GENERAL AGREEMENT ON
TARIFFS AND TRADE

Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

FIFTH MEETING

Draft Report

Chairman Mr. Julio Raimondi

1. The International Meat Council (IMC) held its fifth meeting on
14 and 15 December, 1981. It adopted the agenda set out in
GATT/AIR/1777/Rev.1.

Admission of observers under rules 11 and 14 of the rules of procedure

2. Since no new requests for observership under these rules had been
submitted to the IMC since its last meeting, no action was required
under this item.

Examination of the functioning of the Arrangement
- Report by the Chairman of the Meat Market Analysis Group

3. Under this item, the Chairman of the Meat Market Analysis Group
(MAG), Mr. Ronald Long (Ireland) reported as follows:

"You will recall that the International Meat Council at its meeting
in June, 1981, established a body called the Meat Market Analysis Group
in order to assist the IMC to carry out its functions under the
Arrangement. At that meeting it was also agreed that this Group should
itself decide on its own rules of procedures (paragraph 9, IMC/4).
During the autumn I held consultations with the participants, to decide
what rules, if any, were necessary, for the Group. At the meeting of
the Meat Market Analysis Group on 10 and 11 December, 1981, the
following statement by the Chairman was agreed to:

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A list of participants will be annexed to the approved report.
As a result of informal consultations with participants, it is my understanding that participants do not feel the necessity for formal rules of procedure at this stage. However, it is also my understanding that the Meat Market Analysis Group would function along the following lines:

1. The Chairman is elected by the Meat Market Analysis Group at its first regular meeting of the year.

2. The Group is open to participation by all signatories of the Arrangement Regarding Bovine Meat. It is hoped that meat experts will attend the meetings.

3. Observers may be invited on an ad hoc basis to meetings of the Group.

4. The Group will normally meet in June and December of each year prior to meetings of the International Meat Council.

5. An informal agenda will be circulated before each meeting of the Group.

6. The Chairman will normally report orally to the International Meat Council.

In addition, I would like to say for the record that these guidelines will be kept under constant review in the Group. Furthermore, it might be appropriate to add that the attendance of experts at meetings of the MAG was considered a useful ingredient to the success of the Group and that the Group was looking forward to their continued participation and contribution as appropriate.

4. The representative of the European Economic Community stated that the Community totally agreed that the Group itself should decide how the guidelines could be adapted to the work to be done. However, the Community would be opposed to an interpretation of these guidelines that would include not only economic and technical questions as concerns meat but also questions of a political nature. The Community is, however, ready to examine the possibility, in the light of experience, of adapting the guidelines in the future, but always bearing in mind the technical and economic aspects of the work of the Group.

5. The IMC took note of the report of the MAG Chairman. It also took note of the comments made by the representative of the European Economic Community.

Replies to the questionnaire:

6. In accordance with the Arrangement Regarding Bovine Meat and the Rules of procedure of the IMC, all participants except one had given replies to the statistical parts of the questionnaire either before or at the time of the meeting. However, most of the replies were sent in
after the deadline. Participants were again urged to respect the six weeks deadline, thus making possible the inclusion of more information in the status report. It was also stressed that timely replies were absolutely necessary if participants wished to have an exhaustive and stimulating discussion concerning the situation and outlook in IMC and MAG meetings.

7. As concerns the inventory parts of the questionnaire all participants but one had replied and up-dating of the inventory replies have been done fairly regularly by most participants. Participants were reminded that changes in the inventory should be notified as early as possible.

Evaluation of the world market situation and outlook

8. The Meat Market Analysis Group, set up to give technical assistance to the International Meat Council, discussed this item in some detail during its meeting on 10 and 11 December 1981. The Chairman of the Group, Mr. Ronald Long, reported on those discussions as follows:

