most part Mexican cattle have gone to our southwestern ranges to replenish breeding herds or to be grass

TABLE IV

Size and Density of Cattle Population of Important Beef-Producing Countries [a]

Country	Area (sq. mi.)	Population	Number of cattle	When esti-mated	Cattle per sq. mi.	Cattle per capita
United States	2,623,000	127,521,000	66,821,000	1939	18	0.52
Canada	3,467,000	10,377,000	8,841,000	1937	3	0.85
Mexico	767,000	16,523,000	10,085,000	1930	13	0.61

TABLE V.

Cattle Numbers and Foreign Trade in Live Cattle of Mexico [a]

Year	Cattle population	Foreign Trade in Live Cattle: Exports: To United States	Foreign Trade in Live Cattle: Exports: Total	Foreign Trade in Live Cattle: Imports from U. S.	Beef imports from U. S.
1902	5,142,500	----	166,500	----	----
Av. 1910-14	----	340,000	----	7,300	----
1921	2,363,000	13,900	----	138,200	----
1926	5,585,000	98,000	98,100	30,000	----
1930	10,083,000	173,000	173,100	----	372
1934	----	55,800	----	----	296
1938	----	285,500	----	----	----
1939	----	478,565 [b]	----	----	----

(a) Roscoe R. Snapp, "Beef Cattle, Their Feeding and Management in the Corn Belt States", p. 49.

(b) "Foreign Crops and Markets" Vol. 40. No. 6. (February 10, 1940) p. 160.

fattened and slaughtered for consumption by the poorer classes of the population in the southwestern states and California.

The Passing of the United States Beef Surplus

Hardly more than a glance at Table VI and Figure I is necessary to show that, since the turn of the century, our net foreign trade in beef and veal, including the beef equivalent of live animals, has undergone a tremendous change. From a 764,713,000 pound net export balance in 1904 this trade has shifted to a 424,707,000 net import balance in 1939. Until 1905 the United States not only produced enough beef for its own consumption but was also the world's greatest exporter of cattle and beef. In 1905 our position as leading exporter passed to Argentina. From 1904 our net exports declined rapidly until, by 1913, U. S. cattle and beef imports exceeded exports. Only in the years of 1916 and 1919 as a result of the World War stimulation has any considerable net export balance been reestablished.

Table VI and Figure II show how this change in net trade has come about. Both live cattle and total beef exports rapidly declined from a total net export balance of 753,491,000 pounds in 1906 to only 7,381,000 pounds in 1912. With the removal of the duties on cattle and beef in 1913 imports rapidly increased and provided a net import balance of 461,271,000 by 1914. For the next four years a net export balance was reestablished. During this World War period shipments both into and out of the United States greatly increased.[1] In fact,

(1) It should be noted that thru most of the 1900 to 1939 period our exports have been largely in the form of beef while live cattle have predominated in our imports. This is because conditions for fattening and slaughtering are highly favorable in this country and because imports have come from adjoining countries, while exports have been shipped considerable distances abroad.

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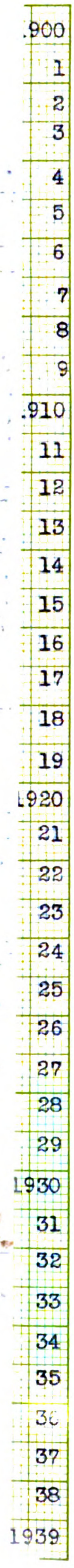

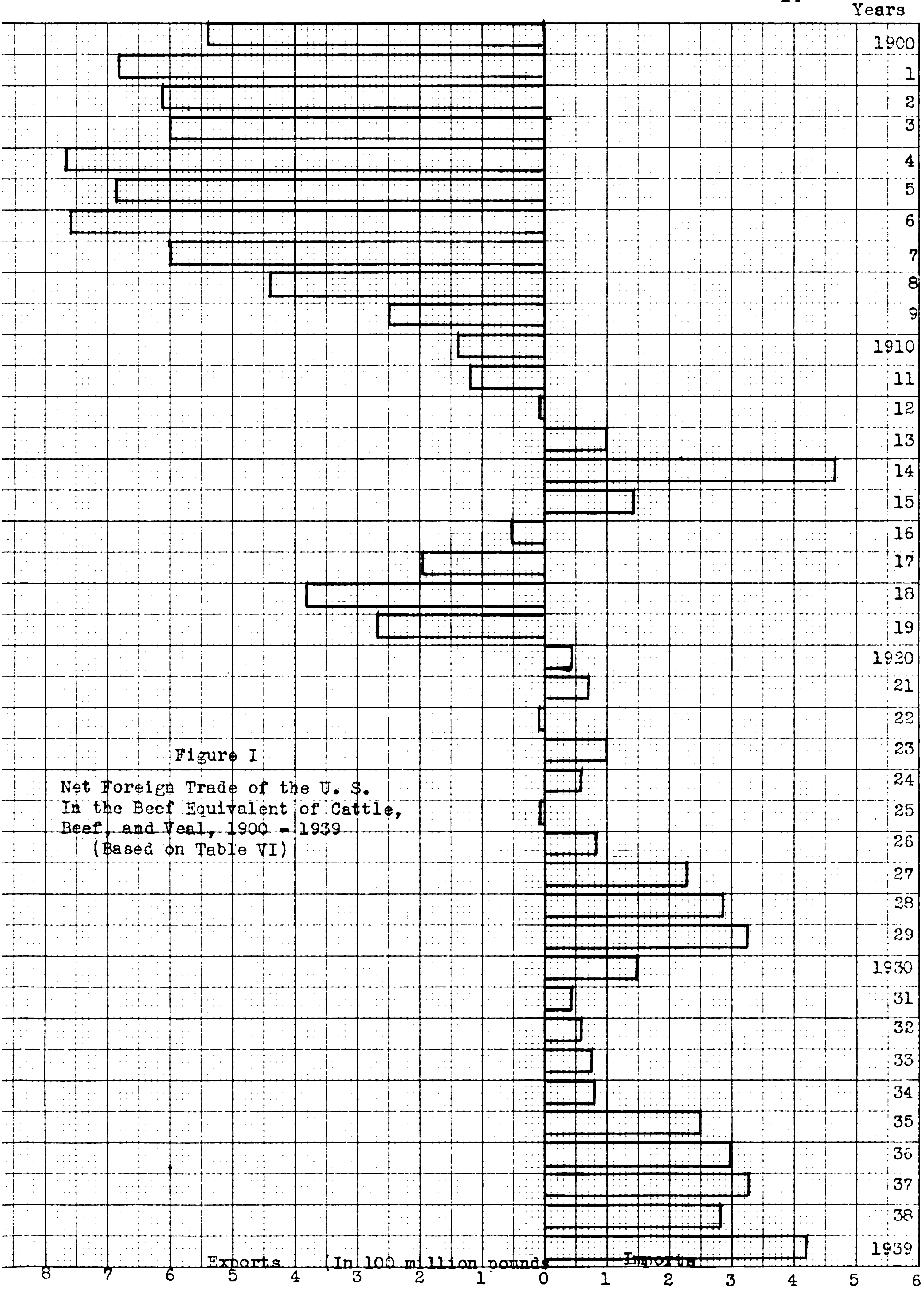

Figure I

Net Foreign Trade of the U. S.
In the Beef Equivalent of Cattle,
Beef, and Veal, 1900 - 1939
(Based on Table VI)

Figure II

Total Foreign Trade of the U. S. in Cattle and in Beef and Veal. (Based on Table VI).

imports of live cattle to a large extent made possible our exports of beef. At this time, with cattle on the free list in the tariffs of the United States and Canada, the North American cattle industry functioned as an economic entity in supplying both the home market and in exporting to feed both Europeans and the U. S. and Canadian armies abroad.

Following the close of the war a net import balance was re-established. This remained low in the early twenties but increased to a height of 321,588,000 pounds in 1929. This was followed by another period of low net imports in the early thirties lasting until 1935 when net imports increased to 254,274,000 pounds and remained relatively high until, in 1939, they reached the peak of 424,704,000 pounds.

Clearly the United States has shifted from an export surplus of cattle and beef to a situation where not enough cattle are produced to supply the domestic market. The explanation of this transition is to be found in the evolution of American agriculture which accompanied the settlement and development of the country - an evolution characteristic of new countries. Typically, as the population becomes more dense, extensive types of agriculture give way to more intensive forms. There are also characteristic general relationships between human population and animal numbers.(1) Sparsely settled regions tend to have a high ratio of animals to human population but low animal numbers per unit of area. Densely populated regions tend to have many animals per unit of area but a lower ratio of animals to people.

However, all animals do not fare alike in this adjustment. Certain animals tend to increase proportionately while others decrease.

(1) Erich W. Zimmerman, "World Resources and Industries", pp. 308-311.

Dairy cattle and hogs, which yield a considerable product per unit of land, tend to increase relatively to beef cattle and sheep.

A brief examination of the history of cattle production in America reveals conditions causing a rapid decline in the per capita production of beef cattle even though cattle prices were rising. The cattle industry was especially prominent in the later frontier days because the Far West was so much better adapted to extensive grazing than to other types of land use. But with the passing of the frontier more intensive forms of farming began to crowd beef cattle and to grow in relative importance; grain farming began to displace cattle ranching in the eastern plains states; homesteaders occupied parts and interfered with the effective use of larger areas of the Western Ranges. Meanwhile, as population density increased in the eastern states, dairy cattle were displacing beef animals on general farms.

Figure III shows the numbers of the principal food producing farm animals and the population of the United States from 1870 to 1939. Economic historians generally place the passing of the American frontier at about 1890. It is evident in Figure III that the trend in cattle numbers, especially cattle other than milk cows, like the trend in sheep numbers, parted company with the population trend approximately with the passing of the frontier.

While the human population continued a fairly steady climb upward from 75,995,000 in 1900 to 130,215,000 in 1938, the number of cattle other than dairy cows remained fairly constant aside from cyclical changes, increasing only from approximately 60 million in 1890 to 70 million in the early thirties. At the same time the number of dairy cattle over two years of age increased from 15,000,000 in 1890 to 25,093,000 in 1939, an increase of 67 percent. If to dairy cows were added the dairy heifers (which the census includes in "cattle other than

Figure III.

Trend in Population and Livestock Numbers in the U. S., 1870-1939. (Based on Table VII).

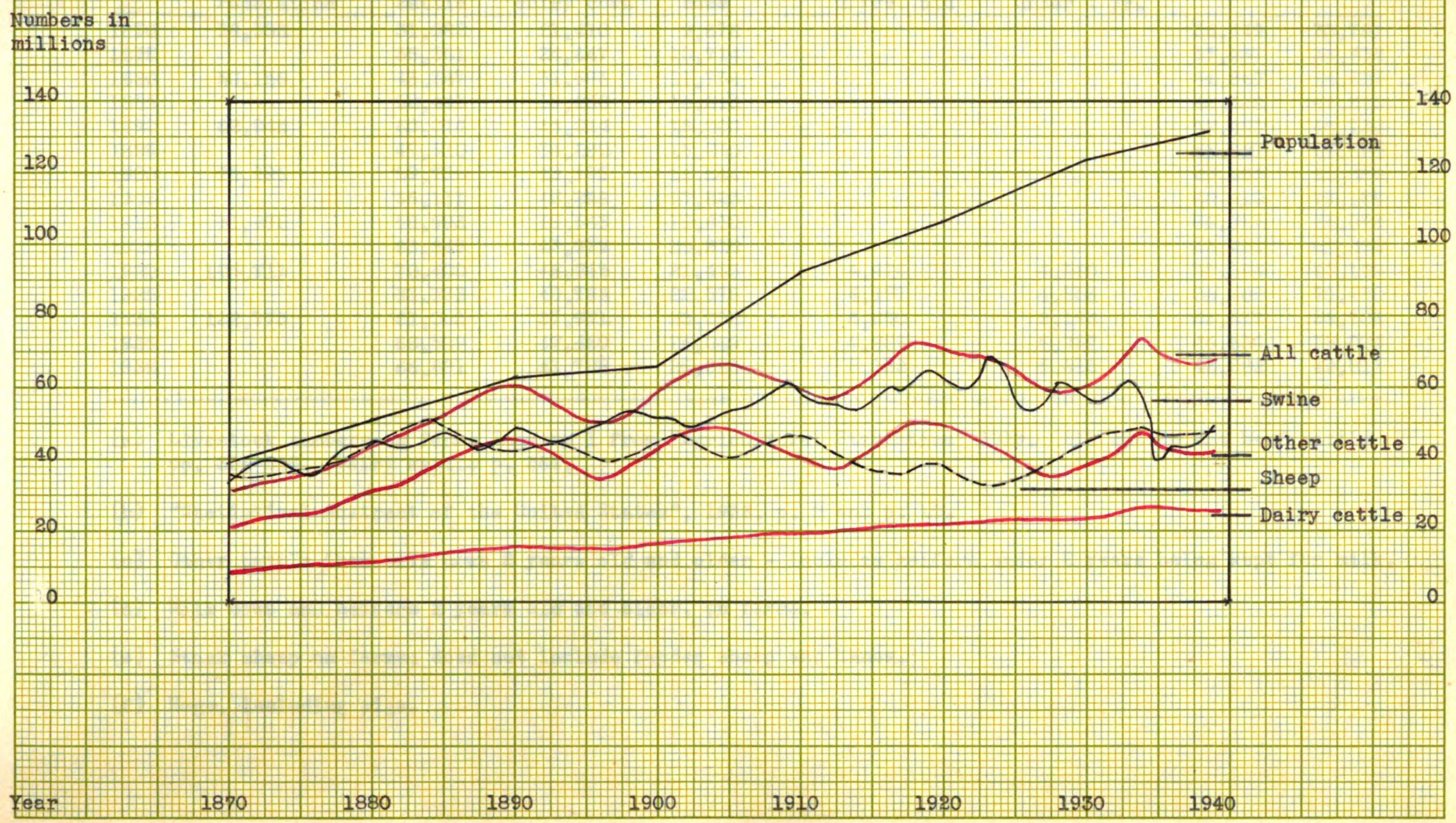

TABLE VII

Total Numbers of People, Cattle, Sheep, and Swine in the United States, 1870-1939[a] (In thousands)

Year	Human[b] Population	Cattle: All cattle	Cattle: Other than[c] dairy cows	Cattle: Dairy[d] cows	Heifers being kept for milk cows: Heifers 1 to 2 yrs. old	Heifers being kept for milk cows: Heifer calves under 1 yr.	Sheep[e]	Swine[f]
1870	38,558	31,082	21,410	9,672			36,449	33,781
1875		35,361	24,647	10,714			37,237	35,834
1880	50,156	43,347	31,593	11,754			44,867	44,327
1885		52,463	39,250	13,213			49,620	47,330
1890	62,948	60,014	45,014	15,000			42,693	48,130
1895		49,510	34,280	15,230			41,827	47,628
1900	75,995	59,739	43,195	16,544			45,065	51,055
1905		66,111	48,288	17,823			40,410	53,176
1910	91,972	58,993	39,543	19,450			46,939	48,072
1915		63,849	43,579	20,270			36,263	56,600
1920	105,711	70,400	48,945	21,455	4,416	4,380	37,328	60,159
1925		63,373	40,798	22,575	4,177	4,306	34,469	55,770
1930	122,775	61,003	37,971	23,032	4,850	5,198	45,577	55,705
1935		68,529	42,460	26,069	4,989	5,257	46,634	39,004
1939		66,821	41,728	25,093	5,138	5,635	48,062	49,011

(a) Livestock numbers on farms January 1 from "Agricultural Statistics" 1939. All cattle and beef cattle pp. 308-309. Dairy cattle p. 367.

(b) "Statistical Abstract of the United States", 1938. p. 2 and p. 10.

(c) Other cattle than milk cows 2 years old and older - includes heifers under 2 years being kept for milk.

(d) Milk cows and heifers 2 years old and older, on farms.

(e) Stock sheep on farms; does not include feeder sheep and lambs.

(f) Hogs, including pigs.

dairy cattle") then beef cattle numbers would show a declining trend while the increase in dairy cattle would be even more marked.

Thus, while there was an increasing domestic market for beef, the beef cattle industry made little growth because of the greater adaptability of such lines of production as grain, dairy, and hogs to more intensive production on high priced land. South America and Australia replaced the United States on Europe's beef markets because rising production costs in this country and increased domestic demand raised our beef prices relative to those in the younger countries. Such factors as the establishment of American owned packing plants in the South American countries and the removal of United States duties on cattle and beef facilitated this change to a net import basis.

CHAPTER II.

CATTLE TARIFFS AND IMPORTS PRIOR TO 1936

The Emergence of the Cattle Tariff Issue

In the previous chapter it was noted that the United States had a large export balance in cattle and beef until about the close of the first decade of the twentieth century. As may be seen in Table VII a, the United States has had cattle duties in force since 1883. However, as long as the United States maintained a substantial export surplus of cattle and beef the import duties were of little significance to U. S. cattlemen as far as their effect on the domestic price was concerned. Cattle would not have been exported from the United States unless domestic prices were below those on outside markets, and if this were the price situation the United States market would attract few imports. The United States price was relatively low because of a large domestic supply which an import duty certainly would not curtail.

With the change to a net import basis in the cattle and beef trade at the beginning of the second decade, the cattle tariff question took on new significance because an import duty might now affect the supply and consequently the price of cattle and beef. It was now a pertinent question whether the tariff policy should aim at higher prices to producers or lower costs to consumers. This was a period of rising prices, and people were complaining of the high cost of living. Even traditional advocates of the protective tariff were on the defensive. The Payne-Aldrich Act of 1909 lowered some duties including a one-half cent reduction on fresh beef and veal, but it did not change the duty on live cattle. In 1910 a reciprocal trade agreement was drawn up

TABLE VII a

Cattle Duties, 1883 - 1930

Tariff Act	Tariff classification or description	Rate of duty	Ad valorem equivalent percent (a)
1883	Animals, live	20 percent ad valorem	20
1890 - McKinley Act	Cattle, more than 1 year old	\$10 per head	
	1 year old and less	\$ 2 per head	
1894 - Wilson Act	All live animals, not specially provided for	20 percent ad valorem	20
1897 - Dingley Act	Cattle, if less than 1 year old	\$ 2 per head	20
	All other cattle if valued at not more than \$14 per head	\$3.75 per head	Approximately 27½
	If valued at more than \$14 per head	27½ percent ad valorem	27½
1909 - Payne-Aldrich Act	Rates of 1897 unchanged	Rates of 1897 unchanged	
1913 - Underwood Act	Duty free	Duty free	
1921 - Emergency Act	All cattle	30 percent ad valorem	30
1922 - Fordney-McCumber Act	Cattle weighing less than 1,050 pounds	1½¢ a pound	18-43.7
	weighing 1,050 pounds and over	2¢ a pound	22.6-57.8
1930 - Hawley-Smoot Act	Cattle weighing less than 700 pounds	2½¢ a pound	39.6-88.8
	Weighing 700 pounds and over	3¢ a pound	33.5-66.7

(a) Ad valorem equivalent is calculated by dividing the total value of dutiable imports by the total duty paid on those imports.

TABLE VII b

Duties on Beef and Veal, 1883 - 1930

Tariff Act	Tariff classification or description	Rate of duty
1883	Beef	1¢ per pound
1890	Beef	2¢ per pound
1894	Fresh beef	20 percent ad valorem
1897	Fresh beef and veal	2¢ per pound
1909	Fresh beef and veal	1½¢ per pound
1913	Fresh beef and veal	Free
1921	Fresh or frozen beef and veal	2¢ per pound
1922	Fresh beef and veal	3¢ a pound
1930	Fresh beef and veal	6¢ a pound

between the United States and Canada which included free entry of Canadian cattle and beef into the United States. This agreement, however, never became effective because of Canada's failure to approve it.

