Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

SEVENTH MEETING

Draft Report

Chairman: Mr. Julio C. Raimondi

1. The International Meat Council (IMC) held its seventh meeting on 9 and 10 December, 1982. The IMC was informed of the intention of Belize to apply the Arrangement Regarding Bovine Meat on a provisional basis in accordance with Article VI: 2 of the Arrangement, thus putting signatories at 23 and participating countries at 32.

Adoption of the Agenda

2. The IMC adopted the agenda as set out in GATT/AIR/1867 with the exception of item 5 which was deleted. In this regard it could be noted that this item was put on the draft agenda at the suggestion of a participant in anticipation of the Meat Market Analysis Group (MAG) discussing other matters than those in connection with the Status Report. He believed that the work of the MAG was important and that due recognition of its work should be given by having a separate item on the IMC agenda to allow the MAG Chairman to report on its activities. Prominence should be given to the work of the MAG by allowing its Chairman to report on its functions and activities in general before providing more detailed comments on specific matters such as replies to the questionnaire, evolution of the bovine meat situation and outlook etc.

3. Some participants were of the view that a separate, additional, agenda item was not necessary as the MAG Chairman had the possibility to report under item 6. Also, participants always had the possibility,

---

A list of participants will be annexed to the approved report.
at any point of the proceedings, to pose questions to the MAG Chairman, since he was present at the meetings. Since there was no consensus regarding item 5, it was decided to delete it from the agenda of this meeting, keeping in mind the possibility of reintroducing it when the need arises.

Admission of observers under Rules 11 and 14 of the Rules of Procedure

4. Since the last meeting of the IMC a request for observership had been received from the International Permanent Meat Office (OPIC), a non-governmental body created some 10 years ago. In accordance with past practices, it was agreed to decline this request, noting that this did not exclude the possibility to invite OPIC or any other non-governmental international organization on an ad hoc basis in the future if deemed necessary and appropriate.

Examination of the functioning of the Arrangement

5. Under this item the representative of Argentina said that the work of the Council should be well balanced, not emphasizing certain elements of the trade too much to the detriment of other elements. Some measures taken in some countries represent political measures but which create trade barriers. He said that frequently fluctuations in international trade are due to national policies and he believed that it might be useful to examine in the near future and keep up to date the catalogue of measures which do exercise an influence on trade in bovine meat. Moreover, specific aspects having a specific influence on the bovine meat trade, such as subsidies, could be analysed.

6. The representative of Australia was of the view that the IMC had established its role as an information exchange and consultative forum and was now proceeding to develop an analytical function with a view, he hoped, to identify issues involving policy considerations. He referred to the recent press statement issued after an OECD meeting of agricultural ministers wherein inter alia, the importance of improving the transparency of agricultural policies was stressed. He believed
that the transparency of policies in the beef sector was being improved in the IMC but in his view the Arrangement Regarding Bovine Meat has wider goals. His delegation was expecting the IMC to make an effective contribution to the development of national beef policies consistent with a more open world market for beef. He suggested that participants reflect on the possibilities to give more attention to those objectives in the Arrangement which have so far been relatively ignored and in particular to the one contained in paragraph 1 of Article I of the Arrangement. He also believed that insufficient attention had so far been given to the effects of national policies on trade. Reflection was also needed on the modalities of possible trade liberalization.

7. The representative of New Zealand drew the attention of participants to the recent decision by the GATT ministerial meeting to establish a Committee on Trade in Agriculture. He said that given the expertise available in the IMC and the knowledge accumulated, participants might wish to reflect on the possibilities to contribute in a positive way to the work of that body.

Replies to the questionnaire

8. By the time of the meeting 7 replies to the statistical questionnaire were still missing out of a total of 22. Only one reply had arrived at the due time while more than half of the replies arrived in the Secretariat after the Status report had been sent for processing. It was pointed out that the IMC could not carry out its functions correctly if the information required by the Arrangement was not forthcoming on a regular and timely basis. It was hoped that participants would send in replies on time in the future so that admonitions from the Chair would no longer be necessary. In this connexion, participants were asked to reflect on the possibility of sending replies from capitals directly to the Secretariat with a copy to the local delegation. In the Secretariat's experience, this procedure has tended to speed up transmission of questionnaire replies.
9. To date, all participants except two have furnished replies to the inventory part of the questionnaire. Many participants had updated their replies on a regular basis. Participants' attention was drawn to the requirement in the Rules of Procedure (Rule 18) that a complete revision of inventory replies should be made in time for the June, 1983, meeting. A GATT/AIR will be sent out at the beginning of 1983 to remind participants of this revision.