a) "Our discussions regarding the situation and outlook for the international beef market last Thursday and Friday were quite markedly wide-ranging, but also intensive. I believe that we quickly developed a fairly comprehensive picture of the present state of the market and the short-term factors which have depressed it in 1981. In this regard there did not seem to be any major disagreements with the Secretariat's assessment. In essence, we could say that the further decline in import requirements of several major, large importing countries, due in large measure to the recessionary "tendencies" in these economies, existed side by side with or in juxtaposition to relatively stable offerings (in total, and compared to year-earlier) from exporting countries. This juxtaposition created a distinctly unfavourable supply/demand balance in world markets as evidenced by further decreases of prices of beef and veal. Increased domestic production, and continued weak beef demand were features of both the United States and Japanese markets in 1981. As a consequence imports by both these countries will decline. In the case of the United States, imports of fresh, chilled and frozen beef will be down somewhat from 1980 levels. Production is believed to have declined somewhat in the EC, and beef demand appears to have remained stable. As a consequence the EC's net export position is expected to decline (including cooked and canned beef and veal but excluding cattle); net exports are expected to be about or above 200,000 tons. Beef production and exports increased markedly in Uruguay and Brazil during 1981. In Uruguay the sharp increase appears to result largely from producers liquidating cattle herds, as their financial position has deteriorated in recent years. Brazil's production and exports increased more modestly and appear to relate to the uptrend in cattle numbers which has taken place over the last several years. Accelerated liquidation of cattle herds in Argentina was a further factor in increasing beef production in 1981. The decrease in Argentinian exports appear to have been arrested in 1981, with exports expected to be at approximately 1980 levels. New Zealand's exports are expected to increase in 1981 relative to year-earlier, while Australia is the only major exporter anticipating significant decreases in production and exports.
Decreased imports by the major traditional importers in combination with relatively stable export offerings meant, of course, that the "new" markets, whose emergence was evident in 1980, were of continued importance in 1981. It could be noted that the USSR was the world's number two importer of beef again in 1981, importing more than 400,000 tons (product weight), that Egyptian imports were probably near 100,000 tons, and that certain African countries emerged as very important markets.

b) With regard to the shorter-term outlook, that is for 1982, there was a general feeling that the Secretariat's report was perhaps somewhat too optimistic. Principally, participants concluded that, based on forecasts of income growth rates, unemployment rates, and so on, the economic difficulties which afflicted major beef-consuming economies in 1981 would not improve significantly in 1982. Moreover, it was felt that supplies of competitive meats (poultry and pork) would be at relatively high levels during 1982 and that beef supplies in several major importing countries (primarily the United States and Japan) would either increase somewhat or would not be significantly reduced. It was suggested that production cost changes resulting from reduced grain prices may stimulate pork and poultry production more than that of cattle.

While these factors suggest that there will be no significant rise in the beef import requirements of the major beef importing countries, there was also a fairly general feeling that the major exporting countries would, in total, not have significantly less beef to offer on world markets during 1982.

In sum, therefore, it was the collective expectation of MAG that these factors set the stage for a continuation of the current depressed state of the world beef market through, at least, the better part of 1982.

Still on the subject of the shorter term outlook for the international market, it was my feeling that the group expressed its belief that not only would the market (i.e the supply/demand balance) remain depressed in 1982, but also that the "general climate" in which beef trade takes place would remain unfavourable. In particular, the group expressed its concern with regard to exchange rate fluctuations and its concern with a perceived continuation of volatility of interest rates. While these factors have not affected and probably will not affect all participants in the international market equally, they will probably continue to inject an element of uncertainty and instability into international trade.

I believe that this provides a brief summary of our proceedings on Thursday and Friday last, with regard to the situation and immediate outlook for the international beef market.

c) However, our discussions ranged considerably beyond the short-term past and future. Participants were of the view that the international beef market may be undergoing some fundamental, perhaps permanent, changes.
It was noted that the international beef market was, in the past, basically constituted by trade between, on the one hand, Australia, Argentina, New Zealand and Uruguay (as exporters) and, on the other, the United States, the EC, Canada and Japan (as importers). Consequently, the majority of world trade in beef was relatively concentrated and clearly defined.

For a variety of reasons, however, it is evident that this traditional trading pattern has, to a certain extent, been broken. Trade has become more diffuse, with non-traditional import markets gaining unprecedented importance.

It is, of course, a matter of conjecture as to whether these developments have added elements of instability to the market, but they definitely seem to be worthy of further investigation.

To state the situation briefly, it is evident that the import requirements of the major traditional importers have in recent years declined markedly while aggregate export offerings have remained relatively stable. Consequently, sharply increased quantities of beef have had to be disposed of into non-traditional markets (at lower prices).

