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NEWS from
U.S. Senator
Bob Dole
(R.—Kans.)
New Senate Office Building, Washington, D.C. 20510 (202) 224-6521

MEAT IMPORTS AND THE CATTLE INDUSTRY
STATEMENT BY SENATOR BOB DOLE
JUNE 13, 1978

Mr. President, on Saturday I attended a livestock auction at the Ottawa Sale Barn in Ottawa, Kansas. The prices paid farmers at that auction were definitely down as a result of President Carter's announcement Thursday afternoon. Once again, our farmers are bearing the brunt of Presiden- Carter's action against inflation. In his own statement he did not make any prediction of a drop in hamburger prices, just that it might slow down the increase while the farmer absorbs all the loss -- as much as $10.00 per hundred weight at this auction.

<u>Cattlement Singled Out in Inflation Fight</u>

We cannot expect our cattlemen to continue producing or expanding production as long as they are forced to accept unilateral administration actions against them. They will shoulder their fair share, along with all segments of the economy. They should not be singled out to bear the brunt of such action as the President has recently taken -- increasing meat imports.

Mr. President, the cattlemen of this nation are being confronted by economic disaster as the result of action taken by President Carter last Thursday to increase meat import quotas by 200 million pounds. Nationwide, cattlemen have lost money on their cattle operation for 7 of the past 11 years. The last 3 years have been particularly bad, and resulted in the liquidation of investments in feeder cattle and the selling off of cow herds since it costs the cattleman more to raise the animal than he could sell it for on the market.

<u>Action Inhibits Expanded Production</u>

At this time, the cattlemen of this nation are trying to decide whether or not to expand their production, and some are trying to decide whether or not to stay in business. I am concerned with the future of this industry and for the ample supply of high protein food they furnish for our consumers. I am not alone in this concern, for I am joined by many of my fellow Senators in this colloquy to discuss the importance of this matter. Twenty-three Senators have indicated they will join me in this colloquy and several others expressed their interest, but prior commitments made it impossible for them to be here this morning. I am sure they will make separate, supportive statements individually, as many already have.

Several of my colleagues on the Committee on Agriculture, Nutrition, and Forestry have joined me in requesting this special time to emphasize the critical impact that the President's action of increasing imports will have on the cattle industry. They are Senator Young, Senator Curtis, Senator Bellmon, Senator McGovern, Senator Clark, Senator Zorinsky, and Senator Hodges. We want to urge all our colleagues to join in the colloquy.

Mr. President, some of my consumer friends have asked me why the supply of beef takes so long to change -- longer than the supply of pork, for example, and a lot longer than poultry.

The answer, of course, is simply one of biology. From the time a producer decides to increase the size of his basic cow herd until extra beef resulting from that decision reaches the supermarket may take as long as four years.

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Future Planning Needed for Expansion

For example, if a rancher decides that a female calf born today should become part of his basic cow herd, it will take a year and a half to two years before that calf can grow up and be mature enough to breed. Once bred, there is a nine month period before the calf is born. After that, figure at least another year and a half for the calf to grow and be fed out and "finished" for the market.

This long beef cycle is a major reason beef prices are now at a record high and still climbing.

For the past four years, the U.S. cattleman has been in desperate circumstances. We have had severe winters that took a heavy toll of cattle on the range, and cut heavily into the birth rate at normal calving time.

Recent Low Prices Caused Herd Liquidation

We have experienced a couple of years of back-to-back drought conditions in the West and South that have forced producers to liquidate entire herds because there was no grazing and too little water.

We have seen producers go deeply into debt trying to refinance their livestock operations. Feed costs are higher; farm machinery costs are up; interest rates have increased and in some areas producers report they are unable to find adequate credit at any cost.

This liquidation of breeding stock temporarily builds up an oversupply of beef in the market, causing additional problems for the producer forced to sell at low prices, but the consumer has benefited with low hamburger prices.

Eventually, the cattle numbers are reduced -- the oversupply is worked through the market -- and prices start to rise again. That's what is happening now -- the beef cattle industry is just emerging from the liquidation phase of the latest cattle cycle. In this case it has been a 4-year period, and most cattlemen have been losing money during those four years. They are just now deciding whether or not to expand their production by selecting more females to breed, or to feed them out for slaughter.

If we expect these cattlemen to make the necessary investment over the next two or three years to expand their herds, they must have confidence that the market will continue stable. In fact, their bankers will insist the future prospects are good before they will finance such expansion.

