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STATUS REPORT ON THE PRESENT SITUATION  
AND PROBABLE DEVELOPMENTS IN THE BOVINE MEAT SECTOR

Note by the Secretariat

The present note has been drawn up by the secretariat of the Arrangement in accordance with the terms of Article IV, paragraph 1(a), of the Arrangement. The report presents a summary of the international economic situation, a general summary of the international situation and outlook for bovine meat, and specific elements of the world beef economy on a country-by-country basis as well as developments in member countries 1975-1980. In the preparation of this document the following sources, inter alia, have been used: United States Department of Agriculture, Livestock and Meat Situation, various issues for 1981; United States Department of Agricultural, Foreign Agriculture Circular, various issues for 1981; Australian Meat and Livestock Corporation, Market Notes for Livestock and Meat, various issues for 1981; Meat and Livestock Commission, European Weekly Market Survey, various issues for 1981; Weekly information bulletin, Junta Nacional de Carnes, various issues for August-October 1981; OECD, Economic Outlook, July 1981; IMF Survey, issues for September and October 1981; Annual report 1981, International Monetary Fund, September 1981; and the replies to the questionnaire received by 12 November.
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I. INTERNATIONAL ECONOMIC SITUATION AND OUTLOOK

1. The year 1981 could be characterized inter alia as a year of "coping" with the after effects of the sharp rise in world oil prices in 1979 and 1980. The economic recovery that was expected to occur in the first six months of the year in industrialized countries did not materialize and it would seem that no substantial improvement is likely before the end of the year. Many industrialized countries experienced weak or negative real income growth for most of 1981, with increasing rates of unemployment and continued high interest rates. The one bright spot in the economic picture of many industrialized countries was that governments have generally been quite successful in containing the secondary inflationary impact of the last few years' oil price increases. The major tool employed to contain not only the inflationary effects of the "oil shock" but also to address some of the longer term, more persistent, sources of inflation, has been monetary policy, i.e. restrained growth in the money supply, the use of which, however, seemed to have contributed to a further aggravation of an already difficult economic situation in some major industrialized countries. It would seem, in effect, that restrictive monetary policy alone, in some countries, was a major contributor to depressed aggregate demand. Compounding the problem, however, was that monetary restrictiveness was not paralleled by similar fiscal discipline. In some industrialized countries growth in budget deficits combined with the restrictions in money growth, placed upward pressure on interest rates while the magnitude and rapid changes on current account balances resulted in volatility in foreign exchange markets, unprecedented since the early 70's. The economic and trade situation in many developing countries also caused concern as they were not able to obtain enough financing to sustain the growth of imports needed to achieve satisfactory domestic development.

2. There is considerable uncertainty as to whether the restrictive policies initiated during 1980-81 will be eased during the coming year. Consequently the growth prospects, the unemployment situation and so forth, for major industrialized countries are clouded. Generally, however, some degree of GNP growth is expected while continued, fairly rapid, growth in labour forces, combined with expected comparatively mediocre growth in industrial production is projected to result in further increases in unemployment rates.

3. The unexpectedly high rate of GNP growth (8.6 per cent) in the first quarter of 1981 in the United States was completely reversed in the second and third quarter (-1.6 per cent and -0.5 per cent respectively). It is not believed that a substantial improvement will occur before the end of year and prospects for the first few months of 1982 are still very uncertain. Inflation rates increased in the third quarter to an annual rate of 9.4 per cent as measured by the GNP deflator. The rate of inflation for the year as a whole is expected to be around 10-12 per cent, with a forecast drop for next year. Unemployment by the end of the year is expected to be around 8 per cent of the work force but as the economy is expected to pick-up sometime in the first six months of 1982, unemployment rates should start to recede as well as the still very high interest rates.
4. In contrast to many other industrialized countries the Japanese economy has been very successful. GNP is projected to increase by 4.7 per cent in fiscal year 1981/1982 and indications so far are that the target will be met. Compared to other countries, Japan's inflation rate (5 per cent) and unemployment rate are relatively low. Inspite of forecasts to the contrary, exports have risen substantially (13 per cent by September 1981 compared to year earlier) while imports rose by only 0.5 per cent. For the year as a whole a trade surplus of $10 billion is expected while the current account surplus has been revised to an estimated $23 billion. No substantial changes are as yet expected for the next fiscal year.

5. According to projections made in July 1981, the prospects for the Canadian economy for the next 9-12 months are improving compared to the last couple of years. Real disposable income is expected to strengthen somewhat, thus sustaining consumer demand. Business investment is expected to continue relatively strongly, although some indicators pointed to some deceleration in 1981 in the growth of real investment. Some improvement in productivity performance should occur as a result of an expected pick up in GDP growth. Unemployment rates are not expected to change substantially while an improvement in inflation rates currently does not seem likely.

6. During the first half of 1981 real incomes declined in most of the countries of the European Economic Community. In those where increases were recorded, they were generally of a magnitude of less than one per cent. The consensus of opinion, however, is that the low point of the business cycle was experienced during the first half of 1981, improvement (although weak) is expected to be recorded in the latter half of the year and in 1982. Trade balances, due to currency adjustments and to weakened domestic demands, generally improved in 1981. Also, inflation rates appear to have abated during the latter half of 1981 and are expected to be around 10 per cent for the year as a whole. In 1982 they are expected to decrease further. The unemployment situation, however, worsened in 1981 and registered more than 9 million persons at the end of August, 8.3 per cent of the working population. The unemployment rate varies considerably, though, from one member State to another, for instance Belgium had registered a rate of 12.6 per cent in August while the unemployment rate in Luxembourg was 0.9 per cent and that of Germany 4.9 per cent. It is feared that the unemployment situation will worsen further in 1982.