It was the feeling of the group that it should investigate, in subsequent meetings, the factors underlying this changed situation in the world beef market, particularly with regard to its permanency and with regard to its potential to cause, in the medium term, instability in the world market. This would involve sorting out the more transitory changes from those of a more permanent nature.

d) There were a number of specific subjects which the group addressed, and which participants felt warranted further discussion:

(i) Are cattle industries undergoing permanent changes as a result of the trend and unprecedented volatility of costs, particularly of feedgrains and interest charges? It was suggested, for example, that the changed cost situation in North America may substantially subdue the cattle cycle there.

(ii) It would appear that beef demand in major markets is being eroded by competition from other meats, particularly pork and poultry. Further, beef demand in major markets is being affected by the continuation of low levels of economic activity. The permanency of these trends was broached as a question.

(iii) Uncertainty was expressed as to whether recently emerged and/or substantially expanded markets in Africa, the Middle East, and Eastern Europe have the potential to maintain or increase imports above present levels or whether these are markets which exist only in times of depressed international prices, i.e. will they be solvent markets in the future?
(iv) There was interest expressed as to long term supply arrangements. There was a suggestion that this issue should be discussed in the Council.

9. The Council took note of the report by the Chairman of the Meat Market Analysis Group and expressed agreement in general with the substance of it.

10. The Council was informed of the current status of consumer subsidies and their consequences on production, consumption and trade in Sweden and Norway. In Sweden, consumer subsidies for beef were reduced during 1981 and were to be abolished altogether on 1 January, 1982. Consequently, consumption of beef decreased by around 4 per cent in 1981 and it may be reduced by as much again in 1982. In the short run, production is forecast to decrease only slightly but according to the guidelines for the Swedish agricultural policy a balance between consumption and production is the ultimate aim. In order to encourage this balance, export costs are born by the producers. In Norway, consumer subsidies for beef were reduced somewhat in 1981, resulting in decreased consumption while production increased slightly, suggesting a small surplus for the year as a whole. In order to curb production of bovine meat certain measures will be introduced: the price of cattle with slaughter weights of more than 260 kgs. will be reduced, and an increase in the slaughter of calves will be encouraged. It is thus expected that the Norwegian market in 1982 will be more or less in balance.

11. The Council was also informed that the English-Melcher amendments to the US farm bill had been significantly modified and would no longer have the restrictive effects which had been anticipated. As concerns the Meat Import Act, it was likely that it would not be in effect in 1982. In response to a question concerning the proposed Canadian meat import law, it was noted that the said law concerned only fresh, chilled and frozen beef and veal. It was further noted that the Canadian authorities had felt compelled to introduce this legislation, which largely parallels that of the United States, because of the close relationship between Canadian and United States livestock industries. It is believed that the legislation will come into force at the beginning of 1982.

12. The representative of the OECD, informing the IMC of the results of the latest studies and discussions in his organization, said that OECD did not expect any economic recovery in the major OECD countries (excluding Japan) in the first half of 1982. By the end of the year, though, there were hopes for a growth rate of around 3 per cent in some major countries. Interest rates were expected to remain high and volatile in real terms through 1982, although nominal interest rates and inflation rates may drop somewhat. The OECD forecast further suggested that the recovery in GNP growth would be led by an increase in private consumption rather than by an increase in investment. As concerns the meat sector, it was pointed out that the immediate outlook was very uncertain. This uncertainty was further aggravated by possible shifts.
in consumer spending patterns, some of which may be of a more permanent nature, i.e. some of the recent demand shifts to pork and poultry. This proposition is supported by the fact that the prices of pork and poultry in the United States, for instance, are higher than would be expected, given the relatively modest fall in production which has occurred. But it was also his opinion that it was borne out by the rapid rise in beef, and more particularly pork prices in the European Economic Community. He also stated that if consumer demand for beef recovers, the international meat markets would be in real trouble, i.e. world beef production is now so low that substantial price rise would occur should beef demand recover. International beef demand is also now particularly vulnerable to unpredictable import requirements of the Soviet Union and to a lesser extent by China and some of the high and middle income developing countries.