Evaluation of the world market situation and outlook

10. For the discussions under this item, the IMC had at its disposal the following documents, prepared by the Secretariat: "Status report on the present situation and probable developments in the bovine meat sector", (IMC/W/17); "Long-term supply arrangements and implications for international market stability", (IMC/W/15); "The medium-term world demand/supply outlook in the light of Article IV, paragraph 1(a) of the Arrangement Regarding Bovine Meat", (IMC/W/16); "Summary tables", (IMC/W/2/Rev.5); and replies to the questionnaire.

11. On reporting on the discussions in the Meat Market Analysis Group concerning the situation and outlook, the Chairman of the Group said that this session of the Meat Market Analysis Group was probably the most active, and informative, of the three MAG meetings yet held. In the course of two days the Group not only managed to fashion a consensus of the short-term outlook for international beef markets (unfortunately not an encouraging one) but delved into considerable depth on many and varied specific aspects related to international markets as well. These ranged from further discussion of medium-term aspects of beef demand to developments in exchange rate markets, to developments in Brazil's Amazon region and in the Chinese meat industry. He said that the discussions benefitted greatly from the active and perceptive contributions of representatives of other international organizations (OECD, ECE, FAO, UNCTAD) as well as from participants.

12. As at the Group's last meeting, a considerable amount of the time was spent discussing the current and the future economic situation and its relation to the international beef market. In this regard, he said, there was no disagreement with the secretariat report which suggested
that this is the single most important obstacle to recovery of international beef markets. It was noted by the representative of the OECD that forecasts of income growth in OECD countries, already scaled down once since the June forecasts, would likely be further modified before the official December forecasts are finalized. It was said that the recession had affected incomes in many countries, reducing consumption of beef. This was discussed in some detail. The Group also discussed in some detail other elements that might be called structural elements in the market and which will have important ramifications for beef markets in the future. One of the observers referred, he said, to these as "market management". In this connexion, it was noted that in industrial societies a larger proportion of expenditure on food was expenditure in catering establishments and institutions and that this was having implications for beef markets. It was pointed out, however, that the effects of recessionary conditions on beef markets are, and will likely continue to be, broader than simply the depression of consumer beef demand in major industrialized countries. For example the recession is putting unprecedented strain on the international financial systems, one result of which is that large foreign debts have accumulated and are accumulating in some countries and measures are being taken to either increase exports or reduce imports (in both cases beef has been affected).

13. He further said that the Group also noted the risk that beef demand could be affected by increases in pork and poultry production in several countries at some point during 1983. It could be noted in this regard that demand for pig- and poultry-meat, or "cheaper" meats, seems to be holding up rather well during the recession. Moreover, production of these meats is currently receiving strong positive stimulus from the sharp decline which has occurred in feedgrain prices since late 1981. It was noted, he said, that beef production in a number of countries and for a variety of reasons has been unexpectedly high during 1982. Whatever the reasons, however, the increases that occurred point in practically all countries experiencing such increases, to liquidation of cattle herds. In this regard one could mention Australia, the United States, Canada, Poland and Uruguay. While production in these countries is expected to decline during 1983 it could be partly offset by increases in other countries. Therefore, although weakness of beef
demand is expected to be the dominating factor in 1983, it would appear that world markets will not obtain any significant relief by way of reduced supplies. While the fundamental supply/demand balance (in terms of the trade between "traditional" participants in world markets) is not expected to improve soon, the Group heard some comments regarding developments in the so-called "non-traditional" markets which were not encouraging. While the discussion of this subject was perhaps not as intensive as had been hoped, the Group did get sufficient information to suggest that these markets may be, at least temporarily, reaching the limits of their absorptive capacity. The reasons are varied although most have their roots in the worldwide recession: falling oil revenues affecting demand in the Middle East, hard currency shortages in Eastern Europe and the Soviet Union, and possible slowing economic growth in certain Far Eastern countries. It was pointed out by many people that the participation of these countries in world markets has become important during the last 3-5 years and that recent and probable future developments in these markets are not encouraging. He said that the Group seemed to concur with the Secretariat report with regard to the scarcity of positive factors in the outlook for the US dollar prices of beef on world markets. At the same time, however, the Group was reminded that during the past year, and especially the past six months, the cost pressures on cattle industries had been significantly reduced. Most important in this regard have been the reductions in interest rates in many countries and the general weakness of feedgrain prices. It was also noted that in several exporting countries, despite a continued decline in the value of exports during 1982, producer returns increased sharply as a result of major devaluations of their currencies against the US dollar. For Argentina this effect was accentuated by a major decline in beef production; producer prices have risen to such an extent that cattle herd liquidation has ceased. In Uruguay the devaluation of the currency (after being "unpegged" recently) has been too recent to determine the effect but it is hoped that it will be a positive development for the industry there. In Australia, the positive effects on prices of the deprecating Australian dollar have been offset by the drought-induced increase in beef supplies. On balance and notwithstanding positive developments here and there, it would seem that
the best which can be hoped for during the next year, with regard to market conditions is that they do not deteriorate further. Assuming some measure of economic recovery, he said, this does not seem to be unrealistic, but the general opinion seems to be that improvement in world market conditions is yet some time away.