Free Entry of Cattle With the Underwood Tariff, 1913 - 1921

When the Democrats, traditionally the lower tariff party, came into office in 1913 the Underwood Tariff was enacted which generally reduced import duties. Partly because of consumer complaints against high beef prices and in recognition of our partial dependence on outside sources for cattle and beef, both cattle and beef were placed on the free list, as had been provided in the Reciprocity Pact with Canada.

As may be seen in Table VIII cattle imports more than doubled from 323,986 head in 1912 to 736,937 head in 1913. Throughout the 1913 to 1920 period, in which the Underwood Act was effective high cattle prices prevailed and imports continued to be large. There was, however, considerable variation within this period. These variations were due largely to liquidations of Mexican herds in 1913-15 and of Canadian herds in 1919. Although imports were relatively large during the war period cattlemen were too prosperous to become concerned about this competition.

The Reimposition of Cattle Duties Under the Post-War Tariff Acts of 1921 and 1922

After the World War, as protection against sea raiders was no longer necessary, shipping distance again became less important so that South America and Australia regained their places in the European meat market; the war-time price level in the United States was being deflated; prices of farm products declined more rapidly than farm costs; the average price of native beef cattle at Chicago fell from $15.50 in

TABLE VIII

U. S. Cattle Imports, Domestic Slaughter, and
U. S. Cattle Prices under Successive Tariff Acts, 1910 - 1935[a]

	Imports of dutiable cattle	Total U.S. slaughter of cattle and calves	Ratio of imports to domestic slaughter	Average per cwt. farm price of cattle
	(No. of head)	(No. of head)	(Percent)	(Dollars)
1910 - Payne-Aldrich Tariff of 1909	208,820	21,057,000	1.0	4.78
1911	250,272	20,772,000	1.2	4.46
1912	323,986	20,214,000	1.6	5.12
1913 - Underwood Act	736,937	18,974,000	3.9	5.90
1914	727,891	18,603,000	3.9	6.23
1915	552,489	18,955,000	2.9	6.00
1916	295,647	20,424,000	1.4	6.47
1917	347,510	23,113,000	1.5	8.17
1918	352,601	24,578,000	1.4	9.44
1919	642,395	23,228,000	2.8	9.59
1920	379,114	21,951,000	1.7	8.42
1921 - Emergency Tariff	194,871	20,822,000	1.0	5.50
1922 - Fordney-McCumber Tariff	236,000	22,538,000	1.0	5.43
1923	136,961	23,610,000	0.6	5.58

TABLE VIII (continued)

	Imports of dutiable cattle	Total U.S. slaughter of cattle and calves	Ratio of imports to domestic slaughter	Average per cwt. farm price of cattle
	(No. of head)	(No. of head)	(Percent)	(Dollars)
1924	141,985	23,554,000	0.6	5.55
1925	172,910	24,640,000	0.7	6.23
1926	211,598	24,135,000	0.9	6.43
1927	436,204	21,891,000	2.0	7.23
1928	517,150	19,679,000	2.6	9.12
1929	410,656	19,444,000	2.1	9.15
1930 - Hawley-Smoot Tariff	226,273	19,771,000	1.1	7.46
1931	85,570	20,061,000	0.4	5.31
1932	95,407	19,812,000	0.5	4.07
1933	63,329	21,488,000	0.3	3.63
1934	57,679	24,947,000	0.2	3.88
1935	364,623	24,351,000	1.5	6.21

(a) Imports of dutiable cattle and average per pound farm price of cattle from "Foreign Crops and Markets", Vol. 38, No. 6, (February 11, 1939) p. 84.

"Total U.S. slaughter of cattle and calves" is the sum of total cattle slaughtered and total calves slaughtered (including farm slaughter) from "Agricultural Statistics", 1939, p. 318.

1919 to $8.20 in 1921[1]; cattlemen, who had generally borrowed heavily to permit war time expansion, were in distress; liquidation of both United States and Canadian herds built for war-time demand added to the problem. Under these conditions, and with the protectionist party once more in office, the Emergency Tariff Act was passed in 1921 and the Fordney-McCumber Tariff the following year.

The Emergency Act, hastily prepared, levied a 30 per cent ad valorem import tax on all cattle not specially exempted. The 1922 Act, attempting to make some compensation for the lower per pound value of thin cattle, placed a duty of one and one-half cents a pound on cattle under 1,050 pounds in weight and a duty of two cents a pound on cattle weighing 1,050 pounds or more. On the lighter class of cattle this duty had an ad valorem equivalent varying from 43.7 per cent in the low price year of 1922 to 18 per cent with the high cattle prices of 1929. At the same time the ad valorem equivalent for the heavier class varied from 57.8 per cent to 22.6 per cent.

With such a change in the ratio of the import duty to the value of cattle it is not surprising that imports of dutiable cattle ranged from 136,961 head in 1923 to 517,150 head in 1928.

Increased Duties Under the Hawley-Smoot Tariff Act of 1930

By 1930 the second post-war depression was being felt, and international trade barriers were rapidly growing. Cattlemen, as well as other farmers, were again experiencing a price decline more rapid than that of the general price level; cattlemen were again alarmed at imports or willing to grasp at any straw in their emergency.

(1) The Chicago Daily Drovers Journal, "Year Book of Figures", 1939, p. 39.

The Hawley-Smoot Act of 1930, which topped a long list of high tariff acts for the United States, provided a duty of two and one-half cents a pound on cattle under 700 pounds and three cents a pound on those weighing 700 pounds or more. Changing the dividing point weight from 1,050 to 700 pounds partially recognized the tendency toward feeding and marketing lighter weight cattle and partially increased the effect of the duty by making the higher rate applicable to a weight class including a greater part of all dutiable imports.

Under the 1930 Act, as under the previous tariff, changes in the United States prices for cattle caused marked variations in the effectiveness of the import duties. For the last half of 1930, in which the Hawley-Smoot duties were applicable, the ad valorem equivalent of the duty on light cattle was 39.6 per cent, but with the low prices of 1934 it amounted to 88.8 per cent. At the same time the ad valorem equivalent of the duty on the heavier class increased from 33.5 per cent to 66.7 per cent.

Again, as under the 1922 Act, imports of dutiable cattle showed marked variations from year to year under the same specific duties. In 1930 imports were 226,273 head as compared to 410,656 head in the previous year; they continued the decline to the extreme low point of 57,679 head in 1934,but in 1935 they made the considerable increase to 364,623 head which closely approached the number imported in 1929 under the Fordney-McCumber duty rates. In 1935 cattle prices had sharply increased partly because of increased consumer buying power but largely because of the tremendous effect of the 1934 drought in reducing the domestic cattle supply.

The Form of Import Duties

As Table VII shows, United States duties on cattle imports have taken several forms. Simplest of these is a flat ad valorem tax on all dutiable imports. Because of the considerable difference in the per pound value of thin and fat cattle it was found desirable to apply a lower rate to thin cattle. In the earlier attempts to make this distinction cattle were divided on an age basis, but this was later discarded for it was more difficult to establish than a division on the basis of weight. The duty class division on the basis of per head value as provided in the Act of 1897 was also found undesirable since it tended to encourage fraud in order to obtain the lower duty classification.

The ad valorem type of duty gives flexibility in application to cattle differing in value because of class, grade, quality and other factors, but its flexibility, applied to changing cattle prices is objectionable from the protectionist standpoint; it does not afford the maximum benefit to producers when prices are low or to consumers when prices are high. As was noted in the preceding sections, a specific duty is most effective in excluding imports when prices are low. The application of different rates to different classes of cattle makes some allowance for value differences due to the character of the cattle.

The Relation of Cattle Imports to Prices

Examination of Table VIII reveals a close relationship between cattle imports and cattle prices in the United States. Before the 1913 Act placed cattle on the free list, imports had increased from 208,820 in 1910 to 323,986 head in 1912 as the average farm price of cattle rose from $4.78 to $5.12.

Rising cattle prices in the United States undoubtedly contributed to the marked increase in import numbers which followed removal of the duty on cattle in 1913. Imports continued relatively high under the duty free entry and War-time prices up to and including 1920.

However, several influences operated during the 1913-1920 period to obscure the effect of United States prices on imports. Some of the more important of these influences were: Liquidation of Mexican herds from 1913 to 1915 followed by inability of Mexico to export; the inflated general price level in the United States from 1916 to 1920; the unusual war-time European outlet for Canadian exports of beef; and the post-war liquidation of Canadian herds in 1919.

The drop in the average farm price of cattle from \$8.42 in 1920 to \$5.50 in 1921 greatly heightened the effect of the Emergency Tariff of 1921 so that dutiable cattle imports fell from 379,114 in 1920 to 194,871 in 1921. Since after the war the United States no longer exported large quantities of beef the need for cattle imports correspondingly declined. Imports increased to 236,000 head in 1922 partly in anticipation of the higher duties of the Fordney-McCumber Act whose provisions were known a considerable time in advance of its effective date of September 21. Cattle imports continued low through 1924. In 1925 and 1926 they had shown some increase with the moderate price increases of those years. In the 1927-29 period, with distinctly higher cattle prices prevailing in the United States, cattle imports averaged more than double those of the lower price years under the Emergency Tariff and the still prevailing Fordney-McCumber Tariff.

Again in 1930 falling United States cattle prices heightened the effect of an increased cattle tariff so that dutiable cattle imports decreased from 410,656 head in 1929 to 226,273 head in 1930. With further severe price declines, cattle imports under the Hawley-Smoot Tariff fell to the extreme low of 57,679 head in 1934. With the rise in the average farm price of cattle from \$3.88 in 1934 to \$6.21 in 1935 cattle imports increased from 57,679 to 364,623 head.

Thus, it is evident that under a specific duty the price of cattle in the United States is a strong influence on the size of cattle imports. While this tendency of imports to follow United States prices does not preclude the possibility of imports affecting cattle prices in the United States, the three-way relationship between the tariff on cattle, the movements of cattle prices in the United States, and the size of cattle imports does show that imports were not the cause of the major changes in cattle prices and that the tariff on cattle has not materially altered these price movements. The small size of cattle imports relative to the total United States supply as shown in Table VIII indicates mainly why this should have been true. Only in 1913-15 have total imports constituted more than three per cent of the total domestic slaughter of cattle and calves, and in the years of low cattle prices in the United States imports have seldom equalled one per cent of the total United States slaughter. The possible effect of imports on prices in the United States will be examined in more detail in Chapter VI.

Sources of Cattle Imports, 1910 - 1935

Because of the cost of transportation from more distant cattle surplus countries, Canada and Mexico have been practically the only sources of competition for United States cattlemen on the domestic market for live cattle. The very few dutiable cattle from other sources have been principally of West Indies origin. A few head are imported duty free from the Virgin Islands of the United States. Other duty free cattle have been generally registered purebred breeding stock principally from the United Kingdom and Canada. In this consideration of imports only dutiable cattle are included save when otherwise specified, and because other sources than Canada and Mexico are insignificant only these two

TABLE IX

Imports of Dutiable Cattle by Country of Origin and Duty Class under Successive U. S. Tariff Acts, 1910 - 1939[a]

Year	Total dutiable imports	Imports from Mexico		Imports from Canada	
		Total	Percent	Total	Percent
Payne-Aldrich Act, 1909. Cattle less than 1 year old, \$2 per head; all other cattle if valued at not more than \$14 per head, \$3.75 per head; all other cattle if valued at less than \$14 per head, 27½ percent ad valorem.					
Fiscal:					
1910	195,936	188,141	96.0	5,574	2.8
1911	182,923	177,981	97.3	3,043	1.7
1912	318,372	315,227	99.0	1,350	0.4
Underwood Act, 1913, No duty on cattle.					
1913	421,649	391,477	92.8	29,186	6.9
1914	868,368	625,253	72.0	241,331	27.8
1915	538,167	346,004	64.3	191,540	35.6
1916	439,185	197,788	45.0	238,025	54.2
1917	374,826	183,827	49.0	189,285	50.5
1918	293,719	105,470	35.9	185,089	63.0

TABLE IX (continued)

Year	Total dutiable imports	Imports from Mexico				Imports from Canada			
				Total	Percent			Total	Percent
Calendar:									
1919	642,395			90,541	14.1			550,004	85.6
1920	379,114			58,926	15.5			316,559	83.5
Emergency Act, 1921. Effective May 27. Duty 30 percent ad valorem									
1921	194,871			13,874	7.1			179,408	92.1
Fordney-McCumber Act 1922. Effective September 21. Cattle weighing less than 1,050 pounds, 1½¢ a pound; cattle weighing 1,050 pounds and over, 2¢ a pound.									
	Total dutiable imports	Under 1,050 lbs.	1,050 lbs. and over	Total from Mexico	% from Mexico	Under 1,050 lbs.	1,050 lbs. and over	Total from Canada	% from Canada
1922	238,309			30,127	12.6			206,419	86.6
1923	148,934 (b)	12,594	38	12,632	8.5	132,390	3,912	136,302	91.5
1924	141,985	11,271	4	11,275	7.9	118,993	11,597	130,590	92.0
1925	172,910	24,048	38	24,086	13.9	141,492	7,318	148,810	86.1
1926	211,598	48,076	55	48,131	22.7	160,358	2,981	163,339	77.2
1927	436,204	143,422	417	143,839	32.9	264,694	18,792	283,792	64.9
1928	517,150	237,894	1,219	239,113	46.2	264,765	13,103	277,868	53.7

TABLE IX (continued)

Year	Total dutiable imports	Imports from Mexico				Imports from Canada			
		Under 1,050 lbs.	1,050 lbs. and over	Total from Mexico	% from Mexico	Under 1,050 lbs.	1,050 lbs. and over	Total from Canada	% from Canada
1929	493,200[b]	244,884	440	245,324	49.7	236,403	11,403	247,876	50.3
to June 17, 1930	188,384[b]	150,246	490	150,736	80.0	37,351	787	38, 138	20.0

Hawley-Smoot Act, 1930. Effective June 17. Cattle weighing less than 700 pounds, 2½¢ a pound; cattle weighing 700 pounds and over, 3¢ a pound.

Year	Total dutiable imports	Under 700 lbs.	700 lbs. and over	Total from Mexico	% from Mexico	Under 700 lbs.	700 lbs. and over	Total from Canada	% from Canada
from June 18 1930	37,403[b]	20,178	45	20,233	54.1	14,691	2,479	17,170	45.9
1931	85,570	65,134	749	65,883	77.0	16,788	2,796	19,584	22.9
1932	95,407	89,078	335	89,413	93.7	4,746	1,248	5,994	6.3
1933	63,329	62,287	44	62,325	98.4	761	243	1,004	1.6
1934	57,679	55,203	650	55,853	96.8	1,733	92	1,825	3.2
1935	364,623	242,468	8,622	251,090	68.9	52,790	59,930	112,720	30.9

(a) Data for 1910-1923 from United States Tariff Commission, "The Cattle Industries of the United States and Canada."
"All countries" imports 1923-1935 from "Foreign Crops and Markets," Vol. 38, No. 6 (February 11, 1939)
Other data for 1923-1935 from H. S. Patton, "The Canadian Trade Agreement and the American Cattle Industry".
Imports for 1914-1920 include breeding stock.

(b) Total of imports from Mexico and Canada.

countries will be considered.

Table IX shows that from 1910 to 1912 Mexico was the source of practically all United States imports of live cattle and that Mexico continued through 1914 to be the largest contributor to United States imports. On the other hand, Canada's share of the total United States imports, beginning in 1913, steadily increased until they constituted 92.0 per cent in 1924. After that Mexico's share of the total gradually increased to practically 50 per cent in 1929 and 80 per cent of the January 1 to June 17 period of 1930 in which the 1922 Tariff still applied. With the higher rates of the 1930 Tariff Act, Canada's share of United States imports decreased as United States prices declined until the extreme low of 1.6 per cent was reached in 1933. With the higher prices of 1935 which followed the 1934 drought and emergency slaughter of United States Cattle, Canada's contribution increased to 30.9 per cent.

With the weight division at 1,050 pounds under the 1922 Act, imports of the heavier class made but a small part of the total; of these Canada was the more important source both in absolute numbers and in proportion to her total exports to the United States. Reduction of the weight division to 700 pounds under the Act of 1930 gave this heavier class a larger part of the total dutiable imports. Under this classification Canada continued to be the more important source of heavier cattle.

In the 1910-1935 period two important factors stand out as influencing the relative size of Canadian and Mexican cattle exports to the United States. One of these has been political conditions in Mexico and the other the relative treatment accorded Canadian cattle by the United States and by the United Kingdom. A state of disturbance existed in Mexico from 1910 to 1928 and was especially severe from 1913 to 1917.

Civil war and outlaw looting at this time severely crippled the Mexican cattle industry.(1) As the United States is by far the most important outlet for Mexican cattle, the large Mexican exports to the United States from 1913 to 1915 followed by the decline to the low point of 1924 represents first the liquidation of Mexican herds and then the inability to export because of decimated herds. Export duties imposed by the Mexican government to aid in rehabilitating the cattle industry acted as a further check on exports.

When the United States prices were deflated following the World War, Mexico in 1921 imported 138,200 head compared to exports of 13,900. Relatively high cattle prices in Mexico caused her to import cattle from our Southwest to restock depleted Mexican ranges, and many of our southwestern ranchers transferred their herds across the border. Mexican cattle herds were not sufficiently rebuilt to supply anything like their former exports until the late twenties. Drought and exchange rates have also influenced the movements of Mexican cattle to the United States.(2)

Canada, unlike Mexico, has had an important alternative export market. As shown in Table X, the relative treatment accorded Canadian cattle by the United States and Great Britain has strongly influenced the flow of these exports. Prior to the loss of the United States' net export balance and the removal of the United States duty on cattle (1913) Canada exported over ten times as many live cattle to Great Britain as

(1) "Foreign Crops and Markets", Vol. 39, No. 9. (August 26, 1939), p. 179.

(2) Ibid, p. 176.

TABLE X

U. S. and United Kingdom Tariffs
and Canadian Cattle Exports, 1910 - 1939[a]

Tariffs and agreements	Number of cattle exported			Percent to U. S.
	To U. K.	To U. S.	Total[b]	
1910 (Rates of 1897 prevailing)	140,424	3,696	144,120	2.6
1913 Underwood Tariff (free)	9,878	180,383	190,261	94.8
1915	1,572	179,016	180,588	99.2
1920	320	236,642	236,962	99.9
1921 Emergency Tariff	33,053	135,257	168,310	80.4
1922 Fordney-McCumber Tariff	18,475	189,760	208,235	91.1
1923 British Embargo Removed	57,672	96,873	154,545	62.7
1925	110,868	86,748	197,616	43.9
1929		160,103	160,103	100.0
1930	5,400	19,483	24,883	78.3
1931 Hawley-Smoot Tariff	27,149	9,159	36,308	25.2
1932 Ottawa Agreements	16,568	9,010	25,578	35.2
1934	53,852	6,341	60,193	10.5
1935	6,704	102,934	109,638	93.9
1936 U. S. - Canadian Agreement	38,495	191,149	229,644	83.2
1939 Second U. S. - Canadian Agreement	4,274	201,065	205,339	97.9

(a) From Canada's "Annual Market Review" 1939. p. 13 and data furnished by the Department of Agriculture, Marketing Service, Ottawa, Canada.

(b) Not including small numbers to other countries.

to the United States.

With the removal of the United States duty on cattle the United States became the chief outlet for Canadian cattle. The Tariffs of 1921 and 1922 caused more Canadian cattle to turn toward Great Britain although the United States was still the chief market. When the British Embargo, which had required the slaughter of imported cattle practically on arrival and thus prevented their sale as feeders, was removed in 1923 the United Kingdom became the more important outlet. But by 1929 high prices in the United States attracted all of Canada's cattle exports to this country in spite of the unfavorable import duties. In the early thirties low United States prices, the severe Hawley-Smoot Tariff and the more favorable United Kingdom treatment reduced the percentage of Canada's exports sent to the United States to a low of ten per cent in 1934. In 1935 with the same import treatment prevailing but with high United States prices the United States share of Canada's total cattle exports was 93.9 per cent. Under the Trade Agreements with Canada that percentage has remained high.