13. The representative of the FAO informed the Council that world meat production in 1981 was estimated to have shown no growth for the first time in many years. Beef, mutton and lamb production levelled off while that of pork decreased. Only poultry production continued increasing and in some developing countries this growth was very rapid. For 1982, there was in his opinion little prospect for substantial improvement. It is likely that pork production will fall again while beef and mutton production will increase slightly. Poultry will again increase substantially. Trade will probably be comparable to that of 1981 and no substantial increase in prices in real terms is expected.

14. The representative of the ECE noted that the Soviet Union experienced its third consecutive year of bad grain crops in 1981. In spite of this the authorities had opted for the maintenance of the cattle herd which on 1 November 1981 counted 90.3 million head, slightly above year earlier. Because of the lack of feedgrains slaughter cattle were in poor condition with live weights of only 350 kgs in October 1981. Distress slaughter was not likely before the census at the beginning of 1982. Beef production is expected to increase by 2-3 per cent in 1982, compared to the 0.5-1 per cent increase in 1981. Pork production was expected to remain at the 1981 level or decrease slightly while no changes were expected in sheep meat production. Meat production as a whole is expected to increase by around 2 per cent. With the possibility of increased overall meat production in 1982, import requirements may possibly decrease and be limited to the first part of the year. However, the uncertainty is great and there are wide margins for speculation.

15. Discussing, inter alia, the depressed economic situation and the uncertainties concerning some major importing countries import requirements in the short and medium term, some participants felt that there could well be, by the end of 1982, a threat of imbalance in the world market of bovine meat. It was considered in particular, that decreased import demand by the Soviet Union, second importer of beef in 1981, in the year ahead may have very serious consequences for the world market balance and prices of beef. Some other participants did not agree but thought that there was evidence of a balance between demand and supply with both production and consumption declining in the world. Nor did they see any immediate threat of an imbalance.
16. The Australian representative noted that over the past years progressively more vigorous import restrictions have been applied in most major beef markets. In some cases these regimes are used to supporting an extremely high-cost domestic industry. In others they seek to use beef imports as a means to overcome instability and cyclical variations inherent in domestic meat production. Whatever the motivation, the results have been similar: grossly restricted access. At the same time world markets are also being affected by the highly subsidized exports from certain countries resulting from surpluses generated by expensive domestic price support arrangements. These different measures have affected the Australian cattle industry seriously, exaggerating an already difficult world market situation. Furthermore, the Australian representative rejected any suggestion that exports from countries employing subsidies were merely stepping in to fill the gap. What they are in fact doing is artificially depressing prices and thus dislodging Australian exporters from markets to which they would otherwise have shipped, had market forces been permitted to operate without government intervention.

17. Discussing current and potential difficulties in the world markets of beef, the representative of Argentina noted that it was essential that the IMC should contribute to a better organization of the beef and veal market, i.e. after the analysis of the market the Council should be able to adopt certain mechanisms or disciplines aiming at avoiding that a certain number of problems and distortions occur. Participants should come to meetings with an open mind in order to try to resolve a number of problems. He said that Argentina continued to be deeply concerned about the various tariff and non-tariff restrictions in existence for beef and veal. For instance, he viewed with concern the tariff structure in a number of countries which encourages imports of live cattle as opposed to meat. This tariff escalation makes it very difficult for efficient producers to compete on the market, in particular those of developing countries which are trying to benefit from their greater productivity. As concerns non-tariff measures, there are essentially three types of measures that worry the Argentinian authorities, namely quantitative restrictions, health and sanitary measures, and variable levies. Health and sanitary measures, although obviously necessary in many instances, are quite often unjustified, over-emphasizing health risks. Sometimes the administration of those measures are more restrictive than the measures themselves. Subsidies are also of concern to the Argentinian authorities. These are of two kinds: indirect ones such as those given recently for exports of canned meat, and direct subsidies or refunds used in the past to get rid of surpluses. Unfortunately, the latter seem to have become a permanent device in certain countries, going beyond its initial objective, and subsidizing up to two thirds of the value of the product. This kind of heavily subsidized exports has tended to depress prices on the world market. Some exporters are deprived of their traditional markets and are forced to find new markets for their products, at lower prices. Currently, Argentina is preparing a paper setting out the restrictions encountered in different markets. The representative of Argentina hoped that this paper will contribute to finding solutions to current and future problems and is fairly optimistic as to the possibilities of establishing a profitable dialogue in the IMC.
18. Commenting on the current situation, the representative of the European Economic Community said that cattle herds, as well as production and consumption of bovine meat were diminishing in most countries; this was obviously due to the unfavourable economic situation in these countries. In his opinion, the supply difficulties stemmed not only from the normal cyclical development of production and prices but also from very high production costs and interest rates. The unfavourable economic situation has decreased consumption in many countries with a depressing impact on the level of trade. The bovine meat trade has also been affected in the recent past by the erratic variations in various currencies' exchange rate vis-à-vis the US dollar. In the past some countries' exports diminished because of the unfavourable exchange rate but today these same countries trade is being favoured by a positive exchange rate. He further said that, in his opinion, there seemed to be only one favourable feature of the current market situation namely the emergence of new markets such as some of the petroleum producing countries, the USSR and Egypt. He further said that the Community, which has always been an exporter, had exported more beef in the last two years partly because there had been a need for it on certain markets and because other traditional exporters were not in a position to fill that need. He was, therefore, of the opinion that those exporters that had lost markets in the last couple of years (of which some were markets the Community did not export to) did not do so on account of EC refunds. As concerns the export refunds, the EC representative stated that they were calculated on the basis of the difference between the domestic price and the international price.

