1. The International Meat Council (IMC) held its twenty-third meeting on 14 December 1990. The IMC adopted the agenda set out in GATT/AIR/3142.

Replies to the inventory parts of the questionnaire

2. Participants were reminded that according to Rule 18 of the Rules of Procedure a complete revision of the inventory of all measures affecting trade in bovine meat and live animals, including commitments resulting from bilateral, plurilateral and multilateral negotiations, was due every three years. This revision was consequently due in June 1989. The Chairman indicated that the majority of participating countries had accordingly revised their inventories. He encouraged those who had not yet submitted revisions, and especially those who had never replied to the inventory parts of the questionnaire, to do so at their earliest convenience.

3. The Chairman drew the attention of participants to the fact that there had been a number of policy developments in 1990 in some countries (some of them referred to in the secretariat situation and outlook report, IMC/W/77) which had not been notified. He reminded participants of Rule 16 of the Rules of Procedure, which required participants to notify changes in their
policies and measures as early as possible and in any case in June each year.

Evaluation of the market situation and outlook

4. To assist the discussion under this item, the IMC had the following documents at its disposal: "Situation and Outlook in the International Meat Markets" (IMC/W/77 and IMC/W/77/Add.1); the "Summary Tables" (IMC/W/78) and "Bovine Meat Statistics" (IMC/W/69/Rev.2).

5. The Chairman of the MMAG, Mr. Richard Hochörtler, presented the following oral report of the discussions of the Group to the IMC:

"My first remarks will go, as usual, to the general economic situation and outlook. As I had indicated in my introductory remarks to the MMAG meeting, estimates and forecasts regarding economic growth have been revised downwards, largely reflecting higher oil prices following the Gulf crisis. This general trend has been reiterated by a number of participants who also noted that inflation was threatening again in some developed countries, while most developing countries are faced with further declining living standards. Furthermore, we have heard that in some countries in Central/Eastern Europe and in the USSR, declining disposable incomes are affecting the general demand for goods, and meat in particular.

Turning to the bovine meat sector, I would first of all note the production rise in countries participating in the Arrangement Regarding Bovine Meat in 1990. The increase, which occurs at a moment when many countries are going through a cattle herd rebuilding phase, was generally due to increased slaughter weights reflecting increased yields and improved efficiency. It also reflects higher beef output both in Australia and the European Community as a result of increased cattle numbers and slaughter there.

As you know, Mr. Chairman, our debates in the MMAG occur in the form of a "Tour de table", as far as possible, on a region-by-region approach.
Let me then summarize for you some developments in the different regions before I come to my general closing remarks.

In Oceania, it seems to me pretty clear that the beef sector was this year, and probably will be through 1991, one of the few - if not the only agricultural sector - which remained relatively healthy. Attractive cattle prices both in Australia and New Zealand in 1990, although foreseen to decrease slightly in 1991, largely explain the situation. However, it was noted that beef prices currently showed somewhat declining signs (due to weakening international prices), but that they remained much more attractive than prices in other sectors. In other words, profitability of cereals, wool and dairy in particular, have declined significantly, while in the beef sector producer returns remain comparatively healthy. Export prices to the United States in particular remained profitable. Despite the increase in relative attractiveness of the beef industry, we were told that any substantial shift from other sectors to beef production is unlikely to occur in the short term. Oceanian countries obviously continue to look at Asian markets as major destinations for their beef. High-priced markets as they are, Mr. Chairman, they certainly represent, along with the United States, some of the most interesting markets in the world nowadays. Exports from Oceania next year are expected to increase, although export prices to the United States and to the Asian markets are expected to level off somewhat.

