



# NEWS from U.S. Senator Bob Dole

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## STATEMENT OF SENATOR BOB DOLE BEFORE THE HEARINGS ON FARM AND RETAIL PRICES FOR BEEF COMMITTEE ON AGRICULTURE AND FORESTRY

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Mr. Chairman, I would like to thank you for scheduling these timely hearings to examine the relationship of retail beef prices to live slaughter cattle prices.

Beef production is the biggest single industry in the State of Kansas. Feedlots have been maintaining 1,250,000 head on feed in recent years, generating over \$1 billion in the economy of the state. Cattlemen in Kansas marketed 2,635,089 head for slaughter last year.

The importance of this industry to Kansas economy, therefore, is obvious. Cattlemen and the entire food industry, from the packing houses to the grocery stores, have done a tremendous job in improving the marketing of beef, as the quality of the product was improved. The per capita consumption of beef has grown from 85.1 pounds in 1960 to 116.0 pounds in 1972.

Beef consumption has not been maintained at the 116 pound figure, however, as it dropped to only 109 pounds per capita in 1973. This was brought about by price controls and the disruption to the pricing mechanism it provoked. We will suffer from the disruption for some time as we attempt to regain this market. The number of cattle on feed in the State of Kansas reflects this concern, as there were seven percent fewer cattle on feed in the state in January of this year (1,250,000 in 1973 and 1,160,000 in 1974).

We are compelled, therefore, to examine more closely the relation of retail prices to live slaughter cattle prices when it appears that there is a disparity. I raised this question March 1 when I spoke to cattlemen in Manhattan, Kansas . . . for the day before I had compared beef prices at the store with the slaughter price paid for choice steers at Omaha. The price of slaughter steers in late summer 1973 when the beef ceilings were lifted reached \$53.61, and the grocers reflected this increase by raising their hamburger prices from 79 cents per pound to 89 to 95 cents per pound. Prices fluctuated greatly in the following months, but hamburger prices remained pretty stable at 90 cents per pound.

The distressing fact was that when cattle markets dropped in February, reaching \$44.25 on February 28, supermarkets in the Washington, D. C., area were charging \$1.09 to \$1.19 per pound and higher for hamburger.

### Grocers Responded

As I say, this was distressing -- for unless the retail price reflects the market price, our system is not working. I am pleased to report that after this was realized, on March 8, it was obvious that grocers were responding and hamburger was once again on the shelves at 89 cents per pound.

Now that we have succeeded in lifting meat price controls, it is essential that we maintain a responsive relationship between retail beef and live cattle prices. Since government controls did not work, it is essential that we make the system work properly to avoid any further controls. Many advocates of roll-backs still exist.



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### Who Gains from Increased Controls

The advocates of greater regulation seem to want it for its own sake, as an expansion of power perhaps, because they never ask the basic question, who really gains from these unnecessary government controls?

The farmers lose, we know that!

The consumers lose, we know it and the public does too.

For the public learned a lesson the past year since the meat boycott. The consumer has learned that he cannot have plenty of meat at artificially low prices. He now knows that higher and more realistic prices stimulate more meat production and that without adequate price margins, cattlemen will have to curtail production.

### Boycott Counterproductive

It started with the housewives' boycott effort. When supplies fell off, they may have thought the cattlemen were merely retaliating for the boycott by reducing shipments. But they have finally begun to learn that these cattlemen had tremendous investments, and that a cattleman's bankers have a much greater influence over the replacement of cattle and the assurance of continued supply than any misguided consumer crusade for cheap meat can ever have.

Cheap meat could mean no meat!

### Greatest Problem with Price Controls

The severe winter of 1972-73 created some difficulties for the industry. But the Economic Stabilization Program has been a far greater disaster for the beef cattle industry. In spite of warnings by many of us in Congress who have supported the free market cattle system, ceilings were imposed on red meat prices at the end of March 1973. All of this, of course, was the result of the clamor to roll back meat prices during the debate on the renewal of the Economic Stabilization Act. As if this wasn't bad enough, the problem was compounded in July 1973 when ceiling prices were removed on all red meat except beef. In spite of the best efforts of some of us, beef ceiling prices were not lifted until early September. In short, a market already economically distorted in early 1973 was thrown further out of line by the political effort to keep consumer prices unrealistically low.

### Economy Loses

The entire economy loses when the government tampers with the markets. What incentive is there to expand an operation when, at any moment, the government might step in and change the whole picture.

This uncertainty about the market ultimately hurts the consumer. Beef supplies simply won't be there unless there is an incentive to increase production.

The only solution for the upset market is to get out and stay out from under price controls. I hope consumers are learning that you can't just order prices to fall and get away with it. If we want lower prices, we must forget price controls and concentrate on increasing the supply.

Obviously, when the Economic Stabilization Act expires on April 30, it should not be extended. Unless it is allowed to lapse, there will always be the temptation to tamper with the market place again for reasons of political expediency.

Our nation was built on the concept of an unrestricted economy. That system has been operational for nearly 200 years. During that period the advancement has been great. Why change it now and inhibit further promises of the future. Let's let the system work.

Comparison Prices

	<u>1967</u>	<u>1970</u>	<u>1972</u>	<u>Sept.</u> <u>1973</u>	<u>Feb.</u> <u>28</u> <u>1974</u>	<u>March</u> <u>8</u> <u>1974</u>
Choice Steers Omaha, cwt	\$25.27	\$29.34	\$35.83	\$53.61	\$44.25	\$41.50*
Hamburger per pound	.60	.72	.79	.90	1.09	.89 <sup>1/</sup>
Round Steak per pound	.99	1.17	1.35	1.69	1.69	1.49 <sup>1/</sup>
Chuck Roast per pound	.64	.75	.85	1.17	1.19	1.19 <sup>1/</sup>

Source: USDA Economic Research Service

\* Wall Street Journal

<sup>1/</sup> Washington Post and local posted prices