19. The representative of Hungary raised the question of the European Economic Community's levy-free tariff quota for high quality, grain fed beef, contained in the EC schedules of concessions annexed to the Geneva (1979) Protocol. He referred in particular to the report of the Panel concerning EC imports of high quality beef from Canada adopted by the GATT Council at its meeting 10 March 1981 and which provided a clear and unchallenged interpretation of the administration of the levy-free high quality beef tariff quota of the EC. On the basis of the relevant GATT articles, the Panel clearly concluded that access to EC markets should be given to all contracting parties that could supply the specified bovine meat. At the beginning of April, 1981, the Hungarian authorities made a written representation to the competent authorities of the EC, specifying the Hungarian request. The Hungarian representative regretted that since April the request has so far not produced any results. However, he expressed the hope that the EC authorities would take the necessary measures to implement the recommendation of the CONTRACTING PARTIES.

20. The representative of the European Economic Community informed the IMC that the EC had the intention of implementing fully the recommendations by the CONTRACTING PARTIES as concerns the high quality levy-free beef tariff quota. Talks were still being held between Hungarian and EC authorities, with the hope that there would be a satisfactory solution to this question. The EC did not see any difficulties in enlarging this quota erga omnes, it being understood that the quality of the beef is indeed that specified in the EC regulation.
21. The IMC discussed in some detail the future work to be undertaken by the Council. Participants agreed that one of the most important tasks of the IMC was to come to terms with the general future picture of the bovine meat market in the short and medium term. To this end, it requested the secretariat to prepare one or more discussion papers in time for the IMC's and MAG's June 1982 meetings. It was suggested that such a paper or papers could serve as a basis for discussion for possibly the next several meetings. The content of the paper(s) would be up-dated or amended in between meetings, as required, by the discussions in the Council and in the Group. It was agreed that the more technical subjects should first be discussed in the MAG while the questions with possible policy implications should be discussed in the IMC.

The subjects suggested for preparation by the secretariat for the June 1982 meetings are the following:

(a) Changes in the cattle industries and their relationship with volatility of cost and changes in interest rates

(b) Beef demand and its erosion by competition from other meats and low levels of economic activity;

(c) Recently emerged and substantially expanded markets: their capacity to increase imports and their future;

(d) Long term supply arrangements and implications for international market stability; and

(e) The medium term world demand/supply outlook in the light of Article IV, paragraph 1(a) of the Arrangement Regarding Bovine Meat.

However, participants recognized that in order to carry out the required studies, the secretariat would need a large amount of information, some of which was not normally available in the secretariat. Participants therefore agreed that they would cooperate with the secretariat to the fullest extent in providing appropriate information and assistance. In particular, it was suggested that those countries that had official or semi-official medium and/or long term forecasts in the meat sector, might make them available to the secretariat. It was understood that if sufficient information was not available, one or more of the suggested subjects may not be treated or may be treated only partially.