Pork and poultry, on the other hand, can respond to demand and increase production at least 10 times as fast as cattle. This is because hogs have litters of 6 to 8 pigs, and they can have two litters a year. Poultry expands even faster. Cattle produciton, therefore, takes far more future planning.

Mr. President, there is nothing wrong with the cattle industry that common sense and a little faith in supply-demand economics won't cure.

Additional Imports Disrupt Cattle Cycle

The worst thing we possibly could do would be to disrupt the cattle cycle, as the Administration did last week, by bringing into this country an additional 200 million pounds of foreign produced beef. It will destroy the cattlemen's incentive for expanded future production.

Our U.S. beef producer deserves our support, not our competition. He's willing to compete in his own market against other producers and other commodities. But it's asking too much of him to ask the cattleman to take on the kind of competition the White House proposes to force on him.

Mr. President, the nation is more aware of the economic stress all our farmers are facing this year more than any year in recent history. Members of Congress are particularly aware due to the efforts of many farmers earlier this year to assist in passing new legislation to restore some economic soundness to agriculture. Agriculture is still the economic foundation of this nation and further jeopardy to its well-being could signal another general depression far worse than we have ever seen.

We are concerned with the present Administration's position on all agricultural matters indicated by the Senate's passage of the flexible parity concept. But this measure was defeated in the House, due to the Administration's lobbying efforts and a threat of a veto.

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Threat Pending Since March

Administration officials have been making a similar effort applying pressure to increase meat imports. Evidence of these officials efforts were reported on March 14th in the Washington Post, quoting a memo from Barry Bosworth, Director of the President's Council on Wage and Price Stability, indicating:

> "Carter could expand meat imports in order to hold down meat and livestock prices which have risen at an annual rate of 19 percent retail in the last three months and 33 percent at the wholesale level."

Mr. President, Mr. Bosworth's reference to increasing cattle prices at this time is accurate, but he neglects to point out that the 19% increase was up from market prices far below the cost of production.

Average farm production costs have continued to increase, while cattle prices have fluctuated down as well as up. The average price of choice steers in the first four months of 1978 was up 33% from 1972. The average of prices paid by farmers was up 79%. (SEE FED CATTLE TABLE)

Choice steer prices more recently have been $50 to $60 CWT, but prices still were lagging behind the production cost increases.

Inflation Persisted During Low Prices

It is important to note that inflation continued in 1976 when cattle were bringing only $39.11/CWT. Inflation continued at a rate of 5.8 percent. In 1977 when cattle were bringing only $40.38 inflation continued at a rate of 6.9 percent. Since 1972, cattle prices have remained at relatively low prices, but the Administration did not take steps to reduce import quotas to bring prices up. Cattlemen do not want government interference in their business. They ask only to let the system work, and they will take their chances.

But when cattle prices commenced to increase due to their reduction in beef production, the government started talking about increasing meat imports in order to reduce cattle and beef prices.

Cost Increase Doubles Price Increase

Further Administration officials' pressure for increased meat imports is evidenced in an April 19 letter from G. William Miller, newly appointed Chairman of the Federal Reserve System, indicating that recent price increases "are not in the long-run interests of either the consumers or producers." He makes that statement after just admitting in the prior paragraph that cattlemen have liquidated their cattle numbers due to a lack of profit. I ask that this letter be inserted in the Record at this point.

Therefore, this Administration feels that when cattle prices increase 33 percent in four months, that is too much increase. When at the same time the costs the cattlemen paid for their stock, supplies, and equipment increased 79 percent since 1972. Consistent low prices indicate these increases are necessar and justified if we expect these cattlemen to continue producing beef.

Mr. President, I would like to submit figures on the average prices received by cattlemen for calves and fed steers compared to their production costs. (TWO TABLES: STEER CALVES and CHOICE STEERS)

The average cow-calf operator showed a profit in the 1st Quarter of 1972, 1973 and 1978, but a loss in the 1st Quarter of 1974, 1975, 1976 and 1977.

The data on both average prices and costs are conservative. For example, the average prices shown in the chart and table are for steers only; heifer prices are lower. Similarly, actual costs in many instances would be considerably higher than shown, depending on land and other costs.

The average feeder showed profits in the 1st Quarter of 1972, 1973 and 1978, but a loss in the 1st Quarter of 1974, 1975, 1976, and 1977. The data on both average prices and costs are conservative. For example, over-all prices of cattle marketed (including heifers as well as steers) average less than for choice steers alone.