14. The Council took note of Mr. Long's report. Participants expressed general agreement with the Chairman's report. Some participants, however, believed that the report was perhaps somewhat too pessimistic.

15. A number of participants held the view that before a positive outlook in the beef sector, including price increases, could be expected there were two preconditions which would have to be fulfilled, namely a recovery in the developed economies, and the containment and elimination of various trade distorting factors, including those affecting competition on the international market. It was pointed out, however, that even if there is a recovery in the international economic situation soon, this does not necessarily mean an automatic increase in beef demand.

16. The representative of Argentina expressed concern over international meat prices which in his opinion were becoming increasingly unfavourable having dropped, according to some sources, some 20 per cent between the first and second quarter of 1982. He further stated that the positive effects of a drop in exchange rates for Argentina would only be felt in the longer term. He also said that Argentina would likely export around the same amount of beef in 1983 as in 1982 and he believed that EC meat exports would still be very prominent on the market while those of Australia may drop due to the drought conditions that country was faced with.

17. The representative of the European Community informed the Council that the Community exported around 650,000 tons of beef in 1980 and 1981. These exports corresponded to a strong phase of herd liquidation in the cattle cycle and thus to high levels of slaughter, a phase which has now been terminated. For 1982 production of beef has decreased by
4 per cent and export availabilities are estimated at less than 500,000 tons, around 180,000 tons less than in 1981. It is expected that exports in 1983 will be at approximately the same level as in 1982.

18. The representative of Australia expressed concern over barriers to trade and in particular over the voluntary import restraint introduced in the United States in the autumn of 1982. In his opinion the kind of import legislation existing in the United States and Canada which is based on a countercyclical formula, has the effect of placing the burden of adjustment of problems inspired by the domestic market, on the international market. He stated that this kind of institutional barriers to trade, together with other factors such as the recession, implies a continuation of stagnant demand in traditional markets. As concerns the emerging and non-traditional markets, in some of which the growth in demand of beef appears to have slowed down during 1982, he suggested that more emphasis should be given to these countries in the secretariat Status report and preferably as a separate item. He said that his delegation would do its best to supply information concerning these markets to the secretariat and hoped that other delegations would do likewise.