While Table X shows a close relationship of United States and United Kingdom import regulations to the direction in which Canadian cattle exports moved, it is well to remember that the more severe United States tariffs were imposed at times when low U. S. cattle prices made this market unattractive to imports.

Although the combined effect of high United States tariffs, low U. S. prices, and favorable United Kingdom treatment of Canadian cattle has at times turned Canadian cattle exports away from the United States, the number sent to Great Britain has seldom been large. The response of Canadian exports indicates that, under any save extreme conditions, the United States is the more favorable market for Canadian cattle.

CHAPTER III.

THE NATURE OF THE 1935 TRADE AGREEMENT WITH CANADA AND THE U. S. CONCESSIONS ON CATTLE

The Nature of the Trade Agreements Program

World depression during the early thirties brought about a drastic reduction in United States exports which had been sustained during the twenties by the vast volume of American loans and investments abroad. Between 1928 and 1932 the total value of exports from the United States fell from $5,283,938 to $1,413,397, a 73.3 per cent decline. Agricultural exports of the United States were reduced from $1,847,087 to $589,650, a decline of 68.1 per cent. Although exports had decreased in volume, this fall in the total value of agricultural exports was to a large extent due to lower prices. The quantity index of 44 principal agricultural export commodities was 85 in 1932 as compared to 117 in 1928, a 27.2 per cent reduction in volume as compared to the 68.1 per cent fall in value.(1) Shrunken markets for farm exports and decreased purchasing power in the non-agricultural exporting industries both contributed to the drastic decline in farm prices.

In the face of this severe reduction in the foreign trade of the United States several alternatives were conceivably open to the Roosevelt Administration. A laissez-faire policy of allowing deflation to run its course in a manner which seemed likely to ruin many producers, if not whole industries, and which overlooked the influence of economic nationalism on international trade, did not seem acceptable. The opposite policy of economic isolation involved almost inconceivable shifts in the

(1) "Agricultural Statistics", 1939, pp. 428-431.

use of productive factors in order to change from production for export to production entirely for home consumption, and even if such a transference were accomplished it would mean a materially lower standard of living. The Government might have adopted a modern mercantilistic policy of restricting imports while seeking to expand exports by such means as credit extension to foreign countries, export subsidies, and bilateral clearing arrangements, but these are either extremely costly or provocative of retaliatory restrictions.

Instead of these alternatives the Government adopted "a policy of reciprocal-trade concessions under which export recovery might be sought, not by artificial stimulants or threats, but by bringing about the gradual lowering of trade barriers abroad in return for carefully considered concessions on our own part. Such a policy recognizes the mutual advantages of foreign trade and aims to bring about an increase in the total volume of trade instead of the mere diversion of a diminished volume."(1) With this in view Congress passed the Trade Agreements Act of June 1934, as an amendment to the Tariff Act of 1930, authorizing "the President, for a period of 3 years, to enter into trade agreements with foreign countries.....so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets, by affording corresponding market opportunities for foreign products in the United States." The Trade Agreements Act empowered the President to grant reductions up to 50 per cent of existing tariff rates but did not permit the transfer of dutiable items to the free list.

In all the trade agreements, save that with Cuba, the so-called

(1) H. S. Patton, "The Midwest and the Trade-Agreements Program", p. 24.

"unconditional most-favored-nation provision" applies, which provides that each party give to the other automatically and unconditionally the benefit of the lowest rates accorded other nations. "The principle of generalizing concessions and of equality of treatment....tends not only to lessen international commercial friction, but also brings out a progressive widening of the scope and range of trade concessions and to increase total trade instead of merely diverting it into narrower channels."(1)

Reasons for the U. S. - Canadian Trade Agreements

It was natural that trade between the United States and Canada should receive early attention under the Trade Agreements Act. Since the World War, Canada has been the largest single source of the United States imports. She has been second only to Great Britain as a market for American exports, and in 1929 Canada occupied first place among our export markets. Trade between the United States and Canada had been on the increase in the twenties prior to the depression during which the United States adopted the high Hawley-Smoot Tariff in 1930 and Canada invoked retaliatory measures.

Under the combined influence of low prices and increased import duties in both countries the total value of U. S. imports from Canada decreased from a $427,300,000 annual average for 1927-1931 to $174,100,000 in 1932, a loss of 59.3 per cent. By 1935 they had recovered to only $286,100,000. United States exports to Canada had fallen from a $709,400,000 annual average for 1927-1931 to $197,900,000 for 1933, a 72.1 per cent decline, and they had recovered to only $308,200,000 for 1935 when the first U. S.-Canadian Trade Agreement was negotiated.(2)

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(1) Ibid., pp. 26 - 27.

(2) John L. Stewart, 'Agriculture in the New Canadian Trade Agreements', "Foreign Agriculture", Vol. II, No. 12 (December 1938) pp. 585-586.

Nature of the 1935 Trade Agreement with Canada

In this first Agreement with Canada the United States gained tariff reductions on 767 items which in 1929 comprised more than three-quarters of the total dutiable exports to Canada from this country. These concessions included about 125 agricultural, horticultural, and related products which in 1929-30 accounted for $50,000,000 in our export trade to Canada. But in 1934-35 these items had shrunk to $15,000,000 in value.

Canada had been operating under a three schedule tariff. The lowest of these was the British Preferential which applied to countries of the Empire. The intermediate schedule applied to designated products from countries with which Canada had commercial treaties. The highest rates were those of the general tariff, and it was these that applied to products from the United States. Henceforth, under the Agreement the United States was to be given rates on the above 767 items as low as those applicable to the most-favored non-British country under Canada's intermediate tariff. On some three dozen fruit, vegetable, and nut items Canada reduced her duties below the intermediate rates. Canada also agreed to reduce her customs valuations on many classes of fruits and vegetables which had been assessed for ad valorem duties at considerably above invoice values.

These concessions the United States gained in part merely by retaining on our free list such items as pulpwood, newsprint, certain furs and fish, etc. and by a binding against increase of the 10 per cent duty on certain special feedstuffs. Tariff reductions were made by the United States on commodities which in 1929 made up about one-sixth of our total imports from Canada, or about three fifths of the dutiable imports. These concessions include, besides certain lumber, fish, leather, minerals, chemicals, and whiskey, about twenty agricultural products such as cattle, dairy products, chickens, horses, and several vegetable products.

Considerations Involved in the Granting of Concessions on Cattle

1. The Necessity of Concessions on Cattle. As was noted in Chapter II the United States is normally the chief outlet for Canada's cattle exports. The cost of shipping cattle to Great Britain, the chief alternative outlet, is much greater than the cost of moving cattle to the U. S. markets. While imports of live cattle from Canada are a small part of the total U. S. supply they are of considerable importance to the smaller Canadian cattle industry, making up approximately 20 per cent of the total Canadian marketings (excluding calves) when exports approach 200,000 head.

With Canadian cattle exports to the United States at the extremely low figure of 1,825 head in 1934 and with prices low relative to the high cost of shipping to the United Kingdom, Canadian cattlemen were in extreme need of an outlet. Consequently concessions by the United States on cattle were necessary in order to obtain concessions from Canada for U. S. exports.

2. Partial Dependence of the U. S. on Canadian Cattle. It was noted in Chapter I. that the United States has for several years produced less beef than its people consumed. It was also mentioned that there was considerable conflict of interest between ranchers and mid-west cattle feeders on the matter of the tariff on lean cattle. While Canadian imports are not an important source of supply for feeders as compared to our domestic production, whatever effect they might have on feeder cattle prices is as much to the gain of cattle feeders as to the loss of ranchers.

Also a rather special demand exists for lean Canadian cattle on the part of some cattle feeders in our northern North Central States.

3. Timeliness of Cattle Concessions. Late 1935 when the first U. S. - Canadian Trade Agreement was drawn up seemed a particularly favorable time for making concessions on cattle imports. The 1934 drought and emergency slaughter of cattle had reduced cattle numbers by about 10,000,000 head and curtailed Corn Belt feed supplies. In 1935, as a result of increasing consumer purchasing power and reduced domestic cattle numbers, the average price of beef steers at Chicago rose to $10.35 as compared to $6.75 the previous year.(1) A large feed supply was available in the Corn Belt in 1935, but the number of feeder cattle was limited. With the high prices prevailing in 1935 Canadian cattlemen once more found the United States a favorable market and Canadian cattle exports to the United States increased from 1,825 in 1934 to 112,720 in 1935. This combination of high domestic prices and a return to some dependence on outside cattle supplies made conditions favorable for limited concessions on cattle.

4. Protection of U. S. Cattlemen against Undue Foreign Competition. While the Trade Agreements Program recognized the necessity of giving in order to obtain concessions, it also recognized the interests of domestic producers. In general, undue competition for domestic producers was avoided by limiting concessions to those items of which the United States normally had a domestic deficit, by selecting those items for which the treaty country was the principal foreign supplier, and by the three year limit to the life of an agreement. In the Trade Agreement with Canada U. S. cattlemen were given additional safeguards including

(1) The Chicago Daily Drovers Journal, "Year Book of Figures", p. 39.

selected concession classes, limited duty reductions on concession classes, and tariff quota provisions.

Nature of the Concessions on Cattle

In determining the form which the United States concessions on cattle should take the most important considerations were the attainment of certain minimum benefits for Canadian cattlemen with adequate protection for U. S. cattlemen. It has already been shown that these aims were not irreconcilable. However, Mexican cattle imports constituted a problem. Since there was laid down in the Trade Agreements Act the policy of extending the concessions of each trade agreement ".....to like products from all other countries which extend their lowest rates to the United States and which do not otherwise descriminate against American commerce,"(1) the concessions granted Canada were also available to other countries of which Mexico, because of location, was the only one of importance. In order to insure for Canadian cattlemen the major benefits of the lower duties and to protect U. S. cattlemen, the concessions were arranged to apply to weight classes in which Canada was the larger contributor and to leave unchanged the duty on that class of cattle which made up the bulk of Mexican exports.

Consequently new duty classes were devised. The "under 700 pound" class of the 1930 Tariff was divided into two classes: one for calves under 175 pounds; and one for cattle weighing 175 pounds and over. The light weight, or calf class, was given a concession rate of 1½ cents a pound while for the 175 to 700 pound class, which included the bulk of cattle imports from Mexico, the 1930 Tariff duty of 2½ cents was retained. The "700 pound and over" class, to which Mexico contributed only a small

(1) H. S. Patton, op. cit., p. 28.

TABLE XI.

Duty Changes Affecting Cattle in the 1935 Agreement with Canada[a]

Duty Class	Rate of Duty: Before 1935 agreement	Rate of Duty: 1935 Agreement effective Jan. 1, 1936	Percent reduction in duty rate	Annual concession quota number
Cattle weighing less than 175 pounds each (calves)[b]	2½¢ per lb.	1½¢ per lb.	40	51,933
Cattle weighing 175 pounds and less than 700 pounds	2½¢ per lb.	Unchanged	0	No concession
Cattle weighing 700 pounds or more, other than dairy cows	3¢ per lb.	2¢ per lb.	33.3	155,799
Cattle weighing 700 pounds or more, dairy cows	3¢ per lb.	1½¢ per lb.	50	20,000

(a) Data, save for cattle weighing 175 pounds and less than 700 pounds, from The Department of State, Vol. XIX: No. 477, Supplement B, Publication 1253, "The New Trade Agreement with Canada," p. 112.

(b) Under the 1930 Act all cattle under 700 pounds were in one class.

proportion of the total, was divided into two categories: (1) cattle weighing 700 pounds and over, other than dairy cows, were given a concession duty of 2¢ a pound as compared to the old duty of 3¢ a pound; (2) dairy cows weighing 700 pounds and over, of which Mexico normally contributed none, were reduced from the old rate of 3¢ a pound to the concession rate of 1½¢ a pound. This was a 50 per cent reduction - the maximum permitted under the Trade Agreements Act. This separate tariff treatment of dairy cows was in recognition of the fact that dairymen are not normally cattle producers but milk producers. Our northeastern dairymen, whose more intensive herds are not self replacing, had a special interest in reduced duties on dairy cows at this time because some 858,000 cows had been lost in an intensive Bang's disease and tuberculosis eradication campaign in the year ending July 1935.

As a further protection to domestic cattlemen, quotas were specified for the concession classes. Tariff quotas, a limitation of imports which can come in at the concession rate in a specified period, as distinguished from global quotas, an absolute limitation to imports within the specified period, were a new feature in United States tariff making. Any cattle imported in excess of the number set as the quota were subject, not to the concession rate of duty, but to the higher rate as provided in the 1930 Tariff. Under the 1935 Agreement the total concession quota on cattle and calves other than dairy cows was limited to 1 per cent of the average annual total number of cattle (including calves) slaughtered in the United States during 1928-1932. Of this 1 per cent the calf quota made up one-fourth (51,933 head) and the 700 pound and over non-dairy cow quota made up three-fourths (155,799 head). Dairy cows weighing 700 pounds and over were given a concession quota of

20,000 head, a fraction of 1 per cent of the number of heifers coming into milk production annually in the United States.

CHAPTER IV.

CATTLE IMPORTS UNDER THE FIRST U. S.-CANADIAN TRADE AGREEMENT, 1936-38

As shown in Table XII, total dutiable cattle imports, which had increased markedly in response to higher U. S. cattle prices following the 1934 drought, made a further small increase under the reduced rates in 1936. In 1937 higher prices for cattle again prevailed in the United States following the 1936 drought, and dutiable cattle imports were approximately 25 per cent larger than in 1936. In 1938 a somewhat more normal domestic supply situation and reduced domestic purchasing power made the United States a less attractive market. Thus, although imports were already large in 1935 relative to the earlier years under the 1930 Tariff, total dutiable cattle imports averaged 438,614 head annually in the 1936-38 period as compared to 133,078 head in the 1931-35 period.

The change in the relative importance of weight classes following the 1935 Agreement is quite noticeable. Since there was no separate class for calves prior to 1936, the only comparison that can be made as to the relative importance of weight classes in the 1931-35 and 1936-38 periods is one between imports of dutiable cattle under 700 pounds and imports of dutiable cattle weighing 700 pounds and over. Table XII shows that, save for 1935 when imports from Canada were increasing, practically all dutiable cattle imports during 1931-35 were in the under 700 pound class. When cattle weighing 700 pounds and over were given concession rates beginning January 1, 1936, even with distinct quota limits this class increased from an average of 5.3 per cent of total dutiable cattle imports in 1931-35 to 36.8 per cent for 1936-38.

TABLE XII

Dutiable Cattle Imports from Canada and Mexico, 1931-38[a]

Year	Imports of dutiable cattle under 700 lbs.		Imports of dutiable cattle over 700 lbs.		Total dutiable imports from Canada and Mexico	Average farm price of beef cattle[b]
	Number	Percent of total	Number	Percent of total		
			Under Hawley-Smoot Tariff			
1931	81,922	95.9	3,545	4.1	85,467	5.31
1932	93,824	98.3	1,583	1.7	95,407	4.07
1933	63,048	99.6	287	0.4	63,329	3.63
1934	56,936	98.7	742	1.3	57,678	3.88
1935	295,258	81.1	68,552	18.9	363,910	6.21
Average 1931-35	118,198	94.7	14,942	5.3	133,078	4.62
			Under First U. S.-Canadian Trade Agreement			
1936	232,700	58.5	164,409	41.5	398,109	5.85
1937	309,123	62.4	184,984	37.6	494,107	6.96
1938	290,884	68.7	132,741	31.3	423,625	6.28
Average 1936-38	277,569	63.2	160,711	36.8	438,614	6.36

(a) Import data for 1931-35 from H. S. Patton, "The Canadian Trade Agreement and the American Cattle Industry", p. 9.
Import data for 1936-38 furnished by the United States Department of Agriculture, Foreign Agricultural Service.

(b) "Foreign Crops and Markets", Vol. 38, No. 6 (February 1939) p. 84.

Imports of Concession Class Cattle, 1936-38

Table XIII shows that total concession class imports averaged approximately 50 per cent of all dutiable cattle imports in the 1936-38 period. Of these Canada contributed from 71.3 to 90.4 per cent and Mexico from 9.6 to 28.7 per cent. Non-concession class cattle, averaging approximately one-half of the total dutiable cattle imports, were, of course, made up entirely of 175 to 699 pound cattle. Mexico furnished from 77.2 to 96 per cent of these non-concession class cattle while Canada supplied only 3.8 to 22.5 per cent.

Table XIV shows the absolute and relative contributions of Canada and Mexico to each of the concession classes. In the calf class imports from Canada made up from 95.7 to 98.5 per cent of the total; in the 700 pound and over non-dairy class 60.3 to 86.4 per cent were Canadian; and from 99.9 to 100 per cent of the 700 pound and over dairy cow class was from Canada. Thus, it is evident that Canada was the chief beneficiary of the concessions. However, in 1938 the proportion of concession class cattle imports coming from Mexico increased to 39.7 per cent as compared to 13.6 per cent in 1937. This was due to an absolute increase in imports from Mexico and absolute decrease in imports from Canada. While Canadian cattle imports were falling off because of lower U. S. cattle prices in 1938 imports of Mexican cattle were increasing because of the Mexican Government's land policy and the falling dollar value of the peso.

In 1936 imports of the two concession classes for slaughter cattle exceeded their respective quotas only slightly; in 1937 they considerably over-ran the quotas; and in 1938 the quotas were unfilled. Failure to fill the quotas for these two classes in 1938 was due to decreased imports of Canadian cattle; imports from Mexico in these

TABLE XIII

Size and Origin of Total Concession and Non-Concession Class Cattle Imports, 1931-1938[a]

Year	Total dutiable cattle imports	Total concession class cattle imports		Concession class cattle imports from Canada		Concession class cattle imports from Mexico	
		Number	Percent of dutiable cattle imports	Number	Percent of total concession imports	Number	Percent of total concession imports
1936	399,113	222,876	55.8	198,914	89.2	23,805	10.7
1937	494,946	271,109	54.8	244,984	90.4	26,051	9.6
1938	424,330	180,499	42.5	128,616	71.3	51,832	28.7
		Total non-concession cattle imports		Non-concession cattle imports from Canada		Non-concession cattle imports from Mexico	
		Number	Percent of dutiable cattle imports	Number	Percent of total non-concession imports	Number	Percent of total non-concession imports
1936		176,237	44.2	35,149	19.9	140,241	79.6
1937		223,837	45.2	50,355	22.5	172,717	77.2
1938		243,831	57.5	9,147	3.8	234,030	96.0

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

TABLE XIV

Imports of Concession Cattle by Class and Origin, 1936-38[a]

Year	From Canada		From Mexico		Total from all countries
	Number	Percent of total	Number	Percent of total	
	Cattle weighing less than 175 pounds - (51,933 quota)				
1936	55,695	97.2	1,615	2.8	57,314
1937	80,792	98.5	1,259	1.5	82,052
1938	45,645	95.7	2,026	4.3	47,708
	Cattle weighing 700 lbs. each and over, other than dairy cows - (155,799 quota)				
1936	136,533	85.9	22,190	14.0	158,873
1937	157,468	86.4	24,792	13.6	182,333
1938	75,529	60.3	49,770	39.7	125,346
	Cattle weighing 700 lbs. each and over - for dairy purposes - (20,000 quota)				
1936	6,686	99.9	0	0	6,689
1937	6,724	100.0	0	0	6,724
1938	7,442	99.9	0	0	7,445

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

classes increased.