From 1974 to 1977, the farm value of U.S. food expenditures showed little change, while th total marketing bill rose 38% (SEE TABLE -- FOOD EXPENDITURE COMPONENTS). Labor costs alone, which have risen along with or ahead of the inflation rate, accounted for 40% of the increase in food expenditures in the 1973-1977 period.

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Cost of Food Labor Exceeds Farm Value

ast year, for the first time, the cost of labor involved in processing and arketing food exceeded the basic farm value of the food. In other words, a igger share of the average food dollar now goes to workers in the food inustries than goes to farmers and ranchers.

ising marketing costs are the major reason for the uptrend in food prices. he components of the marketing bill are shown in the table.

abor's share of the food dollar is now 33 cents; the farmer receives only l cents. I do not fault labor for their share of this dollar. As long as he consumer is willing to pay for more food processing and marketing services, abor's share of the food dollar will continue to grow. What it amounts to is hat consumers no longer prepare their own food. They buy the services of thers in processing, marketing and distribution instead of performing those ervices themselves. They have to pay for them in convenience foods. And hat means more labor input to the product the consumer buys. Of course, a ajor factor in these costs is the growing amount of meals eaten away from home.

r. President, I would now like to comment on President Carter's justification or his action in increasing meat imports at this time.

EE ATTACHED EXCERPTS FROM WHITE HOUSE STATEMENT)

is comments concerning the rebuilding phase taking several years to accomplish re very true, since a cow can have only one calf in a little over a year. ther livestock have multi-births and a far shorter gestation period. Cattleen, therefore, have to plan ahead for long term investments in facilities, eed and supplies until they can sell their cattle. At this present time, attlemen are assessing whether or not to increase the number of cows, or to ell off their females as beef. This is the breeding season and President arter's announcement, at this time, will have a negative effect on their deision to expand their cow herds. We will have to wait until next year for ny meaningful expansion.

is second point that cattlemen have been losing money for 15 out of the past 3 quarters is true. How many other segments of American business would acept such losses and continue to produce? Now, as we see a change from loss o profit in cattle prices, the President announces he is taking action to ontrol those profits. All the time during those 23 quarters, cattlemen have ad to absorb continuing increased costs of doing business.

Stable Prices are Low Prices

is third point, that meat prices have been stable the past three years, is ypical of this Administration. In Kansas, we find when Washington government officials talk about stable prices, they mean low prices, and these stable" prices the past three years have been "loss" prices as indicated by rior statistics. The President now wants to continue "stable" prices and hat means a continuation of "loss" prices to our cattlemen.

is fourth point that increased cattle prices of 14 percent the past four onths have contributed to inflation during that period, may well be valid.

Singled Out Beef Producer

ut so were the recent increases in steel prices. So were the recent increases n Union wage negotiation. So was the increase in minimum wage. So were the ncreases in fuel costs. We have had general increases in everything we buy. hey all contribute to inflation, but his action to increase meat imports will eflect on one of the few ingredients to inflation that dropped and remained ower in 7 of the past 11 years. The announcements on inflation each month ast year did not indicate the drops in meat prices during the period, and ow the lower prices were regularly offset by inflation in other segments of he economy.

is final point that meat production is down, and expected to continue through his year is also true. But his action to increase meat imports will not stop hat anticipated decline. If anything it will increase it.

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Prices Will Not Drop

Earlier last week before the President's announcement his economic advisors and counselors had indicated to interested groups that the increased imports would lower the price of hamburger from 2 cents to 7 cents per pound. There was considerable disagreement among his staff on this matter. The result was that when the announcement was made he conceded that the economic impact would be that "hamburger prices could be held to 5 to 6 cents per pound below what they otherwise would be." I guess that means it will not lower prices ... but they will continue to increase and the Administration can claim they would have increased more. Needless to say, we will not be able to notice any difference in the stores. But cattlemen have reported to me that during the week prior to the announcement the price of Australian beef went up 8 to 9 cents per pound in anticipation of the announcement and the prospect of selling an additional 200 million pounds. It is obvious that this announcement not only did not help to control inflation, but may have contributed to expediting it.

Mr. President, last Thursday I released a statement commenting on the anticipated action by the President to increase meat imports, since it was general knowledge at that time. I ask that that statement be included in the Record at this point.