19. The representative of the United States noted that in his country consumption of beef was not going up even though prices are low. This is due to strong competition from other meats and perhaps other products such as fish but also maybe to changing demand patterns, i.e. when incomes rise beef demand does not necessarily increase as was often the case in the past. Moreover, beef production is not necessarily increasing either with low grain prices, because the farmer is trying to improve his cash flow problem and reduce indebtedness. He informed the Council that consumption of beef in 1983, even with a possible improvement in the economic situation, is expected to be at its lowest point in 20 years and no real increases in price are expected even though production is likely to decline. As concerns the US Meat Import Act he stated that it was certainly not the view of his authorities nor of US beef producers that the Act transferred all the burden of adjustment to others, since US meat producers were currently going through a very difficult adjustment period.
20. The representative of New Zealand expressed concern over trade distorting factors in the international meat markets. He referred in particular to markets in the Middle East where his country's exporters are attempting to diversify their output and where they have encountered prices which in some instances have been only half of those that could be expected under normal conditions. He attributed these low prices mainly to subsidized exports. Another market of concern to his country was that of the United States where recently voluntary restraint agreements were imposed and which caused considerable disruption to the meat industry in New Zealand, and also to beef importers in the United States, by the unexpected and late imposition of the restraints. He expressed the hope that the access to the United States market would be unrestrained in 1983. He furthermore expressed the hope that the United States might reconsider the Meat Import Act which in his delegation's view was contrary to the principles embodied in the General Agreement.

21. The representative of Canada noted that an important factor for the beef industry has been the increased competitiveness of pigmeat and poultry meat, obtained through significant productivity gains in the past. It is in his opinion probable that beef has not enjoyed the same improvement, and he suggested that some attention should be given to this area. However, improved productivity requires investments but in order to invest producers need an improved certainty about future prices. He also noted that there was a tendency to consider beef as a uniform product but in his opinion it was necessary to look at beef in the future in its special uses such as catering for restaurants and institutions. Also it would be necessary to analyse in more detail the nature of the various types of beef to ensure that the commodity does maintain its competitiveness in relation to other products. He thought that if efforts were made to increase the demand for beef in both traditional and non-traditional markets, and perhaps extend the type of products and outlets in which beef can be utilized, then perhaps the two major problems of lack of demand and stagnant prices could be overcome.
22. The representative of Uruguay said that he did not believe that the future should be viewed in too pessimistic a light, as concerns demand. Notwithstanding the possibility that the evolution of taste may be a factor for future demand of beef, and a reduction in its consumption, he noted that, taken globally, human progress has involved an increase in the consumption of meat, and he believed that this tendency was going to continue even though there is a difficult period to pass currently, i.e. the long term evolution is in his opinion favourable to an increase in consumption of bovine meat. He informed the Council of recent developments in his country concerning measures taken which have led to a substantial depreciation of the Uruguayan currency. It was expected that this decrease in the value of the peso would lead to an improvement of cost levels so that producers would become more competitive and stimulated to increase their production, reversing the downtrend of late.

23. The Council was informed that in 1982 the cattle herd in Madagascar was estimated at some 10,750,000 head. This herd is only exploited to a small degree as no more than 81,849 head was slaughtered for domestic consumption and exports in 1979 and 75,257 head in 1980, a decrease of 8 per cent. However, it was believed that a rather important number of cattle were slaughtered outside slaughter houses but it was not possible to estimate how many. Madagascar is one of the major consumers of beef on the African continent with 14 kgs per person per year. Efforts are made to improve the marketing of beef both domestically and externally. Currently exports are mainly to France, the Federal Republic of Germany, Italy and to the nearby islands La Réunion and Maurice with which agreements have been concluded for the exports of slaughter animals. Madagascar is free of the important animal diseases such as the foot and mouth disease and has thus few if any sanitary problems when exporting. Nevertheless, there are continuous preventive efforts by the authorities and vaccin is distributed free of charge.
24. The IMC exchanged preliminary views on the document "The Medium-term World Demand/Supply Outlook in the Light of Article IV, paragraph (a) of the Arrangement Regarding Bovine Meat" (IMC/W/16), prepared by the Secretariat at the request of the IMC. Participants expressed the view that this document was useful for the work, current and future, of the IMC and that it should be kept up-to-date as far as possible to serve as basic documentation for discussions in the IMC. Some participants expressed some degree of disappointment because the paper in their view did not bring out sufficiently some key issues and their implications for world markets, the summary of trade measures being too general and neutral. However, they recognized the difficulties involved. Other participants were of the opinion that the document entirely fulfilled the objectives for which it had been requested.

25. It was agreed to maintain this document on the agenda for the next meeting of the IMC when it was hoped a more complete examination of the subject would be made. It was also agreed that the Secretariat would update and revise as far as possible the document in good time before the next meeting, taking into account, when possible, comments made during the discussions at this meeting. In this connection, it was hoped that more participants provide forecasts to the Secretariat, in particular Poland and Uruguay were mentioned, but other participants were also concerned.

