GROUP ON MEAT

Redraft of Concluding Section

VII. Developments in Production and Consumption

In reviewing development of world beef and veal production since the early 1950's, it is necessary to consider particularly developments in Western Europe, the United States and in the main overseas exporting countries (see Table 7). In Western Europe, in the period 1954/55 to 1959/60, national movements in production were out of phase with one another. Production in France, for example, decreased from 1955/56 and increased again notably since 1959; production in Germany shows a continuously increasing trend with only a small decrease in 1958; production in the United Kingdom shows no substantial variation except for a fall in 1959, and Italian production continuously increased over this period. While it is difficult to discern a definite trend on a country-by-country basis, it can be seen that total production in Western Europe, during the period 1954/55 to 1959/60, had only a slightly increasing tendency, but started to increase rapidly in 1960 and 1961. In the United States, which is the largest producer of beef, a peak in production was reached in 1956 and, after a trough in 1958 and 1959, production increased in 1960 and exceeded in 1961 the preceding peak.

In the main overseas exporting countries Argentinian production increased from 1954 to 1958, but then declined considerably until the recovery in 1961. The trend in production in New Zealand and Uruguay over the period 1954 to 1960 was comparatively stable. Australia on the other hand had a peak production in 1958/59, but because of drought conditions in the beef export producing areas in 1959/60 1960/61, production declined considerably. An appreciable recovery is noted in Australian production for the current year 1961/62.

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As a result of these divergent movements in importing and exporting areas, some imbalance in the world meat situation appeared in 1957 with the reduction of domestic production in the United States, and became more serious in 1958 when production of overseas exporters started to decline. In 1961, however, the balance began to swing in the opposite direction, with the simultaneous trend towards increased production in the United States, Western Europe and the major exporting countries in the Southern hemisphere. According to information given to the Group this trend continued in 1962.

The general trend of increasing production, while due in part to technical improvements in cattle breeding, is in some instances the result of deliberate government action to expand beef production as part of their agricultural policies. Production has also been affected by climatic factors, for example in the United Kingdom where conditions were particularly favourable in 1961. On the other hand the decreases in production referred to, notably in Australia and the Argentine, were to a large extent the result of serious drought conditions.

In respect of beef consumption it was noted that over the period 1954/61 total consumption in Western Europe increased, particularly in Italy, Germany and France. While part of this rise in consumption is in line with the increase of population, it seems largely due to a rise in income levels and relatively high income elasticity for meat. Per capita consumption in the United States fell from 43 kilos in 1956 to 39 kgs. in 1958 and 1959, but increased again in 1960. In the overseas exporting countries total beef consumption in Argentina and Australia dropped appreciably in 1959 and 1960. In New Zealand per capita consumption of beef also showed a decrease in these years.
Prices

It was noted that prices received by exporters of beef, and particularly such prices for frozen beef, had increased considerably between 1957 and 1960. Since that time these prices have tended to fall in the major import markets. This tendency has great importance for exporters, for although the proportion of total meat production entering world trade is relatively small, that proportion is concentrated in a few countries and contributes a significant proportion to their export incomes. Thus, taking the average of the years 1958/60, exports of chilled and frozen beef and veal represented respectively 14.0, 10.9, 8.4 and 5.8 per cent of the total value of exports of Argentina, Uruguay, New Zealand and Australia.

The effects on production of changes in prices to producers raises fundamental issues. In many importing countries farm resources have been transferred to the production of livestock and in some countries governments have deliberately fostered such a transfer by measures aiming at increasing the level of prices paid to producers or at maintaining prices at a level considered sufficiently remunerative. The extent to which these measures have been instrumental in bringing about increased production is a difficult question to answer with complete accuracy as the effect of price changes in other sectors of farm production and the effects of technological progress would also have to be taken into account.

So far as exporting countries are concerned, price policies which have led to increased production in importing countries have had a prejudicial effect on the degree of access to such of those countries as have regulated imports in accordance either with domestic production or internal producer prices. Furthermore, in so far as these changes in production patterns in importing countries have contributed to instability in export prices, exporters have had difficulty in planning future production which in the nature of the industry requires a long-term basis. For similar reasons, when prices fall, producers must accept the market price even if losses are involved as production trends cannot be reversed in the short-term.
Similarly, the relationship between the level of retail prices and the level of consumption at a given income level is a matter of considerable importance for the future of trade in meat and warrants careful consideration. This relationship is a complex one as adjustment of demand to any given change in retail prices may be affected by the existence of substitutes or by other factors, such as consumer preferences of one kind or another. Nevertheless, the link is important and needs further study in its application to internal and external markets for meat. It was noted, for example, that when prices have fallen such falls do not appear always to have been reflected in consumer prices.

In the view of exporting members of the Group the demand for beef shows a positive response to significant price decreases and consequently government price support policies as they affect prices at the retail level can have an important bearing on demand and hence trade. The predominant factor in many countries has been the disparity between internal and external prices.

The Group expressed a desire to pursue at a later stage a closer examination of the relationship between wholesale and retail prices. It is hoped that additional information, on which to base such an examination, will become available.

Access to Markets

The Group noted that trade was affected not only by tariffs, which were not regarded by exporters as the primary obstacle to their trade, but also by the existence of non-tariff measures such as deficiency payments, variable import levies, quantitative restrictions and certain other measures. Although it was recognized that such non-tariff measures were employed for a number of reasons, it was noted that their employment affected access to markets, in many cases seriously. For example, the representatives of Argentina and Uruguay stated that the lack of outlets for chilled and frozen beef had forced their exporters to export their cattle on the hoof at a real economic loss. Furthermore, denial of access affected not only the quantities of meat that could be exported, but such denial had a serious effect on price levels.
It was agreed by the Group that, in meat consuming countries, an increase in income levels tends to lead to an expansion of meat consumption. It was the strong desire of exporting countries that, in conducting their policies importing countries should ensure that exporters should be assured of the opportunity to compete for a share of any significant expansion of consumption which may take place as income levels rise.