Will Cause New Layer of Worldwide Inflation

It was known that Australia was negotiating to sell Russia 50 thousand tons of beef (110 million pounds). They were reported to have 250 million pounds available, and some rumors indicated they had already had in transit to the U.S. amounts in excess of their present voluntary quota, in anticipation of the pending increase. I predicted at that time, and repeat here, that if Russia does buy Australian beef, it can trigger additional inflation, worldwide. And if reports are true that Australian beef prices increased 8 to 9 cents per pound last Monday and Tuesday, any predicted benefit from this action was wiped out before the announcement and increased prices will stimulate increased inflation at the same time.

Mr. President, such increased costs to consumers cannot be justified, but even worse is the factors that it can delay increased beef production for as much as a year and prolong the increase in cattle prices until sufficient production can be generated to level off prices due to availability of beef.

Meanwhile our cattle producers are being forced to bear the brunt of President Carter's fight on inflation after four years of continued backbreaking prices. We must have renewed support for the cattlemen to give them the confidence to stay in business and expand production.

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FED CATTLE PRICES AND INDEX OF PRICES PAID BY FARMERS
1972-1978

YEAR	CHOICE STEERS, OMAHA*	INDEX OF PRICES PAID**
	($/CWT.)	(1967=100)
1972	35.78	125
1973	44.54	149
1974	41.89	170
1975	44.61	187
1976	39.11	199
1977	40.38	208
1978	47.60	224

* ANNUAL AVERAGES, EXCEPT 1ST FOUR MONTHS, 1978

** ANNUAL AVERAGES, EXCEPT APRIL 15, 1978 -- PRICES PAID BY FARMERS FOR PRODUCTION ITEMS, INTEREST, TAXES AND WAGE RATES.

SOURCE: USDA AND CATTLE-FAX

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AVERAGE PRICES AND AVERAGE COSTS -- STEER CALVES

1ST QUARTER, 1972-78

	AVERAGE PRICE CHOICE 400-LB ($/CWT.)	AVERAGE ($/CWT.)
1972	46.79	43.75
1973	60.36	45.00
1974	40.85	46.25
1975	32.55	47.50
1976	41.56	50.00
1977	43.60	52.50
1978	58.00	55.00

*AVERAGE PRI RECEIVED IN 1ST QUARTER EACH YEAR, CHOICE STEER CALVES.

**AVERAGE COST OF PRODUCING CALF -- INCLUDING FEED, INTEREST, LABOR, OVERHEAD, MANAGEMENT, SUPPLIES, OTHER COSTS.

SOURCE: USDA AND CATTLE-FAX

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AVERAGE PRICES AND AVERAGE COSTS
CHOICE STEERS
1ST QUARTER, 1972-78

YEAR	AVERAGE PRICE CHOICE STEERS OMAHA*	AVERAGE PRODUCTION COSTS**
	($/CWT.)	($/CWT.)
1972	35.69	31.50
1973	43.28	39.60
1974	45.46	50.20
1975	35.72	39.50
1976	38.71	41.00
1977	37.88	38.65
1978	45.92	42.00

* AVERAGE PRICES RECEIVED IN 1ST QUARTER EACH YEAR.

** AVERAGE BREAKEVEN PRICES OR COSTS -- INCLUDING FEED, LABOR, INTEREST, FEEDER CATTLE, OTHER COSTS.

SOURCE: USDA AND CATTLE-FAX

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FOOD EXPENDITURE COMPONENTS
1974-77
($ BILLION)

	1974	1975	1976	1977
CONSUMER FOOD EXPENDITURES	149.2	161.4	172.3	180.0
FARM VALUE	56.0	54.9	56.3	56.0
MARKETING BILL	93.2	106.5	116.0	124.0
LABOR	44.8	49.1	54.3	58.8
PACKAGING	12.1	13.4	15.0	16.0
TRANSPORTATION	7.2	8.3	9.5	10.4
OTHER ITEMS	29.1	35.7	37.2	38.8

SOURCE: USDA

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JUNE 8, 1978

of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET ON MEAT IMPORTS

Current Situation

* The U.S. cattle industry is subject to cycles of about 10 years in duration. The cattle herd reached a record high 132 million head at the beginning of 1975. It has fallen to 116 million head as of January 1, 1978, and will decline further this year. The rebuilding phase of the cattle cycle will soon begin but several years are required for increased domestic beef supplies to reach consumers.

* Since 1974, many livestock producers have experienced losses. For 15 for the past 23 quarters cattle feeders have suffered net losses. However, returns to producers are cost and prospects for the next 2 to 3 years are for a continuation of this situation.

