Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

THIRD MEETING

Draft Report

Chairman: Mr. Michael N. Gifford

1. The International Meat Council held its third meeting on 15 and 16 December 1980. It adopted the agenda set out in GATT/AIR/1680.

Admission of observers

2. The Council had received a request from the International Federation of Agricultural Producers (IFAP) to be invited to the Council's December meeting in order to "report to the Council the results of the recent meeting of IFAP's Standing Group on Meats and Feeds (5-8 November 1980), and in particular the producers' view of the market situation and outlook for meats". Copies of the report from the above-mentioned meeting were available and the Council decided that it was sufficient to have this report circulated to participants.

Replies to the questionnaire

3. In accordance with Article III:2 and the note to that Article and also in accordance with rules 15 and 16 of the Rules of Procedure, participants had provided replies to the questionnaire. Although only a few answers to the statistical parts of the questionnaire were sent in before the prescribed deadline (six weeks before the meeting) most of the remaining answers were sent in shortly thereafter; however

1 A list of participants will be annexed to the approved report.

2 See Annex I.
a few were made available only during the meeting. It was pointed out that replies were required by the due date in order for them to be useful to delegations attending the meeting, and to enable the secretariat to prepare the status report for the meeting. It was agreed that the questionnaire would be reviewed and amended as necessary at the Council's next meeting.

Evaluation of the world market situation and outlook

4. Weakened beef demand in domestic and foreign markets had been the most significant phenomenon with regard to many countries' beef industries in 1980. Consequently, despite decreases in beef production and supplies in many countries in 1980, real prices to producers, in those countries not operating beef price support schemes, averaged little better than in 1979. This weakness in beef demand was attributed to increased supplies and consequent lower prices of other meats (pork and poultry) and to the weak economic conditions in many countries which reduced consumer income and confidence. The weakness of beef demand most directly affected the beef industries of Australia, New Zealand, Canada, the United States, and Argentina.

5. The largest production decreases in 1980 occurred in those countries subject to the "beef cycle" and more specifically in the major exporting countries. These decreases were caused by the reduction in the size of beef herds in recent years plus, in most of these countries, a move to begin rebuilding herds which caused female stock to be withheld from the market. The countries experiencing the most significant production decreases were Australia, Argentina and Uruguay, with New Zealand's production declining by a lesser amount. Despite the fact that herd rebuilding commenced in Canada and the United States in 1980, it was reported that beef production in both countries would show an increase on 1979. It was suggested that herd rebuilding in these two countries may have slowed considerably in the latter half of 1980 and consequently more female stock was offered on the market.
6. The growth of cattle herds or at least the cessation of herd liquidation, was a fairly general phenomenon in 1980. Of the countries historically subject to cyclical changes in cattle inventory only the Australian cattle inventory registered a decline and even there it appeared that herd growth was forestalled more by adverse weather conditions than by a lack of economic optimism on the part of producers. This move to herd rebuilding was a consequence of favourable producer returns in 1978 and 1979. In other countries, i.e. those not affected by the "beef cycle", inventories generally continued a modest upward trend or were fairly stable.

7. Beef consumption declined in most countries in 1980, and it was suggested that this was a result of the weakness in beef demand (because of recessionary pressure on incomes and widespread availability of competitive meats) and, in some countries, of reduced production. In many exporting countries consumption, if it declined, declined by a lesser percentage than exports indicating that the domestic market consumed an increased share of output. This was particularly true in Australia, but also in Argentina where total consumption increased while per capita consumption remained at about the same level as in 1979.

8. As a consequence of the weaker beef demand in many importing countries, import levels in almost all countries decreased in 1980, the major exception being the Soviet Union where imports were believed to have risen significantly. The reduction in imports in the major importing countries occurred despite significantly more liberal levels of access to these countries, particularly to the United States, Japan, and Canada.
9. The level of exports of many countries declined in 1980. Of the major exporters only New Zealand and the Community were exceptions. Australia experienced a decrease of 21 per cent, while Argentina's exports fell by 33 per cent.

10. With regard to prospects for 1981 there was cautious optimism that price levels and export-import levels would improve. However, it was emphasized that the improvement would be conditional upon a strengthening of beef demand in the major importing areas since world beef supplies were not expected to change significantly. Uncertainty was expressed regarding the magnitude of demand improvement as the degree of reduction in supplies of competing meats and the state of general economic conditions was unclear.

11. Overall, beef supplies are expected to stabilize, or at worst, decrease modestly in 1981. Reduction in some countries (Australia, Argentina, the Community) should be counterbalanced by increases in others (United States, Canada, New Zealand and non-Community European countries). Part of the reason for the expected stabilization of supplies in 1981 is that the initial phase of commencement of herd rebuilding (i.e. a major withdrawal of female stock from the market) has been completed in most "cyclically-oriented" countries. Further, some slow-down in the rate of inventory growth is to be expected in North America. In other countries, inventories are expected to be stable or slightly higher.

The level of beef trade in 1981 will depend primarily on the level of production in exporting countries. On balance it was not expected that there would be a significant increase in export availabilities; consequently trade levels are expected to be no higher than in 1980.