Character of Cattle Imports

Since Mexico's share of the 700 pound and over non-dairy imports increased to 39.7 per cent in 1938 it is of interest to note some characteristics of these imports. Table XV shows that Mexico's exports to the United States in this class averaged in weight only a little over the 700 pound class division point and were over 200 pounds lighter than the Canadian average for the class. While Mexican cattle are generally exported at weights under 700 pounds, the lower duty on the heavier class prompted persons moving the cattle into the United States to try to get their cattle just over the weight line into the lower duty class.

The average per hundredweight value of cattle imports from Canada and from Mexico for the 700 pound and over non-dairy class, shown in Table XV, is revealing as to the quality of cattle imports from the two countries. The average point of origin value of imports from Mexico in this class is less than the duty applicable to cattle weighing from 175 to 699 pounds. Mexican cattle are of low average value because they are generally thin, and due to their poor quality they do not rank high in the estimation of either the cattle feeder or the butcher. Canadian cattle, on the other hand, are generally of fairly good beef breeding and carry enough flesh to go as slaughter cattle or heavy feeders.

Monthly Import Movements

Since there are distinct differences in the characteristics of the various duty classes, and even within the duty classes as divided according to country of origin, it will be more relevant to examine the monthly distribution of imports in each class individually rather than imports as a whole. Table XVI shows this seasonal distribution of imports.

TABLE XV.

Number, Weight, and Value of Imports in the 700 Pound and Over Non-Dairy Class from Canada and Mexico[a]

Year	From Canada					From Mexico				
	Number	Weight	Value	Average weight	Average value per cwt.	Number	Weight	Value	Average weight	Average value per cwt.
1936	136,533	135,173,465	6,878,002	990	5.07	22,190	17,070,321	316,397	769	1.85
1937	157,468	159,382,399	11,006,472	1,012	6.91	24,792	19,635,729	411,468	792	2.10
1938	75,529	79,514,571	4,358,223	1,053	5.48	49,770	39,287,370	723,580	789	1,84

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service. Value is established in the country of origin.

TABLE XVI.

Monthly Imports of Dutiable Cattle, 1936-38[a]

Months	1936 Canada	Mexico	Other countries	Total	Months	Canada	Mexico	Other countries	Total
Weighing less than 175 pounds -					Weighing 700 lbs. each or over - for dairy purposes -				
January	896	161	0	1,057	January	290	0	0	290
February	1,230	32	0	1,262	February	181	0	3	184
March	2,135	33	0	2,168	March	200	0	0	200
April	6,499	266	0	6,765	April	326	0	0	326
May	9,087	128	0	9,215	May	920	0	0	920
June	14,337	12	0	14,349	June	764	0	0	764
July	14,198	881	0	15,079	July	564	0	0	564
August	2,631	93	0	2,724	August	835	0	0	835
September	1,354	9	1	1,364	September	815	0	0	815
October	849	0	0	849	October	562	0	0	562
November	1,386	0	0	1,386	November	549	0	0	549
December	1,093	0	3	1,096	December	680	0	0	680
Total	55,695	1,615	4	57,314	Total	6,686	0	3	6,689
Weighing 175 pounds and less than 700 lbs. -					Weighing 700 lbs. each or over, n.s.p.f. -				
January	832	8,338	0	9,170	January	8,574	2,319	0	10,893
February	509	13,819	175	14,503	February	8,683	3,291	0	11,974
March	905	26,997	89	27,991	March	14,604	6,053	7	20,664
April	3,250	30,372	7	33,629	April	34,370	3,191	2	37,563
May	2,297	14,727	177	17,201	May	23,747	4,027	11	27,785
June	2,548	7,096	77	9,721	June	20,738	666	9	21,413
July	2,406	5,346	0	7,752	July	8,643	1,306	0	9,949
August	4,034	5,347	0	9,381	August	5,035	557	0	5,592
September	6,248	5,773	82	12,103	September	7,902	45	68	8,015
October	6,129	9,630	79	15,838	October	2,581	178	19	2,778
November	4,495	4,298	97	8,890	November	1,308	527	14	1,849
December	1,496	8,498	64	10,058	December	348	30	20	398
Total	35,149	140,241	847	176,237		136,533	22,190	150	158,873

TABLE XVI. (continued)

Monthly Imports of Dutiable Cattle, 1936-38[a]

1937									
Months	Canada	Mexico	Other countries	Total	Months	Canada	Mexico	Other countries	Total
Weighing less than 175 pounds -					Weighing 700 lbs. each or over - for dairy purposes -				
January	4,190	18	0	4,208	January	460	0	0	460
February	6,500	70	0	6,570	February	368	0	0	368
March	7,064	156	0	7,220	March	534	0	0	534
April	9,849	255	0	10,104	April	586	0	0	586
May	15,007	13	1	15,021	May	489	0	0	489
June	14,668	686	0	15,354	June	574	0	0	574
July	10,201	0	0	10,201	July	450	0	0	450
August	5,162	61	0	5,223	August	604	0	0	604
September	2,453	0	0	2,453	September	610	0	0	610
October	1,991	0	0	1,991	October	676	0	0	676
November	2,103	0	0	2,103	November	705	0	0	705
December	1,604	0	0	1,604	December	668	0	0	668
Total	80,792	1,259	1	82,052		6,724	0	0	6,724
Weighing 175 pounds and less than 700 pounds -					Weighing 700 lbs. each or over, n.s.p.f. -				
January	1,143	16,425	123	17,691	January	21,536	6,327	9	27,872
February	343	17,990	73	18,406	February	14,120	3,475	0	17,595
March	554	22,065	104	22,723	March	14,150	4,352	0	18,502
April	439	30,062	83	30,584	April	11,152	3,549	31	14,732
May	1,047	35,035	69	36,151	May	12,710	4,841	11	17,562
June	2,383	10,987	80	13,450	June	11,098	986	0	12,084
July	6,479	2,494	71	9,044	July	24,449	343	6	24,798
August	11,727	10,424	110	22,261	August	27,704	621	11	28,336
September	10,663	6,311	0	16,974	September	8,140	7	0	8,147
October	10,863	7,965	25	18,853	October	11,179	67	5	11,251
November	4,199	7,533	8	11,740	November	1,178	224	0	1,402
December	515	5,426	19	5,960	December	52	0	0	52
Total	50,355	172,717	765	223,837		157,468	24,792	73	182,333

TABLE XVI. (continued)

Monthly Imports of Dutiable Cattle, 1936-38[a]

1938									
Months	Canada	Mexico	Other countries	Total	Months	Canada	Mexico	Other countries	Total
Weighing less than 175 pounds -					Weighing 700 lbs. each or over - for dairy purposes -				
January	3,830	58	0	3,888	January	428		0	428
February	3,694	49	0	3,743	February	509		0	509
March	5,338	87	0	5,425	March	386		0	386
April	7,013	796	1	7,810	April	296		0	296
May	2,700	756	0	3,456	May	339		0	339
June	5,461	119	0	5,580	June	709		3	712
July	4,783	5	0	4,788	July	574		0	574
August	2,774	1	0	2,775	August	925		0	925
September	3,123	2	0	3,125	September	893		0	893
October	2,432	60	0	2,492	October	733		0	733
November	2,523	31	0	2,554	November	753		0	753
December	1,974	98	0	2,072	December	897		0	897
Total	45,645	2,062	1	47,708		7,442		3	7,445
Weighing 175 pounds and less than 700 lbs. -					Weighing 700 lbs. each or over, n.s.p.f. -				
January	112	9,855	4	9,971	January	3,861	4,213	0	8,074
February	164	14,764	168	15,096	February	2,102	2,264	21	4,387
March	301	24,272	0	24,573	March	8,204	3,972	0	12,176
April	418	66,622	4	67,044	April	4,597	9,265	6	13,868
May	636	36,351	85	37,072	May	2,524	4,860	4	7,388
June	660	7,308	145	8,113	June	1,192	1,054	5	2,251
July	585	5,851	10	6,446	July	4,540	1,453	0	5,993
August	1,097	5,774	6	6,877	August	5,648	1,696	2	7,346
September	754	4,640	84	5,478	September	6,874	1,073	1	7,948
October	1,533	12,226	137	13,896	October	11,290	6,479	8	17,777
November	1,730	21,917	5	23,652	November	18,074	9,192	0	27,266
December	1,157	24,450	6	25,613	December	6,623	4,249	0	10,872
Total	9,147	234,030	654	243,831		75,529	49,770	47	125,346

(a) Data furnished by the United States Department of Agriculture, Foreign Agricultural Service; compiled from the official records of the Bureau of Foreign and Domestic Commerce.

In 1936 and 1937 calf imports show a distinct peak in the late spring and summer months with a tapering off in both the early and late months of the year. In 1938 this summer peak was less marked and the heaviest receipts occurred in April. There is evidence of the effect of the quota in the relatively heavier imports of the first half of the year. This tendency appears most markedly in 1937 when the quota was filled in June and exceeded for the year by 30,019 head. The 1936 quota had been filled in August and exceeded for the year by only 5,381 head. This tendency toward a summer peak in calf imports, especially from Canada, would seem to be due to the timing of the calving season, and, since veal calves are a by-product of dairying, the calving season will be influenced more by considerations relating to milk production than by those pertaining to veal production or marketing.

With the 175 to 699 pound non-concession class, Canadian imports show a distinct tendency toward very low numbers in the first months of the year and a gradual increase in the summer toward a definite peak in the fall months. Mexican imports of this class show a nearly opposite tendency toward heavy marketings in the late winter and in the spring months with a decided decline in mid-summer and some increase in the fall months. The combined effect of seasonal imports from the two countries is to give the total imports for this class one peak period in the first half of the year and another in the second half with a marked low point in the summer and a less marked low point in mid-winter. However, because of the different character of the cattle of the two countries as well as the wide separation of their destinations, it may be doubted that total imports of this class have much significance. The respective seasonal peaks from the two countries is probably best explained by the effect of their climates on pastures. It should be noted that neither concessions nor quotas apply to this class.

Hardly any seasonal character can be attributed to imports of cattle weighing 700 pounds or over other than dairy cows. Here the quota seems to have played an important part. In 1936 and 1937 imports from both Canada and Mexico were relatively heavier for the first 6 and 8 months. The 1936 quota was filled in October and exceeded for the year by only 3,074. In 1937 the annual quota was filled in August and over run by 26,634 head. In 1938, when imports did not reach the quota limit, the heaviest entries were in October and November, the normal marketing time for most range areas. A somewhat smaller peak in 1938 imports occurred in March and April, probably representing fed cattle from Canada and early spring grass cattle from Mexico.

Imports of dairy cows show no very marked seasonal variations, but they seem to be somewhat smaller in the late winter and early spring months than during the rest of the year.

Imports by Customs Districts

Table XVII lists total imports of dutiable cattle for 1936 to 1938 by customs districts. It is evident that the Buffalo, New York, St. Lawrence, Vermont, and Maine and New Hampshire districts receive the bulk of imports, in the order named, for the eastern states. The Minnesota, Dakota, Michigan, and Chicago districts receive most of a correspondingly large number for the north central states. Washington receives the only large number in the Northwest but Oregon and the Montana and Idaho districts have at times received considerable numbers. In the Southwest Arizona, ElPaso and San Antonio take most of the imports from Mexico. The numbers entering these three southwestern districts are considerably greater than those entering the principal districts of either the north central or northeastern states.

TABLE XVII.

United States Imports of Dutiable Cattle by Customs Districts, 1936-1938[(a)]

Customs districts	Year ended December 31		
	1936	1937	1938
	Number	Number	Number
Maine and New Hampshire	1,978	1,254	927
Vermont	8,604	6,759	5,435
Massachusetts	86	89	193
St. Lawrence	10,764	12,517	7,488
Buffalo	55,982	62,676	23,734
New York	24,137	49,760	29,813
Philadelphia	22	294	0
Pittsburgh	0	0	0
Maryland	649	73	135
Galveston	0	0	0
San Antonio	35,766	23,594	42,066
El Paso	46,793	85,252	135,834
San Diego	718	4,335	2,495
Arizona	71,612	84,015	104,733
Los Angeles	4,177	0	0
San Francisco	504	0	0
Oregon	4,399	3,327	179
Washington	34,098	25,896	12,624
Alaska	0	0	4
Montana and Idaho	1,669	12,064	2,832
Dakota	28,282	25,701	3,860
Minnesota	50,133	77,087	46,019
Duluth and Superior	304	563	60
Michigan	8,164	14,223	3,886
Chicago	4,794	3,068	508
Ohio	0	0	46
St. Louis	1,638	1,075	0
Omaha	2,303	0	21
Colorado	535	497	734
Virgin Islands	1,002	826	704
Total	399,113	494,945	424,330

(a) Data furnished by the United States Department of Agriculture, Office of Foreign Agricultural Relations.

Quantitative information regarding the destination of imports by duty classes or by market class and grade was not available for any considerable part of the 1936 to 1938 period, but the above data as to total annual imports of dutiable cattle by customs districts may be interpreted in the light of what was said in Chapter I regarding the character of the beef industry in different areas. Since eastern Canada is a mixed farming area and our northeastern states are a heavily populated beef deficit region, it would be expected that entries there would be principally calves and cattle for immediate slaughter, and that this would be the chief destination of dairy cattle imports.

Cattle entering the customs districts of the north central states, with the possible exception of Michigan, are probably moving from the Prairie Provinces of Canada to the consuming centers or to the feed lots of the north central states. Consequently it would be expected that the bulk of these entries are range cattle selling as heavy feeders or as medium grade slaughter cattle. Michigan, both because of its accessability from Ontario and because of the character of its agriculture and its heavy population, would likely receive more slaughter cattle, calves, and dairy cows in proportion to feeder cattle than would the north central states in general.

Washington, the only northwestern state and the only state, other than California, west of the Mississippi which is on a deficit basis in beef production,(1) would naturally receive cattle and calves for slaughter from the surplus regions of western Canada.

Imports received in the southwestern districts would, of course, be from Mexico and bound for our southwestern ranges for restocking purposes or for grass fattening before slaughter, although some are for

(1) H. W. Vaughn, "Types and Market Classes of Livestock," p. 81.

immediate slaughter. Probably low income Mexican families in the Southwest are an important part of the market for the beef from these animals.

A study covering cattle imports by duty classes for the first seven months of 1936 tends to confirm for that period the interpretations just made as to the probable destination of imports from 1936 to 1938.(1) For the first seven months of 1936 imports of calves from Canada into the eastern states were approximately 10 times those entering the north central states and 20 times the number of calves entering the western states from Canada. Canadian cattle weighing 700 pounds and over, other than dairy cows, entered the north central states in numbers nearly 4 times as great as in the eastern states and over 5 times as great as in the western states. Canadian dairy cows entering the eastern states numbered 2,936 while 295 entered the western states and only 10 entered the north central states districts.

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(1) H. S. Patton, "The Canadian Trade Agreement and the American Cattle Industry." pp. 16 - 19.

CHAPTER V.

CATTLE CONCESSIONS AND IMPORTS

UNDER THE SECOND U. S. - CANADIAN TRADE AGREEMENT

On November 17, 1938 a new trade agreement was signed with Canada to become effective January 1, 1939 for an additional term of three years.(1) The first agreement had been generally considered highly satisfactory. Under it U. S. exports to Canada had increased from an annual average value of $303,000,000 during 1934-35 to $430,000,000 during 1936-1937, a 42 per cent increase. Likewise, United States imports from Canada rose from an average of $257,000,000 during 1934-35 to $386,000,000 during 1936-37, or 50 per cent.(2)

This increase in trade between the pre-agreement and agreement periods was most marked in products on which the 1936 Agreement had lowered barriers. "Canada's imports of such goods from the United States rose from about $120,000,000 in 1935 to about $215,000,000 in 1937, an increase of 80 per cent.....Similarly,.... between 1935 and 1937 there was an increase of nearly 87 per cent in the value of the imports of articles on which the duties had been reduced (by the United States)."(3)

Nature and Scope of the New Agreement

The 1938 Agreement is more inclusive than its predecessor. A major new concession to the United States is the removal of the Canadian

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(1) Concurrently the Anglo-American Trade Agreement was signed by the United States and the United Kingdom and by the latter in behalf of Newfoundland and the British Colonial Empire. This is primarily an "agricultural agreement" since the United Kingdom is the most important market for U. S. farm exports. The concessions granted to the United States are chiefly on agricultural items while those granted by the United States are on British manufactured goods.

(2) The Department of State, Press Releases, Vol. XIX : No. 477, Supplement B, "The New Trade Agreement with Canada." p. 2.

(3) Ibid., p. 3.

special 3 per cent import tax from items named in Canada's list for other concessions. In addition to this 3 per cent reduction and the binding of old rates against increase, the United States secured duty decreases beyond those of the 1935 Agreement on items making up $80,000,000 of exports to Canada for 1937. Among the major items on which Canada made additional concessions are fruits and vegetables, fishery products, paper products, wood manufactures, chemicals, iron and steel products, aircraft, and textiles. In the aggregate Canada gave concessions in the form of duty reductions, or of bindings of 1935 rates against increase, or binding of free entry on articles which Canada imported from the United States to the extent of $358,000,000 in 1937, or 73 per cent of our exports to Canada. This figure represents the cumulative scope of the 1935 and 1938 Agreements.

The concessions made by the United States, as compared to rates prior to 1936, cover commodities imported from Canada in 1937 to the value of $121,000,000, or 77 per cent of all dutiable imports from Canada. Of this total, duty reductions beyond those of the 1935 Agreement were made on items imported from Canada in 1937 to the value of $73,000,000.[1] Among the concessions made by the United States beyond those of the 1935 Agreement are those on live cattle, hogs and pork, cheese, eggs, grains other than wheat, grain by-products, maple sugar, potatoes, fishery products, several minerals, paper, furs, and Christmas trees. Of the total dutiable commodities on which the United States lowered duties (as compared to 1935 rates) or bound against increase, 37 per cent, as measured by value of imports from Canada in 1937, are agricultural products and

(1) Ibid., pp. 4 - 5.

63 per cent non-agricultural. Duty reductions and guarantees against increase together cover 83 per cent of all our imports from Canada as of 1937.

Concessions on Cattle

It may be recalled from Chapter IV that the majority of cattle imports in the heavy non-dairy class and in the calf class came from Canada. Although the quotas for these classes were over run in 1936 and 1937 due to the scarcity and high prices of beef cattle in the United States, these imports in 1938 had fallen below the quotas.

The new Agreement further reduced the duty on non-dairy cattle weighing 700 pounds and over from 2 cents to $1\frac{1}{2}$ cents per pound. This makes a total reduction of 50 per cent from the 3 cents per pound. Hawley-Smoot rate. The quota on this class was raised from 155,799 to 225,000 head, approximately 1 1/8 per cent of the average annual slaughter of cattle and calves in the United States. With a view to preventing concentrated pressure of imports on the market the number was limited to 60,000 for any one quarter of the year.

No further reduction was made in the duty on calves, but the weight limit was raised from 175 to 200 pounds and the quota increased from 51,933 to 100,000 head. Canadians had complained, not unreasonably, that 175 pounds was too light a weight at which to ship good calves. The new quota is approximately 1 per cent of the annual U. S. calf slaughter.

The 1935 Agreement had made the maximum duty reduction (50 per cent) for dairy cows over 700 pounds. As the 20,000 quota had never been approached by actual imports in the 1936-38 period, the new Agreement dropped this limitation.

TABLE XVIII.

