expanded operations in anticipation of recouping losses. Fall-out from the 1974-75 losses continued to dog cattle feeders, however, as continuing high slaughter rates for non-fed as well as fed cattle depressed meat prices. By the end of the 1975-76 season both hog and broiler producers' profit margins were squeezed as large supplies held down market prices. By early fall, for instance, both hog and broiler prices were down 30 and 18 per cent respectively from their summer peaks. At present, as the U.S.D.A. notes, futures prices for both hogs and cattle in 1977 do not allow much margin for feeding profitably.

At the moment it is not certain to what extent this situation will ultimately affect the volume of livestock placed on feed, and consequently feed demand over the coming year. To be sure, it is a situation in which the relatively large supplies of wheat together with the past six months'wheat price collapse may result in significant wheat substitution for the increasingly less price competitive feed grains proper. Wheat prices have fallen by approximately 30 per cent from a year ago to the vicinity of 2.62 dollars per bushel. Cash corn prices today stand at 2.42 dollars per bushel.

European Steel Outlook Grim and Getting Worse

STEEL

Dec. 17 — A London press conference scheduled by the European Economic Commission steel commissioner Henri Simonet, in which he was to announce the implementation of his plan as of Jan. 1,was abruptly canceled this week. The plan calls for EEC steel producers to voluntarily cut back sales along guidelines specified by the commission, so that they can split up the "shrinking pie" that remains of the European steel business. It has met with stiff resistance from the West Germans who are complaining that the cutbacks hit their industry hardest. The Germans have stated that they would have to reduce sales on certain products compared with 16 percent for the United Kingdom and 10 percent for the Italians.

By its own admission, the situation in the EEC is at a "crisis stage." In France alone 50,000 steel workers are unemployed, and in West Germany the situation is equally critical. The European steel industry as a whole is in worse shape now than during the depths of the 1975 recession. The November figures for West Germany showed slippage of crude steel production to 130,000 metric tons from the October figures. The November figure of 3,296,000 metric tons brought the year's eleven-month total to only 4.8 percent above last year's dismal totals. Crude production for the year will total no more than 43 million metric tons, 2 million tons below the year's projected output and almost one-third lower than the levels reached in 1973 and 1974.

All the major German producers have announced layoffs for the Dec. 13—Jan. 10 period, affecting more than 20,000 workers. Kloeckner-Werke AG reported a dip in sales in the year ended Sept. 30, to 3.35 billion deutschemarks ($1.4 million), down from the 3.386 billion in 1975. The total loss for the year started at the "absolute low point for decades" and after some high hopes wound up at the same level. Total crude production of 2.95 million metric tons was just over 55 percent of total capacity utilization of 5.3 million tons.

The small amount of steel sold internationally is being sold mostly below cost with many items dipping to price levels that existed during the recession of late 1974-75. The Japanese (the supposed villains of the steel industry) have reported that Europeans are intensifying their export drives to North, South and Central America and to the Middle and Near East offering prices that are $40—$50 per ton below those of Japan. In the U.S., low-carbon wire rod is being sold at prices that are $60 per ton below the published price of U.S.Steel. Flat rolled goods, which were just increased in price by about 6 percent, are in many cases being offered at $30-$40 below the listed level.

France's leading steelmakers, Usinor (L'Union Siderurgique du Nord et de l'Est de la France) and Sacilor (Acieries et Laminoirs de Lorraine) have just instituted the first major dismissals of personnel since World War II. As many as 3,500 jobs may be eliminated by the end of 1977's first quarter. With no immediate prospects for improvement, steel executives throughout France are seeking government compensation to prevent additional layoffs in the coming months.

"The current situation imperils the corporation, even the survival of the profession, (and threatens) the pure and simple elimination of some markets," said Jean Hue de la Colombe, chairman of Usinor, France's largest producer. The closing of three rolling mills in Lorraine will leave 700 workers jobless and threaten another 1500 to 1,800. "It is quite clear that to produce 8 million tons this year, a workforce of 42,000 is excessive," Colombe said. Finding new positions for those laid off in France cannot be guaranteed since market conditions for 1977 "hardly appear any better" than 1976, he said.

At Sacilor, Pierre Durand Rival of the management board said that the 32-hour work week that affects 28,000 of the 48,000-man workforce would continue in the first three months of 1977. In addition, Rival said that layoffs would be unavoidable due to poor first quarter expectations and "the risk of the unacceptable gap between expenses and revenues." Industry sources expect layoffs in the area of 3,000 jobs.

Burdened by debt service on the order of 12 percent of the industry's sales, Usinor has been forced to suspend plans for new heavy plate capacity at its Dunkirk facility, to halt modernization work at its Thionville mill, and to cancel a planned mill at Longwy. The cancellations will aggravate France's already critical unemployment problems and will remove an expected 1 billion francs (200 million) into the economy.

The picture in England is not so grim as in West Germany or France. Weekly steel production averaged 487,000 metric tons in November, the highest weekly figure in 20 months and a 6.4 percent increase over October figures.

The United States

The American Iron and Steel Institute has lodged a formal complaint against the "secret" deal reached between the EEC and Japan limiting Japanese imports into the EEC and thereby supposedly deflecting them into the U.S. This same line has been taken by Allegheny Ludlum Steel Corporation, other steel officials, U.S. Steelworkers Association President I.W. Abel in hearings before the Office of Special Trade Representatives. Several domestic steel producers are also trying to open negotiations in steel as part of the Geneva talks on the General Agreement on Tariffs and Trade (GATT). Other GATT members are taking a dim view of this last tactic since the purpose of the GATT talks is to help reduce tariffs and aid the principles of the free market system rather than hinder it as the U.S. representatives apparently would like to do. Meanwhile, U.S. steel capacity utilization is still below 70 per cent and additional closings and layoffs are being announced. It appears that the U.S. steel industry is using the press to create a scare campaign against foreign steel suppliers in an attempt to discourage their customers from buying foreign steel and to cover up the main problems of the industry and of the U.S. economy in general.

Manganese Market Feels Repercussions Of the Steel Slowdown

For the second consecutive year, negotiations for manganese ore contracts are lagging behind schedule. The long-held practice of wrapping up negotiations by November fell to the wayside last year when negotiations dragged on. The prospects for this year are not much better since there is no hurry on the part of ferro alloy producers to speed up the talks.

The problem confronting producer countries such as Gabon (which recently announced a moratorium on its $1.2 billion debt), South Africa, Brazil, and Australia (which was forced to devalue its currency 17.5 percent is the high inventory levels in the U.S. and Europe, due to the steel industry's failure to recover from the recession that began back in July 1974.

On the average, manganese producers are looking for increases of 3 to 5 percent.

Sen. Percy Pressures Steel Producers

Working in collusion with the fraudulently elected Jimmy Carter, Illinois Senator Charles Percy is pursuing a corporate wrecking policy against the major steel producers. Percy has met with top executives from U.S. Steel Corporation, Inland Steel Corporation, and National Steel Corporation in an attempt to pressure them into rescinding the recently announced price increases. In addition, the Senator publicly announced that he has "reason to believe that" General Motors and Chrysler representatives are meeting with Japanese steel producers who are offering flat rolled steel at $30 a ton or more below American prices. Percy made his intentions perfectly clear; he said this was an effort to force a rollback of U. S. mill sheets and strip prices.

Official representatives of GM and Chrysler denied the accusations today after Percy's remarks were published.