12. Under this agenda item the delegation of Argentina raised the matter of refunds or restitution on beef exported by the European Economic Community. They pointed out that the level of restitution had risen from 750 ECU's in
early 1979 to 1,085 ECU's in early 1980. This implied sale prices of $1,400 to $1,500 per ton (bone-in, carcass weight equivalent) during 1980 whereas the real price of traditional exporting countries, during 1980, averaged about $1,800 per ton. The Argentinian delegation stated that this had caused unfair competition in many of Argentina's markets, particularly in African countries.

The delegation of Argentina further pointed out that the shares of the world market held by the traditional exporters fell dramatically in 1980 relative to the 1977-79 average. That of Argentina, for example, fell from 19.2 per cent to 14.7 per cent. For the same period, the share of the world market held by the Community increased sharply, from 9.0 per cent to 24.0 per cent. Consequently the authorities of the Argentinian delegation considered that their country's export of beef and veal had suffered serious prejudice because of the displacement of these exports from traditional markets by the subsidized exports from the Community.

The observations of the Argentinian delegation were supported by several other delegations. They further supported the observation of the Argentinian delegation that the IMC was the appropriate forum in which this issue should be discussed.

13. The delegation of the European Economic Community indicated that, while they disagreed with specific points and propositions made by the Argentinian delegation, they were willing to discuss, bilaterally, the Community's export policy with any party. The delegation of the Community stated that it was their belief that Community exports had not been a disruptive force in the international beef market. It was pointed out that in the major exporting countries beef and veal production had actually decreased by more than some of these countries' export decreases in 1980. Therefore, the major cause of these countries' reduced exports was actually their reduced
production. With regard to their own export policy the delegation of the Community pointed out that the Community had been very circumspect in setting restitution levels in 1980, i.e. they believed that in view of the market situation they could have been set much higher. Moreover, it was pointed out, the Community had opened a number of new export markets in 1980 which also benefited other exporters and, therefore, their intrusion into markets traditionally serviced by other exporters was restrained.

14. The Argentinian delegation also voiced its concern regarding the problems raised for its meat trade by the accession of Greece to the European Economic Community. In particular, the GATT quota of the Community for 1981, of 50,000 tons, (which was negotiated for the nine-member Community) would not be expanded with Greece's accession; rather a share of 1,335 tons within the 50,000 tons quota would be allocated for Greece. For Argentina, who shipped 27,700 tons to Greece in 1979, this represents a substantial limitation to exports. The Argentinian delegation proposed that the Community import quotas or Balance Sheet Scheme should contain an adjustment factor or element which would reflect third countries' performance in that market.

15. The delegation of the Community expressed their utmost willingness to reach accommodation regarding the modification of Greece's import régime to that of the Community. Discussion of Greece's accession to the Community will take place in a working party outside the IMC, where documents which also concern meat would be made available. The delegation of the Community agreed that the IMC was the proper forum for discussion of this question.
Examination of the functioning of the Arrangement

16. Under this item, it was noted that the Council had discussed at its meeting in June 1980 a proposal by Australia (IMC/2, paragraphs 3-6) concerning the possibility of setting up subsidiary organs in accordance with rule 9 of the Rules of Procedure in order to deal with certain aspects of the Arrangement. It was agreed then that the participants should reflect on the proposal and revert to the question at the December meeting. In order to help focus the discussion at the December meeting, Australia had elaborated its initial proposal, and made it available to participants ahead of the meeting in document IMC/W/5.

17. In short the proposal as elaborated in the above-mentioned document outlined a possible "organizational machinery of the International Meat Council" i.e. the setting up of two subsidiary bodies in accordance with rule 9 of the Rules of Procedure, in order to help the Council achieve the objectives as set out in the Arrangement Regarding Bovine Meat. One group, which Australia had suggested could be called the "Meat Trade Analysis Group", would

(a) "do the preliminary work needed to make the Council's activities efficient and fruitful";
(b) "meet quickly and conveniently to consider suddenly emerging problems";
(c) "exercise a follow-up rôle".

A second group, with the suggested name of "Special Projects Group", would "develop a programme for discussions and identify the modalities of possible trade liberalization" with a view particularly to help the Council carry out its functions as set out in Article IV, paragraph 5 of the Arrangement. This group would in addition be given tasks on an ad hoc basis. A limitation of membership of both groups was suggested in order for the groups to be effective.
18. Many participants expressed their interest in the proposal while focusing most of their attention on the first group. Several agreed in principle with the establishment of such groups, in particular a "Meat Trade Analysis Group", although some participants thought it premature to establish sub-groups so soon after the creation of the Meat Council. It was pointed out that such a group, meeting several times a year, would need experts from capitals if it was to be really useful. It was suggested that the work of a Meat Trade Analysis Group would consist of two parts, i.e. evaluation of the situation on the basis of available data, and possible solutions to emerging problems. It was generally felt that it would be useful to have experts evaluating the market situation in detail ahead of a Council meeting, and although some participants felt that solutions to problems arising should be left to the Council proper, it was pointed out that a less formal group could meet much more quickly than the Council itself, discussing possible solutions open to the Council which would then decide upon the solutions to recommend to governments.