In North America cattle herd rebuilding is on its way, although at a slower pace than in previous cattle cycles. However, increased average weights (partly due to lower or stable barley and corn prices as well as fewer cows and non-fed cattle in the slaughter mix) allowed for a limited production drop in both the United States and Canada. Cattle prices in both countries averaged higher than in 1989, resulting, along with low feed costs, in somewhat increased producers' profitability. Next year beef production in North America is expected to recover slightly. Economic uncertainties and expected record meat supplies will tend to limit any beef price increase. However, firm cattle prices and low feed prices are expected to result in some improved profitability in 1991. We were
reminded by the United States representative that his country is not only the largest beef producer and consumer in the world, but also the largest importer. Beef imports in 1990 were unexpectedly high, especially due to higher Australian slaughtering, but should not surpass the Meat Import Law trigger level. In 1991 beef imports should decrease somewhat and should also remain below the trigger level. The United States is not the first world exporter of beef, but ranked third in 1990 after Australia and the EEC. The Group heard that the export rise over the last few years was largely due to the opening of the Japanese and Korean markets, but that in the next eighteen months to two years, export evolution should remain stable. Furthermore, exports consist of high-quality beef and have no real impact on import levels which are of low-quality beef for processing. Per capita beef and veal consumption in North America continues to decline in favour of poultry meat. In short, the outlook for the North American meat industry is considered to be good for the beef sector, depending on feed prices as far as the pig meat sector is concerned and remains rather healthy for the poultry meat sector.

Our "tour de table" then took us to South Africa where we were told that cattle herd continues to expand and production to rise, thus allowing for lower imports. In Eastern/Central Europe, the meat sector, and in particular the bovine meat sector, is going through a difficult moment. This year Hungary was faced with drought conditions and consequently higher feed prices and a declining domestic demand. However, we heard that the most serious problem affecting the meat sector was the payment situation in the USSR which makes sales to the once major Hungarian export market impossible. Over approximately the last ten years cattle herd liquidation in Hungary has continued, leading to a lower beef production. Live cattle and beef exports are consequently at their lowest levels in many years. Finally, the Group was informed that extremely low live cattle export prices to the Middle East rendered these markets relatively unattractive. Other meats, especially pigmeat, have also been affected by the unfavourable environment. While the Bulgarian delegate briefly indicated that a deteriorated economic situation was also having a negative impact on the meat sector in his country, economic reforms in Poland resulted in a
sharp GNP drop this year and a fall in demand for goods in general and for meat in particular. Cattle numbers are down reflecting reduced profitability; beef production and consumption declined. However, production exceeded consumption, allowing for higher beef exports which should double this year. Live cattle sales were also up. Next year similar trends are expected to occur, although export levels will depend on the attractiveness of export prices in relation to domestic prices and the level of domestic demand. The pigmeat sector benefited from good corn and high fodder stocks and resulting increased profitability, as well as of relatively higher pigmeat prices compared to prices of beef, poultry and milk.

Through the useful participation of the ECE observer, we heard a discouraging picture of the meat situation and outlook in the USSR. With reduced herds, the Soviet Union is faced with a weak production base, in all meat sectors, for the nineties. Meat production is down this year. However, we heard that the current deteriorated meat supply in some large cities is more the result of a "disintegrated" distribution system than of lower production. Reduced feed supplies (often dramatically low) are another cause behind the production fall. This resulted in a sharp increase of meat imports this year, particularly from Western Europe, while imports from Eastern/Central Europe decreased. In 1991 meat output should be down again, and import requirements should remain high.

In other European countries outside the European Community (Finland, Norway, Sweden and Switzerland) it is worth noting a general rise in beef consumption in 1990, often due to increased production and, in some cases, to higher disposable incomes. The Group heard with interest the expected impact of the new Swedish agricultural policy on this country's meat market.

In the European Community we were informed that seldom have so many unfavourable factors affected the domestic market. We heard of the enumeration of drought, affecting both supply and demand, sanitary problems and political developments (Gulf crisis affecting exports, prohibition of
meat imports from the EC by some Middle East countries on the grounds of the fear of BSE and lastly, the integration of former East Germany into the Community). We were also advised of the unfavourable economic background of lower economic growth and stagnation or slightly declining employment market. Adding to this, beef production was cyclically higher (reflecting also increased weights due to very favourable feed prices) and cattle prices declined significantly.