Other business

22. At the June, 1981, meeting, the IMC considered a letter received from the International Federation of Agricultural Producers (IFAP) proposing informal consultations between member federations of IFAP's Standing Group on Meats and Feeds and members of the IMC. Considering that it did not have sufficient information for a decision on the
matter, the Council requested the secretariat to contact IFAP on the Council's behalf for a complement of information. Subsequently, a letter, explaining in more detail their proposal, was received from IFAP and circulated to participants for comments in August, 1981. Since it was not possible to take a decision on the matter in the course of the autumn, the question was referred to the Council at its December, 1981, meeting. After discussion, the Council decided that it would not be feasible at this stage to arrange the proposed consultations. It felt, however, that continued contacts and exchange of information between IFAP and IMC, on a secretariat level, would be useful and appropriate.

23. At its meeting in June 1981, the IMC adopted ad referendum new language for Part G of the questionnaire. The Council agreed that participants would make written comments to the secretariat on the proposed new text before 30 September 1981. In the course of its meeting in December 1981, the Meat Market Analysis Group discussed the suggested amendments and agreed to recommend to the Council to adopt the following revised text:

"PART G

Part G.1. Information on Domestic Policies and Trade Measures

The following is intended as a standardized guide for obtaining information regarding domestic policies and trade measures of signatories to the Arrangement Regarding Bovine Meat. Would you respond to the questions, following the format as presented?

I. Production

(a) Would you provide a description of the beef industry in your country (e.g. number and size of holdings, methods of production, domestic or export orientation, contribution to total value of farm output, etc.) and the economic factors which govern its evolution?

(b) Would you detail any policies or measures of your government which influence cattle production either directly or indirectly, other than direct support or stabilization measures, for example: input subsidization, special credit or loan policies, special tax arrangements for cattle producers, beef improvement programmes, health and sanitary regulations (e.g. disease eradication programmes, grading and inspection services provided by government etc.)?

(c) Would you detail any stabilization and/or direct subsidization programmes offered by governmental or other bodies in your country to cattle producers or to producers in other sectors which affect cattle production? Would you also provide an indication of the average (per 100 kgs. or per animal or per producer, etc.) or total level of payment in the three most recent years available?"
II. Internal prices and consumption

(a) Are there any policies or other measures in force directed at affecting beef consumption levels and/or retail beef prices in your country? If so, please specify and elaborate.

III. Measures at the frontiers

(a) Please make a detailed presentation of the Customs' Tariff applied by your country on imported beef and veal products and live cattle and calves.

(b) Please provide details of other import measures at the tariff line level\(^1\), such as variable levies, special surtaxes, quantitative restrictions (simply whether they exist and the level), etc.

(c) Please detail measures, if any, which your country takes to affect the level of exportation of beef and veal products and live cattle and calves (such as subsidies, refunds, levies and charges, restrictions, etc.).

(d) Please outline health regulations which your government imposes on imported beef and veal and live cattle and calves.

(e) Please provide details of your country's policy regarding quantitative restrictions on imports or exports (as referred to in (b) and (c) above). What tariff items are included in such restrictions?\(^1\)

24. The Council adopted the above revised text of Part G of the questionnaire, on the usual understanding that it will be in force in its current form only as long as participants feel it serves its purpose.

25. On a suggestion by the secretariat, the Council also adopted a new presentational system for its questionnaire; i.e. replies to the statistical parts of the questionnaire will henceforth be circulated in the original language only, with all extra footnotes translated into the two other languages at the end of the document. Moreover, a trilingual

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\(^1\)Amounts of levies, surtax, etc. should be indicated.
reference copy of the questionnaire will be distributed to all participants for easy checking of any particular regular heading, title, footnote, etc. It was believed that the new presentation would speed up circulation of replies to the questionnaire as well as possibly provide some economies.

**Date of next meeting**

26. It was suggested that the next meeting of the International Meat Council and that of the Meat Market Analysis Group should be held in the same week. The week of 14 June, 1982, was tentatively suggested but the exact dates will be set in consultations with participants.