Questions were raised inter alia concerning terms of reference, frequency of meetings, representation, reports to the Council, modalities, and conformity with the Meat Arrangement and it was suggested that clarifications should be sought and given on these and related questions before the Council's next meeting.

19. As a result of the discussion on the proposal contained in document IMC/W/5 and taking into account the various comments made, the Australian delegation proposed for consideration by the Council the draft decision set out in Annex II.

20. It was agreed that the Council was not in a position at this meeting to reach a decision concerning the two proposed sub-groups. The Council took note of the Australian proposal as annexed and agreed that informal consultations
will be held before the next meeting of the Council at which meeting a decision concerning the proposal will be taken. In order to see how such a group could function, it was agreed that the secretariat should informally invite commodity experts from member countries to participate in a meeting on a trial basis some four weeks prior to the next meeting of the Council. However, one participant stated that in his opinion such an informal meeting should only be called assuming there is a measure of understanding as a result of the informal consultations to be held before the next Council meeting.

Distribution of Council documents

21. At its meeting in June 1980, the Council decided to revert to the question of derestriction of documents (IMC/2, paragraph 25) and of an annual report (IMC/2, paragraph 26) at its December meeting. In order to facilitate the discussion of this item the secretariat had prepared a paper (IMC/W/3) setting out the "possibilities for making available to the public certain IMC documents." After a brief discussion it was decided that a "Status Report on the World Market for Bovine Meat" would be published each year. This report would be based on the secretariat's biannual status reports to the Council as up-dated by participants at the December meeting each year, and be issued on the responsibility of the secretariat. It will be published for the first time in January 1981. As concerns derestriction of IMC documents, it was agreed that such derestriction could be decided upon as and when necessary.

Other business

22. Under this heading the Chairman informed the Council of a letter received from OPIC expressing an interest in any document emanating from the Meat Council. The Council took note of this interest.

The Chairman also informed the Council that a resolution had been received from the "International Union of Food and Allied Workers' Association" concerning the "Inclusion of Provisions for Trade Union
Consultation and for International Labour Standards in Trade Agreements and in Development Co-operation Conventions and Agreements'. The IUF had requested that the above-mentioned resolution would be made available to participants and for those interested, copies could be gotten from the secretary of the Meat Council.

Date of next meeting

23. The Council decided to hold its next meeting on Monday 15 and Tuesday 16 June 1981. Replies to the questionnaire should be with the secretariat at the latest by 4 May 1981.
ANNEX I

Latest replies to questionnaire, Parts A-F:

BRAZIL  IMC/STAT/1/Add.1
EEC  IMC/STAT/2/Add.1
NORWAY  IMC/STAT/3/Add.1
BULGARIA  IMC/STAT/4/Add.1
AUSTRALIA  IMC/STAT/5/Add.1
SWEDEN  IMC/STAT/6/Add.1
SWITZERLAND  IMC/STAT/7/Add.1
HUNGARY  IMC/STAT/8/Add.1/Rev.1
FINLAND  IMC/STAT/9/Add.1
JAPAN  IMC/STAT/10/Add.1
CANADA  IMC/STAT/11/Add.1
SOUTH AFRICA  IMC/STAT/12/Add.1
UNITED STATES  IMC/STAT/13/Add.1
ARGENTINA  IMC/STAT/14/Add.1
TUNISIA  IMC/STAT/15/Add.1
AUSTRIA  IMC/STAT/16/Add.1/Rev.1
NEW ZEALAND  IMC/STAT/17/Add.1 + Suppl.1
URUGUAY  IMC/STAT/18
ROMANIA  IMC/STAT/19
Latest replies to questionnaire, Parts G and H:

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ANNEX II

THE COUNCIL, bearing in mind the provisions of Article IV(2) and (5) of the Arrangement, and taking account of the relevant statements made at its session on 15-16 December 1980,

Decides

(a) To establish a Meat Trade Analysis Group which shall

(i) Evaluate and analyze on the basis of data prepared by the secretariat and any other information available, including the responses to the questionnaire, the current situation and trends in the world meat market for consideration by the Council.

(ii) Report to the Council if it considers, on the basis of the evaluation in sub-paragraph (i), that there is a serious imbalance or threat thereof in the international meat market.

(iii) Identify, in the report referred to in sub-paragraph (ii), possible solutions for consideration by the Council including, where appropriate, special treatment for developing countries.

(iv) Follow up the deliberations and activities of Council, including monitoring the responses of governments to the Council's decisions and recommendations.

[(b) To establish a second group (the Trade Expansion and Liberalization Group) (pursuant to Article IV(5)) which would assist the Council in exploring the possibilities of achieving the objectives of the Arrangement, in particular, the expansion, liberalization and stability of the international meat and livestock market.]
(c) The Group(s) shall be open to all members of the Council.

(d) The Group(s) shall meet at least four times a year normally before and after each biannual Council meeting.

(e) To review the operation of the Group(s) at its meeting in December 1982.