The practical result of all this was massive intervention purchases leading to sharply increased beef stocks which, by the year's end, should reach at least 600 thousand tons. The EC representative indicated that despite this situation imports remained at levels similar to 1989, but that exports were down significantly. He insisted that such circumstances should be looked at as rather exceptional, even if for next year the situation remained a worrying one, when a slight beef production rise should occur. However, he noted that intervention purchase prices had decreased in the Community in the last few years and that beef stabilizers would be lowered in 1991. Referring to the integration of former East Germany into the EC, he noted that the impact on the Community market was for the moment difficult to evaluate, but that it remained a factor to be duly taken into account in the future. In 1991 EC beef consumption should resume, and exports would not be far from 1 million tons. He noted that the situation and outlook for other meats was less worrying, despite the price fall for both pigmeat and sheepmeat. Poultry meat prices remained stable.

In Japan cattle numbers increased in 1990, as did production. With the exception of sheepmeat, imports of all other meats, and of beef in particular, were up. The Japanese delegate noted a certain improvement in the beef stock situation currently at some 111 thousand tons. He explained that reasons why retail prices remained stable, not reflecting increased imports and despite lower wholesale prices, were related to consumer preferences and technical reasons. From 1987 to 1997 imports should increase by an annual 6 per cent, production by 2 per cent and demand by 4-5 per cent.
In Brazil, we were told, the new Government policies, where the first goal is the control of inflation, had a major impact on the meat sector. Lower availability of currencies, along with meat prices frozen, inhibited cattle commercialization in the first half of the year. Subsequently internal prices increased, exports became unattractive and imports were favoured. This situation stimulated poultry meat consumption. Since September trends have reversed and slaughter prices have fallen sharply. All in all, production in 1990 increased and consumption was higher, probably reflecting increased spending of consumer savings, despite generally lower incomes. In 1991 production should rise and consumption decrease, leading to higher exports and lower imports.

Mr. Chairman, I will end up by stressing three or four major tendencies. Firstly, I would note that the beef market situation and outlook in the foot-and-mouth disease free area remains a more favourable and predictable one, despite signs of a certain price levelling off, than the one in the foot-and-mouth disease area. Secondly, developments in the Gulf crisis, in Eastern/Central Europe and especially in the USSR, may have a decisive impact on the short- to medium- term outlook of meat markets, and beef in particular. Thirdly, beef supplies (but also other meats) should rise in many countries in the next year or two, including, as noted by the FAO representative, in developing countries, while demand growth, if any, seems limited.

Finally, I should add that higher stock levels in some major areas are not a reassuring development in such a scenario and hopes have been expressed that the disposal of such stocks should avoid any possible disruption of the international meat markets.

Mr. Chairman, ladies and gentlemen, I apologize for what I know was a lengthy report, but it was my impression that we had a most useful meeting which required a relatively detailed report, in a moment when it seems obvious that the international meat markets require a close monitoring. As many of you indicated, an unsuccessful Uruguay Round could have serious
negative effects in markets which, although not in crisis, are troubled enough. I thank you all for your patient attention and cooperation.

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

6. No written questions were received by the secretariat in advance of the meeting.

7. The representative of Bulgaria informed the IMC that from the beginning 1990, all remaining forms of central planning had been abolished in his country. The Bulgarian Parliament brought about changes in the economic legislation which made operating conditions for both private and public enterprises equal. The restrictions on private enterprises, including those that restricted the number of employes were eliminated. The Government carried out a "demonopolization" programme that affected monopoly structures in the production and internal trade of agricultural products, including meat products. The price of some agricultural products were liberalized, but not the meat ones. The Parliament was discussing a draft law on land reform which should be adopted until the end of December 1990 which should, among other things, settle property matters. Further price liberalisation should occur beginning 1991, but they should not affect the meat sector for the time being. Cuts in subsidies were also expected, including in the meat sector.