U. S. Cattle Duties and Quotas under the 1935 and 1938 Agreements with Canada

Duty class	1936-38 duties	Ad valorem equivalent of 1936-38 duties	1939 duties	1936-38 quota	1939 quota
		Percent			
Cattle weighing less than 200 lbs. each.[a]	1½¢ per lb.	14.4 - 18.6	1½¢ per lb.	51,933	100,000
Cattle weighing 200 and under 700 lbs.	3¢ per lb.	67.7 - 86.6	3¢ per lb.	No quota	No quota
Cattle weighing 700 lbs. and over, other than dairy cows.	2¢ per lb.	34.2 - 46.7	1½¢ per lb.	155,799	225,000
Cattle weighing 700 lbs. and over, dairy cows.	1½¢ per lb.	21.6 - 25.5	1½¢ per lb.	20,000	quota removed

(a) In the 1935 Agreement, cattle weighing less than 175 pounds each.

Special Quota Allotment for Canada

The 1938 Agreement provided that the Government of Canada might, after consultation with the Government of the United States, request allocation of the quota on heavy cattle; the allocation to be based on the proportions of total imports supplied by foreign countries in past years.

In the first quarter of 1939 imports from Mexico in the heavy non-dairy class increased to 27,089 head, or 45 per cent of the quarterly quota. Consequently Canada requested an allocation, and the quota was divided on the basis of cattle imports in 1936 and 1937. As of April 1 the quota number were allocated between Canada and "all other countries" with the effect of reducing Mexico's share in the United States imports of this class of cattle to 13.8 per cent of the quarterly quotas. This gave Canada a quarterly quota of 51,720 head with 8,280 left to other countries (Mexico). On an annual basis Canada's allotment of 86.2 per cent of the quota amounts to 193,950 head with 32,050 remaining to other countries. The same allocation of monthly and quarterly quotas has been renewed for 1940.

Cattle Imports in 1939 and the First Third of 1940

Table XIX shows that total dutiable cattle imports increased from 424,022 head in 1938 to 753,570 in 1939, the largest on record. The proportion of concession class to total dutiable cattle imports increased from 42.5 to 46.7 per cent, still below the 55.8 per cent for 1936 and 54.8 per cent for 1937. Likewise Canada's share of the concession class imports increased from 71.3 per cent in 1938 to 74.8 per cent in 1939, still below her 89.2 per cent for 1936 and 90.4 per cent for 1937.

TABLE XIX.

Size and Origin of Total Concession Cattle Imports under the First and Second Agreements with Canada[a]

Year	Total dutiable cattle imports	Total concession class cattle imports[b]		Concession class cattle imports from Canada		Concession class cattle imports from Mexico	
		Number	Percent of dutiable cattle imports	Number	Percent of total concession imports	Number	Percent of total concession imports
			Under First U. S.-Canadian Agreement				
1936	399,113	222,876	55.8	198,914	89.2	23,805	10.7
1937	494,946	271,109	54.8	244,984	90.4	26,051	9.6
1938	424,022	180,499	42.5	128,616	71.3	51,832	28.7
			Under Second U. S.-Canadian Agreement				
1939	753,570	351,696	46.7	263,155	74.8	88,493	25.1
Jan.-April 1939	398,724	150,634	37.8	91,006	60.4	59,615	39.6
Jan.-April 1940	242,554	97,442	40.2	54,324	55.8	43,112	44.2

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

(b) Cattle of the concession classes enter at the reduced rate only if they are within the quota.

Comparing the first four months of 1940 with the same period of 1939 it is evident that total dutiable imports are lower. In the first quarter of 1940 dutiable cattle imports were 46 per cent below those of the same period in 1939. Canada filled only 38 per cent of her first quarter allocation of heavy cattle. Dutiable cattle imports from Mexico in the first quarter of 1940 amounted to only 119,561 head, a 46 per cent decrease from the first three months of 1939. The proportion of concession class imports has increased slightly, but Canada's share of the concession class imports is slightly less than for the first four months of 1939. Canada's proportionate contribution is less principally because imports for Canada for the first part of 1940 are so far below her quota.

Table XX shows that with the great increase in total dutiable imports in 1939, 53.3 per cent of the total were in the 200 to 699 pound non-concession class. Nearly all of these came from Mexico. Even this large proportion of the total dutiable cattle imports was below the 57.5 per cent of 1938. The calf class in 1939 showed the greatest relative gain over the previous year, partially due to raising the weight limit from 175 to 200 pound and partially due to increased imports from Canada with the rise in U. S. prices.[1]

A comparison of Table XXI with Table XIV of Chapter IV shows that Mexico's share of imports in the calf class increased from 4.3 per cent in 1938 to 28.9 per cent in 1939; the increased weight limit apparently permitting very light Mexican stockers and feeders to enter as

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(1) Since Canada's exports to the United States of 200 to 699 pound non-concession cattle are negligible, increased imports from Canada tend to swell the size of the calf and heavy non-dairy classes. Dairy cow imports, as would be expected, show little relation to beef cattle imports or to U. S. beef cattle prices.

TABLE XX.

Percent Each Duty Class is of Total Dutiable Import Numbers, 1936 - April 1940[a]

Year	Under 175 lbs.	175 to 699 lbs.	700 lbs. and over other then dairy cows	700 lbs. and over dairy cows
	Under First U. S.-Canadian Agreement			
1936	14.4	44.2	39.8	1.7
1937	16.6	45.2	36.8	1.4
1938	11.3	57.5	29.6	1.8
	Under Second U. S.-Canadian Agreement			
	(Under 200 lbs.)	(200 to 699 lbs.)		
1939	15.3	53.3	30.3	1.1
Jan.-April 1939	11.8	62.2	25.4	0.5
Jan.-April 1940	14.8	59.8	24.7	0.7

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

TABLE XXI.

Imports of Concession Cattle by Class and Origin, 1939 - April 1940[a]

Year	From Canada		From Mexico		Total from all countries
	Number	Percent of total	Number	Percent of total	
Cattle weighing less than 200 pounds - (1939 quota 100,000)					
1939	81,832	71.1	33,259	28.9	115,092
Jan.-April 1939	23,612	50.1	23,525	49.9	47,138
Jan.-April 1940	17,303	48.2	18,570	51.8	35,873
Cattle weighing 700 pounds each and over, other than dairy cows - (1939 quota 225,000)					
1939	172,753	75.8	55,232	24.2	228,001
Jan.-April 1939	65,347	64.4	36,090	35.6	101,443
Jan.-April 1940	35,442	59.1	24,540	40.9	59,982
Cattle weighing 700 pounds each and over - for dairy purposes - (quota removed)					
1939	8,570	99.6	0	0	8,603
Jan.-April 1939	2,047	98.4	0	0	2,080
Jan.-April 1940	1,578	100.0	0	0	1,578

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

calves; Canada's calf entries are mostly vealers. On the other hand, Mexico's contribution to the 700 pound and over non-dairy class decreased from 39.7 per cent to 24.2 per cent, reflecting the effect of allocated quotas for this class and the increased numbers of imports from Canada.

Quotas were frequently exceeded in 1939 chiefly as a result of large imports from Mexico. In the calf class the unallocated 100,000 head quota was filled in August, and 15,092 paid the $2\frac{1}{2}$ cent non-concession duty. Although imports of Canadian calves numbered 81,832 as compared to 45,645 in 1938, they were approximately the same as in 1937. Calves from Mexico in 1939 numbered 33,259 as compared to only 2,062 in 1938, the highest previous year.

In the 700 pound and over non-dairy class imports from Mexico increased so markedly in January and February relative to previous years that the previously mentioned allocation provision was invoked. As shown in Table XXII, under this allocation imports from Mexico were smaller in succeeding quarters, but still they exceeded her share of the quota in all save the second quarter of 1939 and paid the full 1930 duty of 3 cents per pound on the over run. Canada, on the other hand, did not quite fill her allotment for the second and third quarters of 1939. In the last quarter of 1939 Canada supplied 68.8 per cent of her allotment, and for the first quarter of 1940 only 37.6 per cent.

Monthly imports shown in Table XXIII are not markedly different in distribution from those of the 1936-38 period save for one class. Imports in the 700 pound and over non-dairy class definitely show the effect of the newly adopted quarterly quotas. Throughout the five quarters

TABLE XXII.

Quarterly Imports in the 700 Pound and Over Non-dairy Class, 1939 and First Quarter 1940[a]

Quarter	From Canada		From Mexico		All countries	
	Number	Percent of allotment	Number	Percent of allotment	Number	Percent of quota
					(quarterly quota 60,000)	
Jan.-April 1939	34,932		27,873		62,811	104.7
Allocated quota	(51,720)		(8,280)			
May-June 1939	51,450	99.5	8,910	107.6	60,360	100.6
July-Sept. 1939	50,798	98.2	7,779	93.9	58,577	97.6
Oct.-Dec. 1939	35,573	68.8	10,670	128.9	46,263	77.1
Jan.-April 1940	19,434	37.6	15,267	184.4	34,708	57.8

(a) Calculated from data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

TABLE XXIII.

Monthly Imports of Dutiable Cattle, 1939 - April 1940(a)

1939									
Month	Canada	Mexico	Other countries	Total	Months	Canada	Mexico	Other countries	Total
Weighing less than 200 pounds -					Weighing 700 lbs. each or over - for dairy purposes -				
January	3,153	2,221	1	5,375	January	626			626
February	3,502	6,129		9,631	February	521			521
March	8,172	8,889		17,061	March	527		6	533
April	8,785	6,286		15,071	April	373			373
May	12,740	3,760		16,500	May	698		27	725
June	12,799	1,286		14,085	June	900			900
July	12,972	597		13,569	July	949			949
August	8,915	838		9,753	August	1,079			1,079
September	2,761	804		3,565	September	754			754
October	4,122	1,590		5,712	October	634			634
November	2,921	622		3,543	November	758			758
December	990	237		1,227	December	751			751
Total	81,832	33,259	1	115,092	Total	8,570		33	8,603
Weighing 200 pounds and less than 700 lbs. -					Weighing 700 lbs. each or over, n.s.p.f. -				
January	512	53,658	46	54,216	January	28,743	25,711		54,454
February	135	51,269	58	51,462	February	6,111	1,480	4	7,595
March	256	71,213	121	71,590	March	78	682	2	762
April	718	70,085	19	70,822	April	30,415	8,217		38,632
May	678	22,596	22	23,296	May	20,962	480		21,442
June	906	9,630	3	10,539	June	73	213		286
July	1,874	6,454	12	8,340	July	24,878	6,948		31,826
August	2,280	11,687		13,967	August	17,848	544		18,392
September	472	6,478	15	6,965	September	8,072	287		8,359
October	1,862	24,461		26,323	October	17,774	9,881		27,655
November	1,432	38,989	124	40,545	November	15,290	335	5	15,630
December	104	23,554	151	23,809	December	2,509	454	5	2,968
Total	11,229	390,074	571	401,874	Total	172,753	55,232	16	228,001

TABLE XXIII. (continued)

Monthly Imports of Dutiable Cattle, 1939 - April 1940[a]

1940									
Months	Canada	Mexico	Other countries	Total	Months	Canada	Mexico	Other countries	Total
Weighing less than 200 pounds -					Weighing 700 lbs. each or over - for dairy purposes -				
January	2,720	3,444		6,164	January	505			505
February	3,747	3,324		7,071	February	389			389
March	3,112	5,304		8,416	March	326			326
April	7,724	6,500		14,224	April	358			358
Weighing 200 pounds and less than 700 lbs. -					Weighing 700 lbs. each or over, n.s.p.f. -				
January	363	41,634		41,997	January	5,745	14,910		20,655
February	99	25,401		25,500	February	5,008	294		5,302
March	203	25,187		25,390	March	8,688	63		8,751
April	652	51,573		52,225	April	16,008	9,273		25,281

(a) Data furnished by the United States Department of Agriculture, Foreign Agricultural Service; compiled from the official records of the Bureau of Foreign and Domestic Commerce.

for which data are available total imports and imports from each country in this class have, with a single exception, been largest in the first month and smallest in the third month. When conditions are favorable for importing, the quota limits are approached early, and numbers entering later in the quota period are sharply reduced. In the first quarter of 1940, when imports from Mexico were 184.4 per cent of her allotment, nearly all entered the first month. In the same three month period, when imports from Canada reached only 37.6 per cent of her allotment, monthly imports from that country showed no great variation.

Major Causes of the Large 1939 Imports

An adequate explanation of the large dutiable cattle imports in 1939 is not difficult to find. However, the effect of the 1938 concessions is easily overestimated. The maximum increase that could be attributed to the 1938 concessions is the 48,067 increase in the calf quota plus 66,862 head in the heavy non-dairy class which entered at the concession rate in excess of the previous quota of 155,799 head. Thus, the total number entering in 1939 at rates lower than would have applied under the 1935 Agreement was 114,929 head. This leaves 214,619 of the total 329,548 increase of dutiable cattle imports in 1939 over 1938 which must have paid rates unreduced by the 1938 Agreements.(1) But not even all of this 114,929 head can be attributed to the new concessions because in 1938 the quotas were not filled.

The major causes of relatively large dutiable cattle imports in 1939 must be explained in terms of higher U. S. prices and a combination

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(1) Save for 1,158 dairy cows, these 214,619 head paid 1930 rates.

of circumstances encouraging cattlemen in northern Mexico to export. In 1939 the average farm price of beef cattle was $6.87 as compared to $6.28 in 1938.(1) The average price of beef cattle at Chicago was $9.80 in 1939 against $9.50 in 1938. The 1939 increases in stock and feeder cattle prices were more marked; this class of cattle averaged $8.70 in 1939 as compared to $7.85 the previous year.(2) This was the highest yearly average for stockers and feeders since 1929.

In response to higher prices in the United States, Canadian exports to this country increased more than 100 per cent over 1938, but they still tended to stay within the quota limits. Although imports from Mexico increased in both calf and heavy non-dairy classes, and exceeded their allotment in the latter, yet their greatest increase was in the 200 to 699 pound non-concession class; here there was a rise from 234,030 head in 1938 to 390,074 in 1939. Imports from Mexico in this one non-concession class constituted 51.9 per cent of the total dutiable cattle imports in 1939.

Besides higher cattle prices in the United States and the quota limited effects of lower United States imports duties, at least three other factors favored the movement of Mexican cattle across her northern border. One of these was a drought on the cattle ranges of northern Mexico. Less obvious but very real causes were a favorable exchange situation and uncertainty concerning the Mexican Government's land policy.(3)

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(1) "Foreign Crops and Markets", Vol. 40, No. 21, (May 25, 1940) p. 690.

(2) The Chicago Daily Drovers Journal, "Year Book of Figures", 1939. pp. 44 and 48.

(3) 'Northern Mexican Cattle Herds Reduced', "Foreign Crops and Markets", Vol. 39, No. 9 (August 26, 1939) p. 176.

The Mexican peso, which had stood at approximately 28 cents in terms the U. S. dollar, declined to approximately 20 cents by June 1938 where it remained through 1939.[1] In the first five months of 1940 the peso had further declined to about 17 cents.[2] It is difficult to judge the extent to which the Mexican Government's land policy is responsible for larger cattle movements from that country. The policy under the Agrarian laws of expropriating large holdings for subdivision and use by the poorer classes has apparently caused some liquidation of large herds as estates have been broken up, as homesteading interfered with normal range use, and because of uncertainty as to the future. "Approximately 28 per cent of all Mexican cattle shipments to the United States in 1938 came from the State of Chihuahua, and it is stated authoritatively that 60 per cent of the shipments from Chihuahua were from American owned ranches".[3] This movement of cattle from Mexico continued in spite of export duties levied by the Mexican Government and appeals to decrease exports for fear of a temporary beef shortage in Mexico.

Sharply reduced U. S. imports of dutiable cattle in the early months of 1940 reflect natural developments from the conditions which caused unusually large imports in 1939. The highly attractive U. S. cattle prices of 1939 were not wholly maintained; Canadian cattlemen show a disposition to hold back cattle to rebuild their herds; and the 1938-39 liquidation of Mexican herds seems to have reduced that country's supply of

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(1) "Statistical Abstract of the United States", 1939, p. 289, and "Federal Reserve Bulletin", July 1940, p. 739.

(2) The Canadian dollar also declined from approximately 100 cents in August 1939 to 91 cents in September and finally to 81 cents by May 1940.

(3) "Foreign Crops and Markets", op. cit., p. 179.

marketable cattle. A heavy wartime demand by the United Kingdom for meat from countries of the Empire has further helped to lower U. S. imports of cattle.

Prospects for Future Cattle Imports

A normal outlook from the supply side is for somewhat decreased cattle imports over the next few years as production in the United States recovers from the 1934 and 1936 droughts. A marked increase in consumer demand, however, could sustain relatively high imports. The outlook for 1940 and possibly 1941 is more definite. As observed in the section above, reaction from the conditions making for large imports in 1939 is already reflected in markedly reduced imports in the first quarter of 1940. Much of this reaction is likely to be felt for several months.

Cattle numbers in both Canada and northern Mexico are low as indicated by the following quotations from "Foreign Crops and Markets".(1) Unusually large shipments of live cattle to the United States in late 1938 and early 1939 tended to reduce the number of marketable cattle on northern Mexican ranges." "Current numbers of beef cattle in Canada are now smaller than at any time since 1919. Drought conditions of 1934 and 1936 encouraged the reduction of herds, particularly in the western Provinces. As in the United States, lower feed costs prevailing in 1938 and 1939 as a result of higher crop yields has stimulated interest in rebuilding herds, especially in western Canada. It is anticipated, therefore, that there will be less selling pressure evident among Canadian stockmen during 1940. Moreover, an improvement in Canadian consumer demand also is expected to restrict the export movement". The U. S. Consul at Winnipeg reports that receipts of heavy non-dairy cattle from Canada will not exceed 150,000 of the allotted

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(1) Vol. 39, No. 9, (August 26, 1939) p. 175, and Vol. 40, No. 6, (February 10, 1940) p. 161.

193,950 head. Besides Canada's domestic supply and demand situation which is tending to reduce cattle exports, the war has increased Great Britain's dependence on Canadian meat supplies.

It has been seen that a number of circumstances contributed to the unusually high imports of dutiable cattle in 1939. Among these the 1938 concessions were a minor factor. A normal outlook for the next several months is for dutiable cattle imports to be considerably below those of 1937 and 1939. Nor is there any present indication of large imports in the next few years.

CHAPTER VI.

RELATIONS OF IMPORTS TO CATTLE PRICES IN THE UNITED STATES

Cattlemen are principally concerned with imports because of the effect this competition may have on the prices received by cattle producers in the United States. It is proposed here to examine the actual relations between cattle imports, particularly under the U. S. - Canadian Trade Agreements, and prices of beef cattle in the United States.

Within the 1910 - 1939 period six changes have been made in the cattle tariff: In 1913 cattle were placed on the free list; in 1921 and 1922 moderate import duties were reestablished; the Hawley-Smoot Tariff of 1930 included the highest U. S. import duties on cattle; the 1935 U. S.-Canadian Agreement made some reductions; and the 1938 Agreement with Canada further moderated the 1930 rates. These variations in the tariff treatment of cattle offer an unusual opportunity for examining the relations of duties and imports to cattle prices in the United States.

A brief theoretical consideration of the possible effects of tariff changes on the price of the tariff item will be helpful in the interpretation of the statistical data to follow.

Theoretical Effect of a Duty Change on the Price of a Tariff Item

Ordinarily a dutiable commodity will not continue to be imported in any considerable quantity unless its price in the importing country is above its price in the exporting country by approximately the equivalent of transportation and duty charges.

The occurrence of such a price spread, or margin of importing country price over exporting country price, is of its self no assurance that the tariff duty has raised the importing country's price. The spread may have come about through (1) a price rise in the importing country, (2) through a price decline in the exporting county, or (3) through some combination of the two.

1. A price rise in the importing country may occur under two sets of conditions:

(a) If imports, prior to the increase in the duty, have constituted a substantial part of the supply in the duty-laying country, and if the new duty is high enough to markedly reduce imports, then (assuming demand is unchanged) the reduced supply is likely to be reflected in rising domestic prices until the spread equals the new duty plus transportation. At this point imports will come in over the tariff wall and, if in sufficient volume, will tend to check the rise in domestic prices.