* Retail meat prices, stable for the past three years with record meat supplies, have increased about ten percent during the first four months of 1978. This price increase is in response to the reduced cattle inventory and adverse winter weather, combined with demand stemming from record employment levels and increased earnings.

* Retail beef prices declined in 1976 and remained about the same in 1977 due to record beef supplies. However, choice beef prices have risen about 14 percent during the first four months of this year alone. These higher prices have contributed to the 5.9 percent increase in the Consumer Price Index for food during the first four months of 1978.

* Meat production for will total approximately 51.1 billion pounds. About 1 percent below year earlier levels. Although beef production is expected to be down 4 percent, pork production will be up 2 percent and poultry output will expand about 7 percent.

Economic Impacts

* The economic impacts of increasing the supply of meat by 200 million pounds during the second half of the year (July - December) will not be large for either retail meat prices or cattle prices.

* The retail price impacts will be reflected primarily for convenience meats and the less expensive cuts such as hamburger. Hamburger prices could be held 5 to cents per pound below what they would otherwise be.

* The net savings to consumers could be $500 million or more income that can be directed to other goods and services.

* Domestic cattle prices are not expected to be materially affected. Impacts will be largely on utility cow price which could decrease $2 to $3 per hundredweight.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

G. WILLIAM MILLER
CHAIRMAN

April 19, 1978

Mr. Orville K. Sweet
President, American Polled
Hereford Association
4700 East 63rd Street
Kansas City, Missouri 64130

Dear Mr. Sweet:

Thank you for your recent letter regarding meat imports and the Nation's cattle industry. I recognize that profits in the industry have been quite low for a number of years. Droughts, rising costs, and low prices resulting from abundant meat supplies have all contributed to the profit squeeze on producers. However, profits in the industry are now improving. Cattle producers have been reducing their herds, and the U.S. cattle inventory is now lower than in any year since 1971. As a result, cattle prices have been rising for several months and many agricultural analysts feel that the long-run profit outlook for cattlemen is relatively favorable.

Unfortunately, the trend toward lower domestic beef production has also been pushing consumer meat prices higher. In recent months these price increases have been especially sharp and are currently adding considerably to inflationary pressures in the economy. While higher beef prices appear necessary in order to restore profitability to the industry, I believe that abrupt price increases are not in the long-run interests of either consumers or producers. Since increases in meat imports might help in moderating inflationary pressures, I feel that we should consider revising our current import policies.

Of course, this is only one of the many actions which must be taken in our battle against inflation. We must also act to moderate the upward spiral of wages and prices in both the farm and nonfarm sectors of our economy. You may rest assured that the Federal Reserve will conduct its policy in a way which will help restrain inflationary pressures.

Thank you again for your letter. I appreciate having your views.

Sincerely,

G. William Miller

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AVERAGE MONTHLY PRICES, RETAIL BEEF

AND CHOICE STEERS, 1973 - 1978

YEAR/MONTH	USDA CHOICE BEEF AVERAGE $/LB.	CHOICE STEERS, OMAHA $/Cwt.
1973		
JAN	1.22	40.65
FEB	1.30	43.54
MAR	1.35	45.65
APR	1.36	45.03
MAY	1.36	45.74
JUNE	1.36	46.76
JULY	1.36	47.66
AUG	1.44	52.94
SEPT	1.45	45.12
OCT	1.36	41.92
NOV	1.35	40.14
DEC	1.34	39.36
AVERAGE	1.36	44.54
1974		
JAN	1.43	47.14
FEB	1.50	46.38
MAR	1.42	42.85
APR	1.36	41.53
MAY	1.35	40.52
JUNE	1.32	37.98
JULY	1.38	43.72
AUG	1.43	46.62
SEPT	1.42	41.38
OCT	1.37	39.64
NOV	1.34	37.72
DEC	1.32	37.20
AVERAGE	1.39	41.89

(continued)

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YEAR/MONTH	USDA CHOICE BEEF AVERAGE $/LB.	CHOICE STEERS, OMAHA $/Cwt.
1975		
JAN	1.33	36.34
FEB	1.29	37.74
MAR	1.27	36.08
APR	1.34	42.80
MAY	1.48	49.48
JUNE	1.58	51.82
JULY	1.61	50.21
AUG	1.56	46.80
SEPT	1.53	48.91
OCT	1.52	47.90
NOV	1.51	45.23
DEC	1.51	45.01
AVERAGE	1.46	44.61