8. The South African representative indicated that his country's red meat industry (beef, sheep and pork) was subject to an intervention system which was supplemented by import licences. The system functioned in the major metropolitan consumption areas by means of support prices and Meat Board intervention at auctions in abattoirs in the so-called "controlled areas". Access of domestic livestock to those "controlled areas", or controlled abattoirs, is regulated by the Meat Board by the way of quotas. Regarding imports of meat into South Africa from outside the Southern African Customs Union, the Meat Board had in the past been the major, or the only,
importer. Such imports were generally sold on auctions in the "controlled areas". Imports of specialty meat products, such as spareribs, were undertaken by private importers for their own use. In the recent year or two, the system of marketing of red meat came under considerable criticism as being too restrictive and over-regulated. As a result, the practice of restrictive licensing of retail butchers by the Meat Board was replaced by a formal registration procedure. The Government's policy was now to replace, where possible, its agricultural import licensing practice by import tariffs. This process was recently implemented in the meat sector.

In answering to one question, the South African delegate said that the land withdrawal scheme aimed at reducing maize exports seen by producers as occurring at a loss. The scheme provided for farmers to convert their lands from maize production to pasture, but it would not be functioning satisfactorily.

9. In response to a question concerning the possible extension to Brazil of EC import quotas of buffalo meat and "Hilton beef", the European Community representative said that bilateral discussions between the two Parties continued. Regarding the possibility of an extension of the EC global import quota of "Hilton beef", he said that this was a problem to be dealt with in the framework of the agricultural negotiation on access commitments in the Uruguay Round. Answering another question related to the intervention buying-in system in the Community, he said that the EC had presented a proposal for negotiation in the Uruguay Round. The lack of result in the Brussels meeting would not stop the Community to continue revising its Common Agriculture Policy, including in the bovine meat sector, where a decrease in intervention had occurred in recent years. Intervention prices decreased by 20 per cent since 1986, while in the sheepmeat sector a stabiliser had been introduced, reducing the support level by 7 per cent in the on-going campaign. The 1991 price proposal would also show some new elements which indicate that efforts to adapt the CAP to the needs of European farmers and worries of the EC trade partners (a reform leading to a more market oriented policy) were real.
10. Turning to another question, he said that for different reasons, the EC did not at present export significant quantities of bovine meat to a number of countries in North Asia, where import conditions were controlled, even if market access there was recently improving. The Community being both an importer and exporter of meat, there were of course no forbidden export destinations. However, to his knowledge and in the near future, the European Community was not intending to change its policy towards these countries. Referring to growing stock levels, he said that they were largely due to the loss of two export markets which accounted by some 100 thousand tons (Kuwait and Iraq) and to the integration of former East Germany into the Community, representing an additional annual production of 400 thousand tons, in just a few weeks. Turning to a question related to the stabilisers' policy in the sheepmeat sector, the EC representative informed the Council that the 6 per cent increase in the Community sheep flock every year until 1995, estimated by the OECD, seemed to him exaggerated. However, he had no precise elements to comment such an information. With regard to food-aid to the USSR, he indicated that apart from the operation regarding some thousand tons released from the meat stocks available in Berlin, indications of the possible volume of meat which would be supplied to that country as food-aid were not yet available. The EC had to respect commitments negotiated by former East Germany with the USSR which, at the moment, made it more difficult to have a clear picture of the required level of food-aid. However, he added, it was not the interest of the EC to disrupt world trade, and worries of its trade partners were duly taken into account.

11. Responding to a question regarding the Export Enhancement Program, the United States representative said that there were guidelines determining to which countries and commodities the EEP would be used. One important guideline was the effect on unsubsidizing countries. According to this guideline, the EEP sales would not be approved if they would have more than a small effect on unsubsidizing exporters in the market. Where practical and appropriate, the USDA consulted with the embassies of the targeted countries to review that potential effect. Referring to food-aid to the
USSR, he said that there were some indications that his authorities were considering concessional terms to this country on some agricultural exports. However, he had no information on what commodities would be concerned, nor which of the United States export credit guarantee programmes, or other food-aid programmes, would be involved.