(b) Even though imports excluded through a rise in duty may have been an insignificant part of the duty-laying country's total supply, a rise in the domestic price may occur as a result of a relatively greater increase in domestic demand (due to population growth or to higher per capita incomes) than in domestic production of the tariff item. If this price rise is sufficient to equalize the increase in duty, imports may be resumed. This was the case in the United States in the late twenties and again beginning in 1935.

2. Importation may be resumed following an increase in duty, not because of higher prices in the importing country but because of lower prices in the exporting country. This is likely to occur when the latter has been dependent on the markets of the former country as an outlet for

a substantial part of its production, and when this surplus cannot be readily diverted to other foreign markets, absorbed by the home market, or production be promptly curtailed. Such essentially is the position of the Canadian cattle industry relative to the United States market. Under these circumstances prices may fall to the point where buyers in the duty raising country may find it advantageous to import over the increased duty.

If the duty increase occurs at a time when domestic prices are falling (as under depression conditions) the advalorem equivalent of the duty may be so raised as to virtually exclude imports. In this case the price spread may be less than the duty, and, although domestic producers may have nearly complete possession of the home market, the tariff is ineffective in raising or maintaining the domestic price relative to its former level. This was the situation in the early twenties and early thirties at and following the enactment of the Emergency, Fordney-McCumber, and Hawley-Smoot Tariffs.

Reducing the duty on an item tends to affect its price in essentially the opposite of the ways just named. A narrower price spread may be due to (1) lower domestic prices, (2) higher prices in the exporting country, or (3) some combination of the two.

1. Lower domestic prices may be the result of two conditions:

(a) A large increase in imports relative to the domestic market.

(b) If imports are small relative to the total domestic supply, the domestic demand may weaken (as in depression conditions) or the domestic supply increase if it has been abnormally low. This was the situation on the U. S. cattle markets in 1936 and 1938 when U. S. prices were somewhat weaker than those of 1935 and 1937 and domestic supplies of marketable cattle somewhat recovered from the preceeding droughts.

2. Prices may rise in the exporting country. This is especially likely to occur if the exporting industry is small relative to the importing market. Such was the situation in Canada when the U. S. concessions on cattle became effective.

Where the grades to be compared are not identical nor entirely constant, as in the case of cattle, the actual price difference between the two countries is of little significance as an indication of the effect of the import duty, but the variations which occur in this spread as the duty is changed are indicative of the tariff's influence. Consequently it is on these changes that attention will be focused.

<u>Effect of the Tariff on Price Spreads Prior to 1936.</u>

Between about 1910, when the United States was shifting to a net import basis in the cattle and beef trade,and January 1, 1936, when the first Trade Agreement with Canada became effective, cattle duties had been subject to the first four of the changes noted at the beginning of this chapter.

An examination of the effect of these duty changes on the price spread through this quarter century will be of considerable interest in interpreting price movements under the Trade Agreements with Canada.

Observations on the 1910-1925 period, illustrated in Figures IV and V, are drawn largely from Edminster's study.[1] Considering first

(1) Lynn Ramsay Edminster, "The Cattle Industry and the Tariff", (1926) pp. 116 - 133.

TABLE IV

Prices of Fat Cattle in the United States and Canada, 1910-1925.
(Based on quotations for native beef steers at Chicago, and best butcher cattle at Toronto)
(From Edminster, "The Cattle Industry and the Tariff". p. 117)

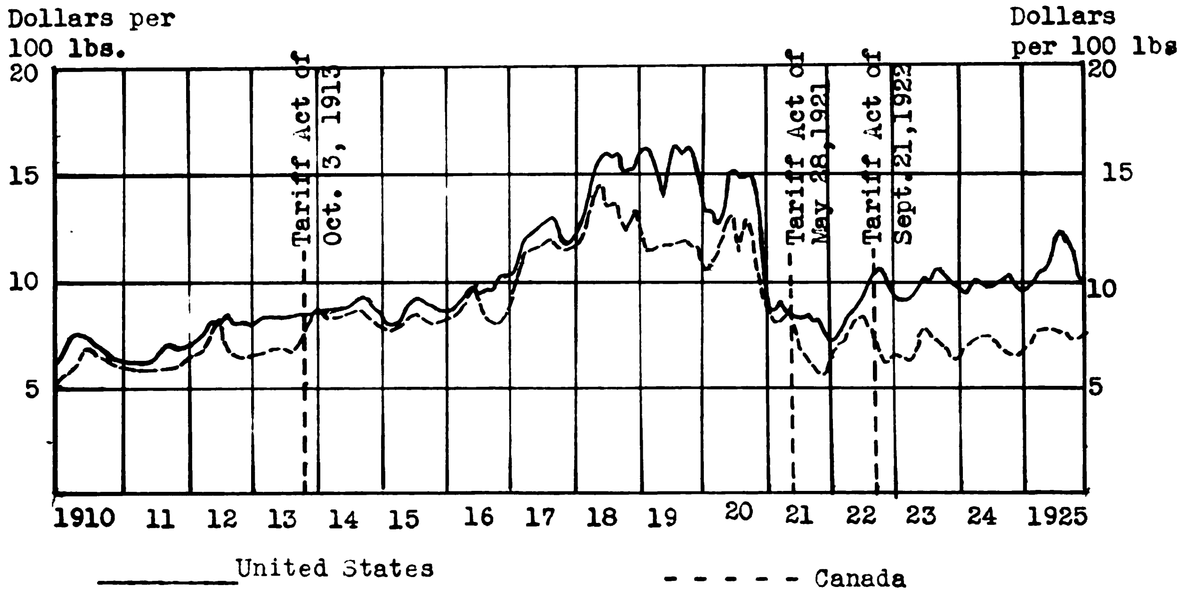


TABLE V

Prices of Lean Cattle in the United States and Canada, 1920-25
(Based on stocker and Feeder Quotations at Chicago and Winnipeg)
(From Edminster, op. cit., p. 118)

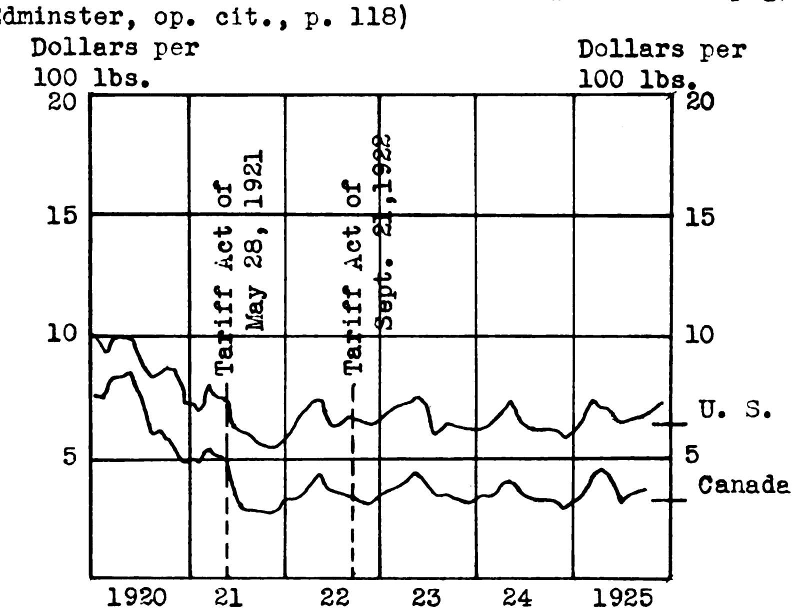


Figure IV, it is evident that the spread between prices of native beef steers at Chicago and best butcher cattle at Toronto, amounting to about $1.00 to $1.50 during 1910-12, practically disappeared with the removal in 1913 of the U. S. duty on cattle. With the imposition of the Emergency Tariff of 30 per cent in 1921 a distinct margin immediately reappeared and increased slightly with the higher duties of the 1922 Tariff. Figure V indicates that the spread between Chicago and Winnipeg stocker and feeder cattle prices also widened with the reimposition of the cattle tariff in the early twenties.

In each case it was the Canadian price which appeared to vary most following changes in the tariff. With the removal of the duty on cattle in 1913, the Canadian price rose sharply to close the spread while the U. S. price continued fairly stable prior to the steep war time rise. In 1921, following application of the Emergency Tariff, cattle prices in the United States continued their moderate decline, but Canadian cattle prices fell precipitately. Thus, as would be expected from the relative size of the cattle industries in the two countries, and from Canada's marked dependence on the U. S. market, it appeared to be Canadian prices rather than U. S. prices that were most affected by the changing U. S. cattle tariff treatment.

Adminster reached the further conclusions that "in no special branch of the trade.......are imports really formidable in comparison with domestic production", and "the number of cattle imported from Canada or even available for importation is so small compared with the domestic production that restriction of the trade, or even complete prohibition, could not now have much effect in the domestic market".(1)

(1) Edminster, op. cit., p. 126 - 128.

His comparison of St. Paul and Chicago prices failed to show that heavier seasonal supplies of imported cattle on the St. Paul market had any effect on the price equilibrium between the two markets.

The comparison of 1910-1925 spreads between U. S. and Canadian prices is continued in Figures VI and VII for the 1926-1939 period.(1) At first appearance the behavior of the price spreads in Figures VI and VII is rather confusing - almost the opposite of what might have been expected. Although the margin of the Chicago price for slaughter steers over the Toronto price increased at the time the Hawley-Smoot Tariff became effective, this increase seems to have been largely seasonal. The spread between U. S. and Canadian prices, instead of widening under the higher duties, continued a declining trend until it almost disappeared in 1934. Later in 1934 and in 1935, still under the Hawley-Smoot duties, this price spread increased until it averaged $4.84 in 1935 as compared to only $1.26 in 1933. The spread between feeder cattle prices at Chicago and Winnipeg exhibited the same general movements.

The reason for this peculiar behavior of the price spread is that the combined effect of extremely low prices and high U. S. cattle duties in the early thirties caused cattle imports from Canada to practically cease and thereby break any definite relation between tariff duties and price spreads. Although Canadian prices were still below U. S. prices, the spread was materially less than under the more moderate Fordney-McCumber rates in the late twenties. For a spread to have been maintained equal to the U. S. import duties, Canadians would have had to virtually give their cattle away in some months. As cattle prices abruptly

(1) No direct comparison of these charts with Figures IV and V can be made because the classes of cattle used are not identical.

Figure VI.

Prices of Slaughter Steers in the United States and Canada, 1926-1939

(Based on quotations for native beef steers at Chicago and good butcher steers at Toronto. Prices in Appendix Table I)

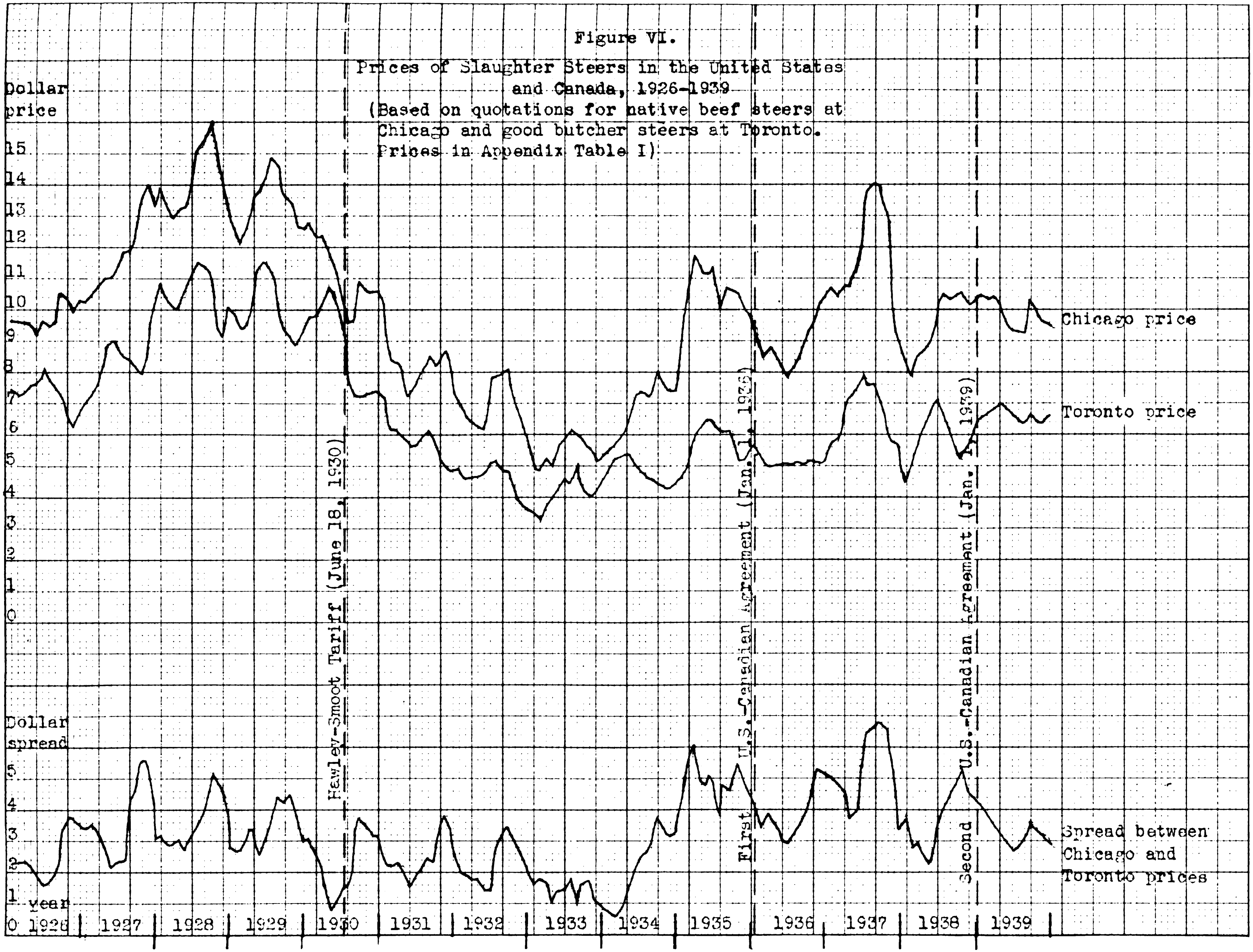
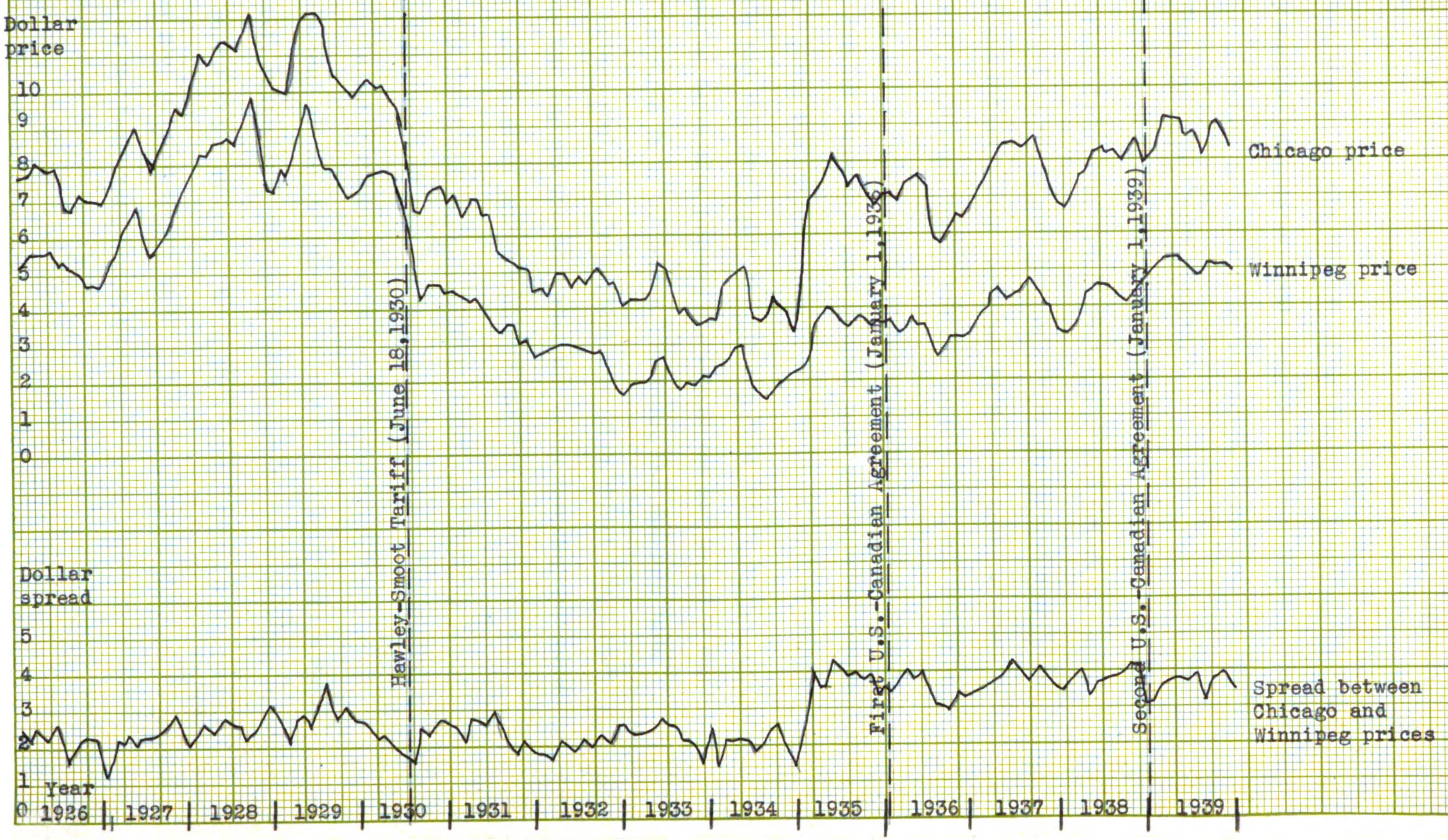


Figure VII.

Price of Stocker and Feeder Steers in the United States and Canada, 1926 - 1939

(Based on quotations for stocker and feeder steers at Chicago and good stocker and feeder steers at Winnipeg)



rose in the United States, partly because of increased consumer income in 1935 but largely because of reduced cattle supplies following the severe 1934 drought, the increased duty was fully reflected in the price spread, and imports of Canadian cattle were resumed.

Price movements in the two countries for the life of the Hawley-Smoot Tariff in themselves offer little evidence of how prices in each country were affected by the higher duties. Under depression conditions cattle prices in the United States continued to fall in spite of the "protective" tariff. Although during the low price period the spread was much less than the import duty, it may be assumed that had there been no duty the spread between comparable grades would have approximated transportation costs. Since the extremely sharp rise in U. S. cattle prices occurring in 1934 and 1935 was under exactly the same duties as the immediately preceeding depression prices, the tariff can not be given any credit for this increase in U. S. prices. However, had the duty been less, the U. S. prices would not have climbed so high before the spread equalled the duty and imports provided whatever price checking influence they might have; and Canadian prices would probably have risen farther.

Price Spreads Under the U. S. - Canadian Trade Agreements.

In considering first how the cattle concessions affected the price spread for slaughter steers, the basis of price comparison should be noted. The Chicago prices include all weights from 750 to 1800 pounds and thus definitely fall within the heavy tariff class. The Canadian prices are for good butcher steers up to 1,050 pounds. Since there would be extremely few good butcher steers under 700 pounds, these prices also apply to cattle of the heavy weight duty class. For the reason that the

the 1930 rates were not fully reflected in the spread until 1935, we have only that year against which to measure the influence of the concessions in effect between January 1, 1936 and December 31, 1938. Table XXIV shows that the average price spread for butcher steers was \$4.84 for 1935 under the \$3.00 per hundred weight duty, \$3.99 under the \$2.00 per hundred duty of 1936 to 1938, and \$3.26 with the \$1.50 per hundred duty in 1939. Thus, it is evident that the spread between U. S. and Canadian cattle prices of this group decreased with the concessions.