26. Under this item the representative of Australia suggested that the question of instability should be examined in more detail at the meeting in June, 1983. In order to have a fruitful discussion at that meeting, he proposed that participants would come prepared to discuss that subject. Moreover, participants with a view on the question could present in advance a written contribution to the Secretariat which would then distribute it to the participants either as it is separately, or together with other contributions on the same subject. He also suggested that an item called "The instability of world beef markets" be put on the agenda for the next meeting. The discussions could be organized into the following subdivisions: (a) measurement of instability in the world beef market in terms of trade volumes and prices; (b) has instability been increasing over recent years;
(c) factors causing instability, and in particular the role of national policies, and some indication of their relative importance; (d) effects of instability on consumption, production and trade; and (e) prospects for reducing instability in the future. Moreover, it was suggested that the Secretariat remind participants of this subject well ahead of the meeting by an airgram analogous to the one issued for replies to the questionnaire. The IMC agreed to the above-mentioned suggestions.

27. The IMC discussed the document "Long-term supply arrangement and implications for international market stability" (IMC/W/15) prepared by the Secretariat at the request of the IMC. The following remarks inter alia were made in the course of the discussion: long-term arrangement involving bovine meat so far covered only a small part of the market and only a few participants had negotiated such arrangements. The influence on the rest of the bovine meat market of these arrangements was small or even nonexistent. It was also considered that the influence on prices on the rest of the market of the pricing arrangements in the long-term agreement was neutral since prices in these arrangements were based on world prices. Some participants expressed the view that access commitments should be considered as long-term arrangements since effects were in some respects the same. Participants agreed that this subject need not be kept on the agenda but that it should be reviewed if and when necessary.

Examination of national policies linked to trade in bovine meat and live animals

28. At the IMC meeting in June, 1982, it was decided to return to a question of procedure concerning this item at the December, 1982, meeting, a suggestion by Australia to nominate "volunteers" for questioning in advance of each IMC meeting. This suggestion was withdrawn. However, participants felt the necessity to have some flexible guidelines for discussions under this item and agreed as follows: in order to give participants ample time to prepare, questions should as far as possible be sent to the Secretariat and circulated to participants some 30 days ahead of IMC meetings; oral follow-up or new questions could be put to participants at the meeting; replies should be grouped so that one participant answers all its questions before moving to the next.
29. Under this item written questions by Australia (IMC/W/18) and Argentina (IMC/W/20) as well as some oral questions were put to a number of participants: Argentina, Brazil, Canada, European Economic Community, Japan, Sweden and the United States. The following answers (summary) were given:

30. To questions concerning long-term supply arrangements the representative of Argentina said that the arrangements generally correspond to the specific characteristics of the importing country. The arrangements enable Argentina to produce on the basis of commitments as to qualities and quantities. They also permit more orderly marketing. In 1981 long-term supply agreements covered 38.1 per cent of bovine meat exports. It is not believed that there was a substantial change in the percentage in 1982. He said that he did not believe that long-term agreements were going to be signed with other countries outside the geographical area in which Argentina currently had agreements.

31. Concerning questions on subsidies for meat and interest free credits the representative of the United States said that there were currently no export subsidies for meat and that he was unaware of any plans to introduce any in the future. As concerns credits he stated that there were no interest free credit programmes as such but there existed a blended credit which is a mixture of one third interest free credit and two thirds rated credit under the Export Credit Guarantee Programme. However, this programme does not apply to meat but to surplus commodities such as grains.

32. In response to a question regarding Brazil's current policies with regard to beef production and exports, the delegate of Brazil indicated that there were two main policies currently affecting beef production. The first, the system of rural credit, required that rural banks in Brazil invest 25 per cent of their deposits in the agricultural sector. Of this amount 70 per cent is to be used in agricultural financing or in the minimum price policies and 30 per cent in financing of investment in the cattle raising industry. The second policy is that credit lines are
guaranteed for companies stockpiling beef during the "offseason" and to producers fattening cattle during this period (the governmental policy of beef stockpiling was abandoned at the end of 1981). With regard to exports, no subsidies or direct assistance exists, although producers of canned beef are eligible for special credit consideration.