YEAR/MONTH	USDA CHOICE BEEF AVERAGE $/LB.	CHOICE STEERS, OMAHA $/Cwt.
1976		
JAN	1.49	41.18
FEB	1.43	38.80
MAR	1.35	36.14
APR	1.42	43.12
MAY	1.42	40.62
JUNE	1.41	40.52
JULY	1.41	37.92
AUG	1.38	37.02
SEPT	1.36	36.97
OCT	1.34	37.88
NOV	1.34	39.15
DEC	1.36	39.96
AVERAGE	1.39	39.11

(continued)

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YEAR/MONTH	USDA CHOICE BEEF AVERAGE $/LB.	CHOICE STEERS, OMAHA $/Cwt.
1977		
JAN	1.38	38.38
FEB	1.35	37.98
MAR	1.33	37.28
APR	1.34	40.08
MAY	1.38	41.98
JUNE	1.37	40.24
JULY	1.38	40.94
AUG	1.39	40.11
SEPT	1.39	40.35
OCT	1.42	42.29
NOV	1.42	41.83
DEC	1.45	43.13
AVERAGE	1.38	40.58

1978		
JAN	1.48	43.62
FEB	1.51	45.02
MAR	1.55	48.66
APR	1.61	52.41

SOURCE: US Department of Agriculture

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NEWS from U.S. Senator Bob Dole

(R.–Kans.) New Senate Office Building, Washington, D.C. 20510 (202) 224-6521

EMBARGOED FOR RELEASE
A.M. THURSDAY, JUNE 8, 1978

CONTACT: Bill Kats

RAISING MEAT IMPORTS COULD BOOST MEAT PRICES

WASHINGTON, DC..........."The expected announcement by President Carter to re-negotiate higher import quotas to allow an additional 200 million pounds of beef into the United States could trigger a new round of higher meat prices and inflation throughout the world," Senator Bob Dole said today.

Responding to reports that President Carter will announce that he will allow more meat imports as a means to fight inflation, Dole indicated that there is not sufficient meat available to import to accomplish any real reduction in meat prices.

"Australia is reported to have about 250 million pounds of beef available, half of which they have been trying to sell to Russia. It is possible that following the expected announcement Russia may buy this beef, setting off more worldwide inflation."

"Meanwhile, our cattlemen will not increase their production as long as this Administration takes such actions against them. Cattlemen have lost money out of the past 11 years and are just now beginning to recover from disastrously low prices the past four years. They have been selling their cows due to low prices the past three years. The present time is the cow breeding season and cattlemen are considering whether or not to start rebuilding their herds as prices rise. Since this rebuilding takes from 24 to 30 months to realize any additional production of beef, they are hesitant to invest more money when the government takes actions designed to lower increased prices. Cattlemen need positive action by the Administration that will give them confidence in the future of the beef market. Then they will expand their beef production.

Long range, overall beef prices will continue to climb until we can expand production or until consumers slow down their purchases.

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Two long range problems such action could cause:

-- Australia would expand production in hopes that they can further expand their sales into this market the next time we have a similar situation.

-- Our farmers would continue to hesitate to invest in expanded herds.

Consumers are justifiably concerned about higher beef prices, but that concern has not been seen as yet in the grocery store. Consumers can and should determine the price of beef and all foods at the grocery store by what they purchase. They have a wide range of protein foods to purchase at competitive prices if they feel they cannot afford beef steak. Government intervention to lower or control prices does not work. Consumer preference through their purchases is the proper way to determine prices.

If we allow this preference to be effective without government intervention then farmers can make plans and expand production of the agricultural commodities the consumer wants. They can expand their cattle herds according to the demand, and the current climbing beef prices will respond, higher or lower.

This expected action is just another band aid approach in accordance with the cheap food policy we have seen demonstrated by this Administration against farmers. This "quick fix"approach the President is expected to take will inhibit expansion of beef production, and if Russia should buy Australian beef it could result in higher beef prices.

Regardless of what the Council of Economic Advisors tells us, higher meat prices are not the major reason for inflation. It seems inflation has continued at a pretty good pace the past three years when farmers were getting a third to a half less than they are getting for their cattle today (1975: $37.00/cwt; 1978: $60.00/cwt choice Omaha steers).

Several other Senators will join me in a discussion of this problem next Tuesday on the floor of the Senate."