There seems to be a relation between the annual price spread and the extent to which the quota is filled.(1) In 1936, when the price spread for heavy non-dairy cattle was \$3.78, the quota was only slightly exceeded; in 1937 when average spread was \$5.01, the quota was filled in August and exceeded for the year by 17 per cent; and in 1938, with an average spread of \$3.65, the quota was unfilled. Thus, in 1937, when the spread between U. S. and Canadian prices increased over that of 1936 and 1938 by an amount about one-third greater than the concession applicable to the quota, Canada's shipments alone slightly exceeded the entire quota. So great an increase in the price spread could hardly be expected to be maintained over a longer period.

The spread between average stocker and feeder prices at Chicago and good stocker and feeder steer prices at Winnipeg is shown in Table XXIV and Figure VII. About all that can be said of this is that apparently the average prices used are so heavily weighted by cattle under 700 pounds

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(1) It would be expected that until the concession quota is filled, Canadian prices will tend to lag behind U. S. prices by not more than the concession rate plus shipping costs, but after the quota is filled substantial imports will not be resumed until a new price spread equal to the non-concession rate is established. The continuance of imports after the quota is filled is dependent on higher U. S. prices or lower Canadian prices.

TABLE XXIV.

Average Margin of U. S. over Canadian Cattle Prices Under Successive Cattle Duties, 1935 - 1939[a]

Year	Slaughter Steers[b]		Feeders[c]		Veal Calves[d]	
	Import duty	Price spread	Import duty	Price spread	Import duty	Price spread
			Under Hawley-Smoot Tariff			
1935	3.00	4.84	3.00 & 2.50	3.75	2.50	0.46
			Under First U. S. - Canadian Agreement			
1936	2.00	3.78	3.00 & 2.00	3.45	1.50	- 0.17
1937		5.01		3.80		0.11
1938		3.65		3.71		0.25
Average 1936-38	2.00	3.99	3.00 & 2.00	3.65	1.50	0.06
			Under Second U. S. - Canadian Agreement			
1939	1.50	3.26	3.00 & 1.50	3.70	1.50	0.61

(a) Calculated from the following data: (1) U. S. prices from the Chicago Daily Drover's Journal, "Year Book of Figures", 1939, pp. 39, 48 and 40; (2) Canadian prices furnished by the Canadian Department of Agriculture, Marketing Service.

(b) U. S. prices are monthly general average prices of native beef steers all weights, 750 to 1800 pounds at Chicago. Canadian prices are the monthly average prices for good butcher steers up to 1,050 pounds at Toronto.

(c) U. S. prices are average stocker and feeder prices monthly at Chicago. Canadian prices are monthly averages for good stocker and feeder steers at Winnipeg.

(d) U. S. prices are average monthly prices at Chicago for native veal calves. Canadian prices are monthly averages for good to choice veal calves at Toronto.

(for which no concession was made) as to obscure any effect which duty reduction may have had on the price of stockers and feeders weighing 700 pounds and over.

The comparison of average monthly prices of native veal calves at Chicago with prices of good to choice veal calves at Toronto reveals little regarding the effect of the calf concessions. It may be seen in Table XXIV that the Toronto price increased 63 cents (from 46 cents below to 17 cents above) relative to the Chicago price when the $1.00 per hundred weight concession took effect in 1936. But the Toronto price decreased relative to the Chicago price in each following year until in 1939 the U. S. advantage was 61 cents, or 15 cents more than in 1935. The extent to which the annual calf quota was filled does not seem to bear any consistent relation to the changing price spread. It is possible that the relative prices for good to choice vealers and for average vealers may have changed sufficiently in one or both of the markets to bring about this changing spread. Or it may be that the market areas for veal calves are sufficiently limited to make vealer prices on different markets less closely related than the prices of older cattle.

<u>Relative Price Movements in the United States and Canada</u>

Having seen that the concessions granted to Canada by the Trade Agreements decreased the spread between prices in the two countries for at least one duty class, it is important to ascertain next, so far as possible, whether this narrowed spread was brought about by reduced prices to domestic producers, by higher prices to Canadians, or by some combination of the two. It will be recalled that previous U. S. duty changes, when affecting price spreads, had done so by influencing Canadian prices by about the amount of the duty change while U. S. prices seemed little affected by the change in duty.

Because of the irregularity of cattle prices in both countries, an examination of price movements at the time that concession rates were applied is not too revealing. Apparently at the time the first Agreement became effective (January 1, 1936) U. S. prices of slaughter cattle had been declining from the early 1935 post-drought peak and this decline continued at about the same rate for six months after the effective date of the concessions. Canadian cattle prices, which had also been declining, leveled off as the concession rates became effective and before U. S. prices had reached bottom. At the time the 1938 concessions took effect (January 1, 1939) U. S. slaughter cattle prices were rather stable and continued on about the same level for a few months after the concessions had become effective. Canadian prices continued to rise for the first few months of 1939 to bring about the further reduction in price spread between the two countries.

A strong inference as to what price movements were responsible for any narrowing of the spread under the Trade Agreement rates may be drawn by comparing imports from Canada to total Canadian marketings and total dutiable cattle imports to the total U. S. supply. Table XXV shows that total annual dutiable cattle imports (including calves) under the U. S. - Canadian Agreements in the year of highest imports (1939) reached only 3.2 per cent of the annual U. S. slaughter of cattle and calves. In the year of second largest import numbers this proportion was only 2 per cent. In view of the small part which imports constitute of the total

TABLE XXV

Cattle Imports in Relation to Domestic Slaughter and Cattle Prices, 1910 - March 1940.

Year	Dutiable cattle imports (a)	Annual U. S. slaughter (b)	Per cent dutiable cattle are of U. S. slaughter	Average farm price of beef cattle (a)
	(number)	(number)		
1910	208,820	21,057,000	1.0	4.78
1911	250,272	20,672,000	1.2	4.46
1912	323,986	20,214,000	1.6	5.12
1913	736,937	19,244,000	3.8	5.90
1914	727,891	18,603,000	3.9	6.23
1915	552,489	18,955,000	2.9	6.00
1916	295,647	20,421,000	1.4	6.47
1917	347,510	23,113,000	1.5	8.17
1918	352,601	24,579,000	1.4	9.44
1919	642,395	23,228,000	2.8	9.59
1920	379,114	21,951,000	1.7	8.42
1921	194,871	20,822,000	0.9	5.50
1922	236,000	22,538,000	1.1	5.43
1923	136,961	23,610,000	0.6	5.58
1924	141,985	24,554,000	0.6	5.55
1925	172,910	24,340,000	0.7	6.23
1926	211,598	24,135,000	0.9	6.43
1927	436,204	21,891,000	2.0	7.23
1928	517,150	19,679,000	2.6	9.12
1929	410,656	19,444,000	2.1	9.15
1930	226,273	19,771,000	1.1	7.46
1931	85,570	20,061,000	0.4	5.31
1932	95,407	19,812,000	0.5	4.07
1933	63,329	21,488,000	0.3	3.63
1934	57,679	24,947,000	0.2	3.88
1935	364,623	24,351,000	1.5	6.21
1936	399,113	26,231,000	1.5	5.85
1937	494,945	25,320,000	2.0	6.96
1938	424,022	23,860,000	1.8	6.28
1939	753,570	23,785,000 (c)	3.2	6.87
Jan-Mar 1939	273,826			6.85
Jan-Mar 1940	150,446			6.59

(a) "From Foreign Crops and Markets", Vol. 38, No. 6, (February 11), p. 84 and Vol. 40, No. 21 (May 25, 1940) p. 690.

(b) Sum of totals for cattle and calves slaughtered from "Agricultural Statistics", 1939. p. 318.

(c) Not official; estimated on basis of federally inspected slaughter.

domestic slaughter it would be unreasonable to assume that cattle imports materially affected cattle prices in the United States.

Consideration of separate classes, so far as the data permit, indicates that in no particular class of cattle do imports constitute a serious menace to U. S. prices. Table XXVI shows that only in 1939 have imports of calves exceeded 1 per cent of the U. S. calf slaughter. Table XXVII indicates that total imports of non-dairy cattle weighing 200 pounds and over were only 2.1 to 4.3 per cent of the annual U. S. cattle slaughter (excluding calves). When it is recalled that over one-half of these imported cattle weighed less than 700 pounds each, it is evident that their relative importance in pounds is considerably less than is shown by the percentages in terms of numbers.(1)

Data regarding the relation of imports of stockers and feeders to the total U. S. supply of like cattle permit only a very indirect approach for this class. The figures presented in Table XXVIII involve several very rough estimates which for the most part seem to over emphasize imports relative to the total U. S. supply.(2) It may be seen

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(1) It should be noted that nearly all of the 200 to 699 pound class are stockers and feeders as are also a considerable part of the heavier class. While all will eventually be slaughtered, these cattle which will first be fattened in the U. S. or used in breeding herds do not constitute the same competition for all U. S. cattlemen as do cattle imported ready for immediate slaughter.

(2) Stocker and feeder shipments at public stockyards of course do not include local transfers of feeders nor shipments direct from range to buyer. For the purpose of total feeder cattle imports the total of the 175 or 200 pound to 669 pound class is added to one-half of the over-700 pound non-dairy cow class. This is an extremely rough estimate and one that probably too inclusive. All of these cattle have already been included in Table XXVII in the comparison of imports with total U. S. slaughter numbers. Consequently both the import figures and the domestic figures tend to exaggerate the importance of stocker and feeder imports relative to the total domestic supply.

TABLE XXVI

Calf Imports and U. S. Calf Slaughter Numbers, 1936 - 1939

Year	Calves slaughtered in U.S. (a)		Calves imported (b)	Per cent imports are of U. S. slaughter	
	In wholesale establishments	Total		In wholesale establishments	Total
1936	7,442,000	10,138,000	57,314	0.8	0.6
1937	8,746,000	10,081,000	82,052	0.9	0.8
1938	7,055,000	9,117,000	47,708	0.7	0.5
1939	" (c)	" (c)	115,092	1.6	1.3

(a) "Agricultural Statistics", 1939. p. 318.

(b) From data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

(c) Because 1939 slaughter figures are not available, 1939 imports are compared to 1938 slaughter numbers.

TABLE XXVII

Dutiable Beef Cattle Imports and U. S. Cattle Slaughter Numbers, 1936-1939

Year	Cattle slaughtered in U.S. (a)		Dutiable Cattle over 200 lbs. excluding dairy cows (b)	Per cent imports are of U. S. slaughter	
	In wholesale establishments	Total		In wholesale establishments	Total
1936	13,424,000	16,093,000	335,110	2.5	2.1
1937	12,682,000	15,239,000	406,170	3.2	2.7
1938	12,226,000	14,743,000	369,177	3.0	2.5
1939	" (c)	" (c)	629,875	5.2	4.3

(a) "Agricultural Statistics", 1939. p. 318.

(b) From data furnished by the United States Department of Agriculture, Foreign Agricultural Service.

(c) Because 1939 slaughter figures are not available, 1939 imports are compared to 1938 slaughter numbers.

TABLE XXVIII

Stocker and Feeder Cattle Shipments at U. S. Stockyards and Estimated Imports of Stocker and Feeder Cattle 1936 - 1939.

Year	Stocker and feeder shipments (a)	Estimated imports of stocker & feeder cattle: Total	Estimated imports of stocker & feeder cattle: Middle weight non-concession class	Per cent imports are of shipments: Total imports	Per cent imports are of shipments: Non-concession class imports	Per cent imports are of shipments: Concession class imports
1936	3,207,000	255,673	176,237	7.9	5.8	2.1
1937	3,471,000	325,004	223,837	9.4	6.4	3.0
1938	3,615,000	308,504	243,831	8.5	6.7	1.8
1939	" (c)	525,874	401,874	14.2	11.1	3.1

(a) Total of stocker and feeder cattle shipments and stocker and feeder calf shipments from "Agricultural Statistics," 1939. p. 313. Stocker and feeder calves are heavier than the tariff classification for calves (under 175 and 200 pounds).

(b) Total estimated imports of stocker and feeder cattle was arrived at by adding total imports in the 175 or 200 to 699 pound class to one-half of total imports in the 700 pound and over non-dairy class.

(c) Shipments for 1939 are not available; 1939 estimated import figure is compared to 1938 shipments.

in Table XXVIII, that with these figures, imported feeders would make up from 7.9 to 14.2 per cent of U. S. stocker and feeder shipments, but by far the larger part of these imported feeders belong to the middle weight non-concession class. Furthermore nearly all of these middle weight cattle come from Mexico and tend to constitute a class offering little competition to the bulk of either U. S. or Canadian grown feeders. The reason for this is the already mentioned tendency for Mexican imports to be made up of cattle of low quality which do not find favor with Corn Belt cattle feeders and which for the most part go as stockers or feeders on the southwestern range or to a rather special market for cheap beef.

Neither does there appear to be any reason to believe that on any particular market where imported cattle are more numerous as at St. Paul, will prices be consistently depressed relative to prices elsewhere. Except in an area entirely isolated from other domestic regions (and none such exists) unusually low prices would tend to attract buyers, and discourage sellers so that the price decline would be widely diffused through the importing country. While such an interrelationship of markets cannot be assumed to be perfect, especially on a day to day basis, Edminster's comparison of St. Paul and Chicago prices for 1921-24 showed no tendency for changed volume of imports to affect the spread between St. Paul and Chicago prices.(1)

On the other hand, Canada's exports to the United States, as shown in Table XXIX, are a significant part of Canada's total marketings. In 1939, when imports from Canada were high but still within her allocated quota in the heavy non-dairy class, Canada's shipments of cattle to the

(1) Edminster, op. cit., pp. 133 - 135.

TABLE XXIX

Canadian Cattle Marketings and Exports to the United States, 1938 - 1939. (a)

Year	Calves		Beef Cattle		Percent exports to U.S. are of Canadian marketings	
	Total marketings	Exported to U.S.	Total net marketings	Exported to U.S.	Calves	Cattle
1938	748,321	45,645	943,599	84,676	6.1	9.0
1939	795,402	81,832	1,026,753	183,982	10.3	17.9

(a) Calculated from the Canadian Department of Agriculture, Marketing Service, "Twentieth Annual Marketing Review", p. 6.

United States amounted to 17.9 per cent of Canada's net cattle marketings.[1] Since the average weight of cattle imports from Canada was 996 pounds, the 17.9 per cent probably does not over emphasize the importance of the U. S. market to Canadian Cattlemen.[2] Calf imports from Canada in 1939 amounted to 10.3 per cent of Canada's total calf marketings, while total U. S. calf imports were only 1.6 per cent of the number slaughtered in U. S. wholesale establishments.

Thus, it is evident that cattle prices in the United States could not have been materially affected by total imports, much less by concession imports. It appears that the narrowing price spread occurring under the cattle concessions of the U. S. - Canadian Agreements must have been due to rising Canadian cattle prices rather than to lower cattle prices in the United States, just as in previous years it was the Canadian rather than U. S. prices that showed the greatest reaction to changes in the U. S. cattle tariff.

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(1) The most nearly comparable figure representing the relative importance of imports of this class of cattle to the U. S. supply is the 5.2 per cent which dutiable cattle over 200 pounds (other than dairy cows) constitute of the U. S. cattle slaughter in wholesale establishments. As already explained on page 96, the numerical comparison exaggerates the importance of imports.

(2) In evaluating the relative importance to U. S. and Canadian cattlemen of the cattle concessions it is interesting to note that Canada's allocated quota in the heavy non-dairy class is approximately 20 per cent of Canada's 1939 cattle marketings, but the total quota for the class is only about 15 per cent of the U. S. cattle slaughter.

TABLE XXX

Relation of Annual Imports by Duty Class
to Prices of Comparable Cattle at Chicago. (a)

Year	Price of native veal calves	Calf imports	Price of feeders	Imports of 175 or 200 to 699 lb. cattle	Price of native beef cattle	Imports of 700 lb. and over beef cattle
1936	8.35	57,314	6.40	176,237	8.85	158,873
1937	9.35	82,052	7.95	223,837	11.65	182,333
1938	9.50	47,708	7.85	243,831	9.50	125,346
1939	9.75	115,092	8.70	401,874	9.80	228,001

(a) Import data furnished by the United States Department of Agriculture, Foreign Agricultural Service. Prices from the Chicago Daily Drovers Journal, "Year Book of Figures", 1939. pp. 40, 48, and 39.

Cattle Imports are Price Determined rather than Price Determining

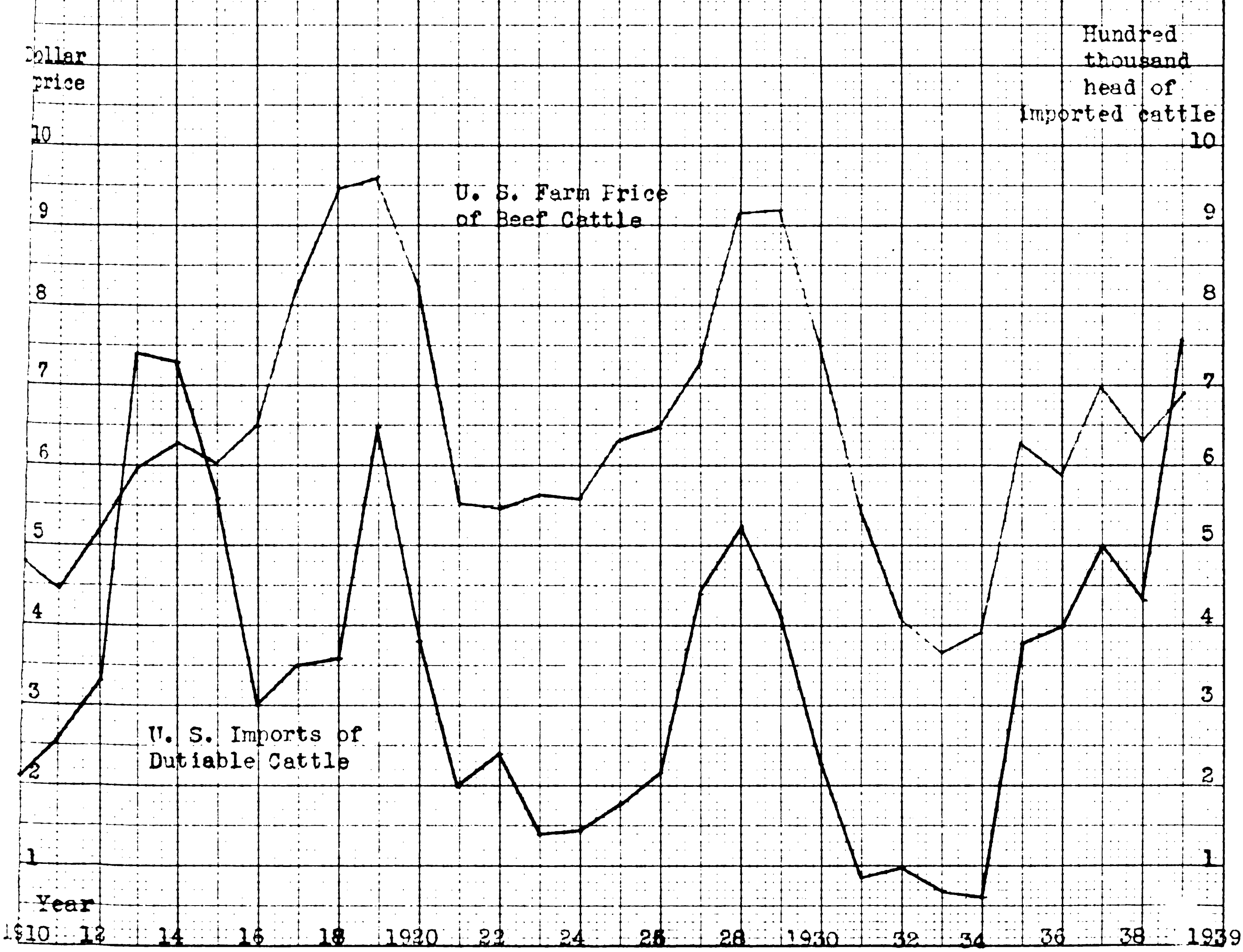
The question as to whether increased cattle imports have caused the marked declines which have at times occurred in U. S. cattle prices can be simply and definitely answered. Figure VIII and Table XXV show that, since the United States has been on an import basis for live cattle, cattle prices and dutiable cattle imports have shown a positive correlation - a marked tendency to increase and decrease simultaneously. Changes in cattle duties have only modified the effect of U. S. prices on imports; cattle tariff changes have neither determined the major trends in U. S. cattle prices nor the reaction of imports to these prices.