12. The Hungarian representative expressed her authorities' worries with the current beef market situation, especially in regard to the situation in one of its traditional markets, the USSR. Increasing beef stocks were again hanging in the market depressing world prices, and uncertainties regarding the outlook were growing. The particularly difficult situation in the USSR fully justified aid to that country. However, Hungary was deeply preoccupied with the possibility of major producers dumping their meat surpluses in the USSR at very low prices, thus undermining the position of traditional suppliers like her country. The result of such practices could signify a major crisis for the meat sectors in Hungary, already confronted to a very difficult situation.

13. The Japanese representative indicated that as from the 1 April 1991, the Livestock Industry Promotion and Corporation (LIPC) activities regarding purchases and sales of imported bovine meat, would come to an end and revert to the private sector. From then onwards, the LIPC would play an analysis and information rôle regarding market trends in both the meat and dairy products sectors. This type of information had started to be published in November 1989. With the exclusion of purchases and sales of imported beef, the LIPC would continue to exert all other activities, such as the operation of measures to stabilize prices of some dairy products (butter and skimmed milk powder) as well as certain bovine meats and pigmeats.

14. In answering to one question, the Polish representative said that in June 1990, the surplus situation in the butter and grain markets had been extremely difficult leading to intervention purchases by the government. He gave the Council a comprehensive report of policy developments in his country of which a summary is reproduced in the Annex.
Examination of the functioning of the Arrangement

15. The Chairman noted that, in his view, the non conclusive end of the Brussels meeting of the Uruguay Round Negotiations rendered any discussion in relation to the future of the Arrangement Regarding Bovine Meat, premature.

Date of the next meeting

16. The IMC decided to hold its next meeting on Friday 21 June 1991, preceded by the meeting of the MMAG on Wednesday 19 and Thursday 20 June 1991.
ANNEX

Instruments of Agricultural Policy in Poland

1. The situation of the Polish agriculture and the food economy is greatly related to the difficult economic situation in the country. The drop in demand for food-stuffs, the soaring rates of inflation, the considerable increase in domestic prices, interest rates and taxes, are among the reasons which contributed to such a situation.

2. At present, Poland's main problem is to work out an adequate new agricultural policy, which will be able to secure firm conditions for the development of the agriculture and for the efficient use of its production capacities. By, inter alia, granting preferential farm credits, reducing taxes and customs duties, the Government intends to stabilize the Polish economy, introduce market mechanisms, restructure and privatize agriculture and improve production and the social situation of producers. However, the new policy can only be implemented once the new government revises it.

3. Actually, in order to maintain the proper level of agricultural production the government undertakes steps in order to: slow down the decline in demand for means for agricultural production; guarantee the purchase and adequate use of production surpluses; develop the agricultural infrastructure and modernize private firms which operate in farm processing; establish social services for farmers and their families.

4. Below are some examples of state activities and means of support of the Polish agriculture:

(a) introduction of subsidies for the production of fertilizers and exterminants;
(b) establishment of a new institution - The Agency for Agricultural Markets which aims at the stabilization of farm products markets. The Agency fulfills its task by: analyzing agricultural markets and production trends; organizing a system of quick information and submitting proposals of intervention prices for agricultural products; intervention buying and selling of some farm products as well as importing food-stuffs; organizing storage.

This year the Agency for Agricultural Markets organized purchases, sales and storage of grain, butter and honey. In spite of the difficulties on the domestic market, producers had the opportunity to sell their products at prices which guaranteed profitability and contributed to the better utilization of surpluses.

(c) suspension of import duties on cultivators and on means for the mechanization of animal production and their elements;

(d) granting preferential credits for: building and modernizing private firms, magazines etc.; the purchase of areas under cultivation; the development of infrastructures (water-suppliers, sewage systems, gasification, telephone services);

(e) releasing from turnover taxes fabricants of agricultural machines and tools, fertilizers and farm transport facilities.

5. More detailed information concerning the Polish Government measures of agricultural support, will be presented at the IMC June 1991 meeting.