33. The Swedish representative responded to a question regarding future production, consumption and policies trend in Sweden, with particular emphasis on Sweden's future beef export position. It was pointed out that Swedish Agricultural Policy aims at a balance between production and consumption of beef and veal. However, it was never envisaged that this would mean an absolute balance. When a surplus occurs its disposal on world markets is to be financed by producers. It was pointed out that during the last 3 years Sweden's surplus resulted, not from increased production, but from reduced consumption. During the next few years it is believed that although beef production will decline, beef consumption will decline more rapidly, the surplus will continue. Sweden's beef producers continue to finance the export of that surplus. He pointed out, however, that export subsidies are not new in Sweden, they have existed for about 40 years. During that time Sweden has been at times an exporter and at times an importer. It was also pointed out that it is not easy to create rapid changes in Sweden's beef production because of the close relationship of the beef industry to the dairy industry. In response to a question regarding the desirability of financing increased domestic consumption of beef (with consumer subsidies) rather than financing exports, he answered that consumer subsidies were considerably more expensive than export subsidies and at the moment, such cost considerations were a major factor to Swedish authorities. On the other hand, it was pointed out, other measures were being taken to bolster consumption, namely: sales campaigns, and grants for beef for school lunches. Moreover as export costs increase producer returns decline, which, in time, should reduce beef production. Measures being taken to reduce dairy production should also reduce beef production (these measures it was noted had been notified in IMC/INV/6). Finally, it was noted that average export subsidies have not changed much in the last 3-4 years. Although those for beef cuts have about doubled, exports of beef cuts are a minor proportion of total beef exports.
34. The European Community was questioned regarding the effects on the EC's beef sector of efforts in the dairy and cereals sector. The EC representative said that the EC had undertaken a certain number of actions in order to bring a better balance between supply and demand of certain agriculture products, notably cereals and dairy products. It was believed that these efforts could contribute to a balance in the meat sector and in particular in the bovine meat sector. However, even if these measures do not have any direct relation to the beef sector since feed based on cereals and substitutes is normally abundant, they could result in a stabilization of the production of beef as cost of production (cereal based feed) stabilizes. On the other hand measures undertaken in the dairy sector are likely to slow down the production growth in the beef sector since bovine meat to 80 per cent is produced from dairy and mixed herds. As to the increasing divergence between supply and demand of beef the EC representative said that this was a cyclical phenomenon corresponding to a herd liquidation in 1980 and 1981, and to a weakening of consumption due to the recession and the strong increase in unemployment. The EC Commission has, he said, set as goal for production in 1988 a level of 7.6 million tons in order that the gap between supply and demand be brought back to the level of the last three years. In this context a generalization of the slaughter premium has not been considered but a better balance between market price and cost of production.

35. Canada was questioned on experiences with its Meat Import Act introduced early in 1982. The Canadian representative replied that as from October, 1982 the Canadian Government had required that import licences be obtained for beef imports. The licences were being issued freely, however. The requirement of import licences was so that the Canadian authorities could monitor the import situation closely and react quickly in case of a sudden surge in imports. It was the Canadian view that the international beef market during the fourth quarter 1982 was pressured by the combined effects of the Australian drought and the restriction of exports to the United States. During early December the Canadian Minister of Agriculture was reviewing the beef import access situation for 1983, as was required by the new Meat Import Act; however
the Canadian representative was not in a position to say what the access levels would be. It was his belief that should restrictions be imposed against imports, the allocation of quota would be based on expected historical shares of the Canadian market.

36. The representative of Japan was questioned regarding future trends in Japan's beef quota. In particular the question was raised as to whether Japanese authorities intended to increase the volume of the general quota to compensate for the declining share of that quota allocated for grass-fed beef. Moreover, did Japanese authorities intend to widen the specifications under the grain-fed quota so that more countries could compete for shares of that quota. The Japanese representative responded that Japanese quotas do not distinguish between grain-fed or grass-fed beef. Although tenders do make this distinction the representative of Japan does not believe that this necessarily biases the source of such beef, anyone is free to compete for tenders.

Date of next meeting

37. The IMC decided tentatively that the next meetings of the IMC and the MAG would be held in the week starting 20 June, 1983. The exact dates will be set in consultation with participants.