When cattle were freelisted in 1913 the number of dutiable cattle imports increased from 323,986 in 1912 to 736,937 head in 1913, but at the same time the average farm price of beef cattle had risen from $5.12 to $5.90, and already in 1912 before the duty was removed cattle imports were on the uptrend in response to rising U. S. prices. Throughout the war years and the pre-deflation post-war years both cattle prices and cattle imports remained relatively high, although changing conditions in the exporting countries caused some variation.

The cattle duties of 1921 and 1922 became effective at a time when both U. S. cattle prices and dutiable cattle imports had already begun a decline. The Tariff Acts of 1921 and 1922 served to further discourage cattle imports, but cattle prices continued low through the early twenties. In the middle twenties U. S. cattle prices began to recover as the post-war liquidation passed and domestic purhcasing power improved. Cattle prices in the United States continued to rise until in 1928-29 they were comparable

Figure VIII.

U. S. Farm Price of Beef Cattle and U. S. Imports of Dutiable Cattle, 1910-1939. (Based on Table XXV)



to the war prices. As cattle prices rose so did imports of dutiable cattle until they too were comparable to war-time figures.

In 1930, with the effects of the second post-war depression beginning to be felt, the average farm price of beef cattle had fallen to $7.46 from the 1929 price of $9.15. Simultaneously dutiable cattle imports decreased from 410,656 to 226,273 head under the combined effect of lower prices and the Hawley-Smoot Tariff effective June 17, 1930. Under this tariff both cattle imports and cattle prices continued to fall until the farm price of beef cattle averaged $3.63 in 1933 and cattle imports fell to only 57,679 head in 1934. But in 1935, still under the same tariff duties, the price of beef cattle rose to $6.21 and imports responded to 364,623 head. The United States had again become an attractive market due to the severe effect of the 1934 drought on the domestic cattle industry and the partial recovery of domestic purchasing power.

The concession rates of the 1935 Agreement with Canada, becoming effective January 1, 1936, achieved only a slight increase in 1936 cattle imports over those of 1935; the price had declined from $6.21 in 1935 to $5.85 in 1936. In 1937 the 1935 conditions were repeated on a somewhat lesser scale and with a corresponding effect on cattle prices and cattle imports. By 1938 the domestic cattle supply was stronger and domestic purchasing power weaker. As a result both U. S. cattle prices and dutiable cattle imports were lower. The record 1939 import number of 753,570 head reflects higher U. S. cattle prices (especially for feeder cattle) and a combination of circumstances causing heavy liquidation of herds in northern Mexico. Decreased imports early in 1940 are in reaction to the 1939 conditions.

Throughout this 1910-1940 period it is evident that U. S. prices have been the chief consistent determining influence affecting the size of cattle imports. It is further evident that neither the tariff on cattle nor the size of cattle imports has been the determining influence on U. S. cattle prices. Cattle imports have been price determined rather than price determining.

CHAPTER VII

Summary and Appraisal

Having examined cattle imports under the Canadian Trade Agreements in some detail against the background of a survey of North American beef production, United States cattle tariff history, and general considerations of the Trade Agreements program, an attempt will now be made to summarize the findings and to evaluate the cattle tariff policy as embodied in the Agreements.

Summary

1. Geographically the beef cattle industries of the United States, Canada, and Mexico constitute a natural continental entity. In some important respects they are complementary: Canada and Mexico have considerable resources for producing lean cattle, while the United States has the finishing feeds and the greater concentrations of population (consuming centers).

2. Following the passing of the American frontier about 1890, the extensive forms of U. S. cattle production tended to give way to more intensive land uses such as grain farming and dairying. As the population of the United States was rapidly growing at the same time, the result was higher domestic cattle prices and change to a net import basis in the cattle and beef trade at the beginning of the second decade of this century.

3. Although the United States had maintained import duties on cattle prior to the change to an import basis, the appearance of substantial import numbers gave the cattle tariff question new emphasis.

In the Underwood Tariff of 1913 the duties on cattle and beef were removed, and, under the influence of war-time prices, imports of cattle continued large relative to previous years. During the war U. S. exports of beef, facilitated by imports of lean cattle, again reached considerable proportions.

4. Following the war and subsidence of U. S. beef exports, both U. S. cattle prices and cattle imports sharply declined. During this decline cattle and beef were again made dutiable in the Tariff Acts of 1921 and 1922. Under these tariffs both U. S. cattle prices and cattle imports remained low through the early twenties. In the second half of the twenties, as the post-war beef cattle liquidation passed and as domestic consumer purchasing power increased, the U. S. price of beef cattle rose until it almost equalled the war prices. In response to these prices cattle imports also increased to near war-time numbers.

5. As the depression after 1929 began to affect prices in the united States, cattle imports likewise began to decline. The Hawley-Smoot Tariff Act of 1930 raised the cattle duties to a point where their advalorem equivalent was such as to practically prohibit imports. In spite of this virtual monopoly of the domestic market, prices paid U. S. cattlemen continued to fall until about 1934. As a result of improving domestic purchasing power in 1935 and more especially because of severely reduced domestic supplies of marketable cattle following the great 1934 drought, U. S. cattle prices and cattle imports increased markedly in 1935.

6. Late in 1935 the first U. S. - Canadian Trade Agreement was concluded as an important step in the program of resuming normal

trade relations by a process of reciprocal lowering of the barriers which had so disastrously developed in the twenties and early thirties. As Canada was the second most important market for U. S. exports this this agreement was highly desirable. Because Canadian cattlemen were heavily dependent on the U. S. market, some concessions by the United States on cattle were necessary. The interests of U. S. cattlemen were carefully safeguarded, however, by limiting the number eligible for entry each year at the reduced rate of duty to approximately 1 per cent of the annual U. S. slaughter. The concession rates applied only to classes of which Canada was the chief suppliers.

7. Under the concession rates of the 1935 Agreement (effective January 1, 1936) dutiable imports in 1936 and 1938 did not greatly exceed those of 1935, but with the higher prices of 1937 imports considerably increased. Of total dutiable cattle imports in the 1936-38 period, approximately 50 per cent were in the middle weight non-concession duty class and paid full 1930 duty rates, as also did cattle entering the concession classes in excess of the respective quotas.

8. As the three year life of the 1935 Agreement approached an end, in recognition of mutual benefits, the United States and Canada signed the 1938 Agreement to become effective January 1, 1939. Since the new Agreement went farther than the first one, the United States, among other concessions, further reduced the duty on non-dairy cattle over 700 pounds and raised the tariff quota limits both on this class and on claves; the combined quotas, however, being equal to less than 2 per cent of domestic slaughter. This Agreement also contained a provision for allocating the quota for heavy non-dairy cattle between Canada and other countries.

9. In 1939 dutiable cattle imports reached the highest number on record but were still only slightly over 3 per cent of the total domestic supply. Only a small part of the increase over 1938 imports could be attributed to the 1938 concessions. Increased imports were due to higher U. S. prices, favorable exchange rates (especially with Mexico), and disturbed conditions in Mexico. Imports in the early months of 1940 show a marked decline, and imports are expected to remain lower for some time.

10. While comparison of U. S. and Canadian prices shows the spread to have narrowed (relative to the 1935 spread) under the reduced duties of the Agreements, it appears that this has been due to higher Canadian cattle prices rather than lower prices to U. S. cattlemen; as under previous duty changes it was Canadian cattle prices rather than U. S. prices that were chiefly affected. Why this should be so is evident in the fact that Canada's cattle exports to the United States are a much larger part of her total marketings, than total cattle imports are of the total U. S. supply. Not only are total imports an unimportant part of the domestic supply, but in no particular class of cattle nor on any particular markets imported cattle constitute serious competition for U. S. cattlemen. Throughout the whole 1910-1940 period it is evident that U. S. cattle imports have been price determined rather than price determining. U. S. import duties on cattle have influenced but not determined the volume of imports which have been governed primarily by U. S. prices, and which by their entry may have served to restrain excessive price advances.

Effects of the Concessions on Cattle, an Appraisal

The appraisal of any tariff policy has almost endless ramifications, many of which permit little factual analysis. However, there are some major points relative to the U. S. concessions on cattle and their broader implications which may be properly considered.

In Chapter VI it was shown that concession class imports or even total dutiable cattle imports constitute very little competition for domestic producers. To those U. S. cattlemen who obtain stocker and feeder cattle from Canada these concessions are a direct benefit.

Imports Help to Stabilize Prices. Because cattle imports respond so markedly to U. S. cattle price movements, they should tend to constitute a stabilizing influence on U. S. cattle production and somewhat lessen the extreme cycles in production and price which have contributed to periodic distress in the cattle industry. True, any tendency toward decreasing the extremes of these cycles would mean less extreme price peaks as well as slumps, but high prices are scant comfort for producers with little marketable stock, and monopoly of the home market is a doubtful boon when prices are extremely low.

Lower Duties Improve the Farmers Market. International trade is not a one way affair. As experience with high tariffs in the twenties and early thirties bears witness, we cannot continuously export without importing. Domestic purchasing power is the most important factor influencing U. S. beef cattle prices. The great reduction in foreign trade in the early thirties directly, through decreased employment in the normally exporting industries, and indirectly, through the effect of these on other industries, exerted a considerable depressing influence on domestic demands. Since Canada is the second most important market for U. S. exports it was highly important to reestablish normal trade relations with her.

Most cattlemen are also producers of such normally exported commodities as wheat, corn, and hogs. In order to retain outside markets for these commodities farmers are definitely interested in reducing trade barriers. The gains which increased trade makes available to farmers and cattlemen through increased domestic purchasing power and wider markets for the farm export commodities considerably outweigh the very limited competitive effects of moderately increased cattle imports under the Trade Agreements concessions.

Possible Benefits from a Protective Tariff on Beef Cattle are Distinctly Limited. While cattle imports, especially in the concession limits, have had little influence on prices to domestic producers, it may be asked whether the exclusion of cattle imports would not in the long run, especially as the population increases, materially raise prices to domestic producers. The possibilities of such a benefit are distinctly limited. The occurrence of increased prices would tend to increase domestic production which would eventually limit the price advance. A second factor operates to check increasing cattle prices and would operate even though domestic production were not increased. This is the availability of food substitutes for beef. As scarcity tended to force beef prices upward lower income families would have to turn to cheaper meats and to meat substitutes. More over, many of these substitutes such as pork, which is still at least potentially on an export basis, and the cereals cannot have their domestic price raised by an import duty. Thus consumers would lose and producers not materially benefit. The basic competition which more intesive types of agriculture are providing for beef cattle tends to indicate that the long run effect of a prohibitive import duty on cattle with an increasing population would be more toward a decreased per capita consumption of beef than toward an increase in domestic beef production.

But, as a matter of fact, a domestic demand increase in the form of a greater population relative to the domestic cattle supply does not appear likely. The rate of population growth in the United States has rapidly declined in the last two decades, and we seem to be approaching a stationary population. On the other hand, beef production in the United States, which seemed to be declining both relative to the population and in absolute volume about 1910, has since shown some increase.

Effect of the Concessions on Canadian Cattlemen. Reference has been made in different places in the preceeding chapters to the conditions which would make the U. S. cattle concessions a distinct benefit to Canadian cattlemen. Not only is the United States by far the most accessible export market for Canadian live cattle, but the U. S. cattle feeding areas are also closer to Canada's Prairie Province ranches than are the limited cattle feeding areas of the Eastern Provinces.

By means of selected concession classes and allocated quotas Canada has received the chief benefit of the U. S. cattle concessions. While the concession quotas are quite small relative to U. S. cattle production, the smaller size of the Canadian cattle industry makes these concession numbers an important part of Canada's total cattle marketings.

Relative price movements in the United States and Canada indicate that lower U. S. duties have meant higher prices to Canadian cattlemen.

Effect on Consumers. Since imports have been too small relative to domestic production to constitute an important influence on domestic prices, they cannot have materially benefitted consumers. However, to the extent that imports have or may have a stabilizing influence on U. S. beef supplies and cattle prices they will tend to protect consumers against extreme beef shortages. If increasing production costs should materially decrease domestic production per capita, lower income consumers, including farmers, would have to reduce their beef consumption unless a supplemental supply were available in the form of imports. To the extent that imported stockers and feeders reduce domestic production costs consumers will benefit as they would by an increased supply of finished cattle or of beef.

Consumers, which includes all producers, also have a distinct interest in the broader aspects of tariff policy. A national policy of protection, or self-sufficiency, even if it were possible to achieve equal protection for all products, would inevitably result in a lower real income or standard of living as productive effort had to be diverted from the more efficient enterprises in order to produce domestically goods formerly obtained by exchange.

The Outlook for U. S. Beef Production.

There is reason to believe that the position of the domestic beef cattle industry has been considerably strengthened in the last two decades. Many of the conditions detrimental to beef production following the passing of the American frontier have been substantially altered in recent years. Principally these have come about through changes in land use which have been accelerated recently by government programs such as the A. A. A.

Improved range management has increased the carrying capacity of remaining range areas. Devastating drought has culminated several years of struggling dry-land grain farming, especially in the tier of states from the Dakotas to Oklahoma and some of their western neighbors; it is likely that grazing animals will have a larger part in the agriculture of these states in the future.

The importance of livestock on farms in the United States has been growing for several years as a means of increasing the per acre income. Recently the Cotton Belt has had to turn more toward general farming because of a reduced export market for its principal crop. A growing appreciation of the possibilities of roughage farming, together with the government benefit payments for maintaining soil fertility, is tending to increase the importance of roughage consuming livestock in the general farming areas of the United States. While dairying may make the most rapid growth, beef cattle are also likely to share in the adjustment.

The place of beef cattle as a part of general farming is further strengthened by changing market demands and by improved methods of production. Lighter weight cattle are preferred by the market and their production is better adapted to farm conditions. The younger marketing age permits a greater per acre beef production because younger animals make more efficient use of feed and because a greater proportion of the animals carried are marketable each year.

Thus, while domestic beef cattle production may not make any considerable absolute increase, its position has been materially improved in recent years. The apparent approach to a stationary population in the United States makes probable a lesser trend toward intensive agriculture and consequently tends to strengthen the future place of beef production in the nation's agriculture.

TABLE I

Monthly Average prices of Slaughter Steers at Chicago and Toronto, 1926-1939[a]

Month	1926 Chicago	1926 Toronto	1927 Chicago	1927 Toronto	1928 Chicago	1928 Toronto	1929 Chicago	1929 Toronto	1930 Chicago	1930 Toronto
January	9.65	7.43	10.20	6.92	13.90	10.83	12.55	9.94	12.75	9.75
February	9.65	7.24	10.50	7.08	13.25	10.29	11.90	9.27	12.30	9.78
March	9.60	7.33	10.65	7.65	12.85	10.03	12.70	9.40	12.35	10.20
April	9.40	7.40	10.95	8.35	13.10	10.05	13.50	10.18	12.05	10.79
May	9.25	7.47	10.95	8.88	13.15	10.44	13.65	11.21	11.25	10.51
June	9.65	8.18	11.20	8.97	13.90	10.94	14.20	11.47	10.50	9.25
July	9.40	7.74	11.75	8.49	15.00	11.48	14.85	11.15	9.50	8.13
August	9.50	7.45	11.80	8.21	15.25	11.42	14.50	10.11	9.55	7.34
September	10.50	7.21	12.70	8.08	16.00	11.15	13.60	9.35	10.90	7.17
October	10.20	6.49	13.50	7.96	14.55	9.50	13.40	9.00	10.75	7.27
November	9.85	6.20	14.00	8.61	13.70	9.10	12.60	8.89	10.55	7.37
December	10.25	6.78	13.25	10.26	12.80	10.03	12.60	9.63	10.50	7.36

TABLE I (continued)

Monthly Average prices of Slaughter Steers at Chicago and Toronto, 1926-1939[a]

Month	1931		1932		1933		1934		1935	
	Chicago	Toronto	Chicago	Toronto	Chicago	Toronto	Chicago	Toronto	Chicago	Toronto
January	9.60	7.22	6.80	4.86	5.00	3.45	5.40	4.70	9.15	4.50
February	8.35	6.23	6.40	4.57	4.85	3.13	5.55	5.09	10.45	4.97
March	8.35	6.10	6.30	4.59	5.20	3.57	5.95	5.25	11.80	5.74
April	7.90	5.86	6.35	4.61	4.95	4.00	6.40	5.39	11.05	6.12
May	7.15	5.72	6.05	4.71	5.60	4.32	6.95	5.16	11.10	6.39
June	7.45	5.71	6.65	5.07	5.80	4.50	7.35	5.02	11.40	6.43
July	7.80	5.82	7.95	5.11	6.10	4.40	7.25	4.70	9.80	6.17
August	8.50	6.08	7.90	4.74	6.00	5.16	7.20	4.59	10.65	6.05
September	8.05	5.83	8.05	4.76	5.70	4.19	8.05	4.42	10.60	6.02
October	8.40	5.26	7.05	4.02	5.55	3.88	7.60	4.24	10.45	5.13
November	8.65	4.98	6.25	3.71	5.15	4.14	7.35	4.21	10.00	5.16
December	7.25	4.81	5.50	3.55	5.20	4.44	7.40	4.33	9.95	5.59

TABLE I (continued)

Monthly Average prices of Slaughter Steers at Chicago and Toronto, 1926-1939[(a)]

Month	1936 Chicago	1936 Toronto	1937 Chicago	1937 Toronto	1938 Chicago	1938 Toronto	1939 Chicago	1939 Toronto
January	9.35	5.56	10.75	5.74	8.30	4.40	10.45	6.44
February	8.45	5.06	10.40	5.73	7.80	5.06	10.30	6.54
March	8.70	4.90	10.80	6.32	8.45	5.56	10.40	6.78
April	8.45	4.93	10.75	7.13	8.65	6.05	10.20	6.83
May	7.95	5.01	11.20	7.34	8.75	6.55	9.75	6.69
June	7.85	5.01	12.00	7.95	9.90	7.16	9.30	6.75
July	8.15	5.06	13.90	7.50	10.50	6.53	9.30	6.51
August	8.50	5.04	14.00	7.56	10.35	6.19	9.20	6.37
September	9.15	5.16	13.90	7.12	10.40	5.70	10.30	6.66
October	9.30	5.07	12.80	6.19	10.55	5.23	9.75	6.41
November	10.25	5.05	10.65	5.74	10.10	5.58	9.50	6.38
December	10.30	5.19	8.95	5.67	10.25	6.06	9.45	6.55

(a) Monthly average price of 750 - 1800 pound native beef steers at Chicago from the Chicago Daily Drovers Journal, "Year Book of Figures", p. 39, and monthly average price of good butcher steers up to 1050 pounds at Toronto furnished by the Canadian Department of Agriculture, Marketing Service.

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