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Producers Will Increase Quality Beef If....

They're Allowed A Reasonable Profit

An Open Letter to President Jimmy Carter

By: Dr. C. K. Allen
Executive Vice-President
American Angus Association

Dear Mr. President:



are receiving is the message you think you are transmitting.

I represent 35,322 producers of Angus cattle who are working to increase the production of high quality beef cattle in this country. And they will, if they are allowed to make reasonable profits on their investment, get a return for their labor, and are confident that these reasonable returns will continue for at least a few years. They need this assurance in order to justify investing in long range production expansion.

These American Angus Association members represent more than 106,000 consumers. This is not a lot of people compared to the total population, but agriculture producers consume more products per capita than other segments of the population because they buy goods for production in addition to what they need for day to day living. Cattle producers therefore are extremely conscious of rising costs and the need to keep inflation under control.

It is for these reasons that I am concerned about the communications gap between you and cattle producers. I believe that you are trying to encourage beef producers to expand production; but your actions and comments, along with those of Secretary Bergland, are having the reverse effect.

Livestock producers received no federal subsidy when they were losing their shirts. Many producers in business in 1974 went bankrupt. Others lost their life savings at retirement age, with little chance of ever making it back. Many of the producers that survived did so by increasing their debt load and almost all survivors found other sources of income.

These losses incurred by livestock producers were a subsidy to consumers who enjoyed beef from 1974 through 1977, priced below the cost of production. These low prices helped keep the inflation index down, and made your administration's inflation fight look better than it deserved in 1976 and 1977.

Beef prices in 1978 moved to profitable levels for the first time since 1973. Instead of praising cattlemen for helping to keep inflation down in previous years and pointing out to the public that the new higher prices were justified, you and your administration spokesmen started to label beef an

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inflation leader. And this at a time when beef prices still had not reached the level of a few years earlier.

Administration efforts to expand production should have started in 1976 when cattlemen were still losing money. But nothing was done. The solution to the problem, then as now, was to assure cattlemen that profitable times were just around the corner and could be counted on for some time to come. This would have helped slow herd liquidation and brought about earlier expansion.

To make matters worse, your efforts in 1978 and 1979 are still not doing this. Expansion of beef imports by 200 million pounds in 1978 and an additional increase of 78 million pounds in 1979, has discouraged beef cattle expansion. The same is true for your veto of the beef import bill. These actions say to cattlemen that long term herd expansion may not be profitable. It encourages them to take profits now rather than to retain cows and heifers for breeding and future expansion. To put it briefly, your actions have made cattlemen leary of the future.

Cattlemen, agricultural producers, and all consumers are waiting for signs that you are going to take a realistic approach to slowing down or stopping inflation. As President of the United States you are in the best position to curb deficit spending and bureaucratic inefficiency.

Putting the blame for much of our inflation on the beef cattle industry will not even slow down inflation's growth. Worse, it will cause cattlemen to hold back on plans for increased production. All of which will work against your campaign promises of reducing inflation to manageable levels and balancing the federal budget by 1981.

Sincerely,
(signed)

C. K. Allen
Executive Vice-President
American Angus Association