7. As in many other countries, the economic situation in Argentina remained difficult in the first three quarters of 1981 and no substantial improvements are foreseen before the end of the year. GDP for the first half of the year fell by 1.6 per cent compared to year earlier with the largest fall in manufacturing industries' output (9.7 per cent) while agricultural output, boosted by a record grain and oilseed harvest, increased by 7.1 per cent. The trade balance, however, has improved markedly this year (from a deficit of $2.5 billion last year to a surplus of $300 million in the second quarter of 1981 and an expected surplus of $1.1 billion for the year as a whole) and it is
expected that exports will total around $10 billion compared to $8 billion in 1980 while imports should fall to around $8.9 billion, a decrease of $1.6 billion compared to year before. According to the Ministry of Economy, Budget and Finance this is due to the elimination of the overvaluation of the peso vis-à-vis the US dollar and to certain export incentives by the government. It is estimated that economic activity will be 2 per cent lower in 1981 than year earlier but that for the period of 1982-1984 a cumulative economic growth of 6 per cent will occur.

8. In Australia the financial year 1980/81 was considered to be a very good year in terms of recent experience. The rate of inflation, as measured by the CPI, fell, as did the rate of unemployment (to 5.2 per cent of the workforce in June 1981). Private investment expenditure rose by a substantial 17.7 per cent while at the same time non-farm product experienced the highest growth for seven years. Financial year 1981/82 is foreseen to show generally the same positive development with a forecast GDP growth of more than 3.5 per cent and employment growth of around 2 per cent. However, no substantial drop in unemployment rates are foreseen at this time. It is believed that inflation rates will be kept to less than 11 per cent and that growth in the money supply will be near the target range.

9. In New Zealand the current external deficit is forecast to widen further in 1981 and 1982 to 5 per cent of the GDP (from 3.75 per cent in 1980) as a result of slower export and faster growing import volumes. Employment is expected to grow by about 1 per cent in 1981 and 1982 due to a output growth, but the rate of inflation is expected to remain high this year and possibly at least part of next year. A 10 per cent acceleration in fixed investment is expected for the year as whole, a development which is forecast to continue next year.
II. INTERNATIONAL SITUATION AND OUTLOOK IN THE BOVINE MEAT SECTOR

(a) Situation

10. The international beef market in 1981 was dominated by the continuation of weak import demand in the three largest "traditional" beef-importing countries: the United States, the European Economic Community, and Japan. In all three of these markets consumer demand for beef remained weak, due to, in the United States and the EEC, a continuation of recessionary tendencies in their economies, and in Japan, large supplies of competitive meats. Moreover, increased domestic production of beef and veal in the United States, Japan, and certain EEC countries (notably France and West Germany) together with the impact of increased production of competing meats further depressed import demand for beef in these countries.

11. The continued weakness of import demand on the part of these three major beef importers coincided with an increase in export availabilities on the part of several major beef exporting countries (particularly Brazil and Uruguay). Consequently, during 1981 there was a continuation of the shift in trade flows away from the traditional importers to markets in the Middle East, in North and Western Africa and to the Soviet Union. However, this expansion of exports was accomplished only with lower average export prices in almost all the exporting countries. Therefore producer returns in these exporting countries, as they were in the major importing countries, have averaged below 1980 levels during 1981.

12. The reduction in Australia's exports relates to lower export prices, particularly in the United States, and reduced domestic beef and veal production. While production in 1981 declined, exports fell by a greater percentage resulting in higher domestic consumption. It would appear that the rise in the value of the Australian dollar relative to other major currencies also affected export returns. Australia experienced a decrease in its share of both the North American and Japanese markets and its scope for entry into other markets continued to be limited by quantitative import restrictions. However, Australia increased its exports to the Asian region, notably South Korea and Taiwan. A larger share of New Zealand's exports went to North America and Japan and New Zealand increased its share in both these markets. The unexpected rise in New Zealand's exports for the year October-September 1980/81 relates in part to the rise in domestic production levels but also to the depreciation of the New Zealand dollar relative to other major currencies, particularly the US dollar.

13. The shift in trade flows away from "traditional importers" to the recently expanded markets relates primarily to the exports of the three major South American exporters. Argentina has been particularly significant in this regard. Exports to the Soviet Union and Egypt should account for about 57 per cent of Argentina's exports in 1981,
compared to 46 per cent in 1980, and 18 per cent in 1979\(^1\). This expansion coincided with its decline in exports to *inter alia* the European Economic Community and Brazil (these two markets (including Greece) accounted for 50 and 32 per cent of Argentina's frozen beef exports in 1979 and 1980 respectively, and are estimated to account for only about 19 per cent in 1981). Argentina's overall exports are expected to stabilize in 1981, arresting the downturn which had occurred since 1978. The development of new markets, counterbalancing to some extent the previous decline in exports which arose in part from competition from subsidized exports on certain markets, have been important in this regard, but also important has been the rise in beef production levels and the substantial devaluation of the peso which occurred during the first half of 1981.

14. Uruguayan exports, as had been expected, increased dramatically in 1981 (they are expected to total nearly 200,000 tons, almost double 1980 levels). The increase is related in large part, to the marked increase in domestic beef production as producers trimmed herds in the face of reduced market prices and escalating production costs. Brazil and Egypt were the major markets for Uruguayan exports in 1981; combined they are expected to account for about 70 per cent of exports. However, Uruguay has also successfully developed other markets, particularly in West Africa\(^2\). Brazilian exports are also expected to increase substantially in 1981. The major part of Brazil's exports were still of cooked and canned beef and the most important markets continued to be the EEC and the United States. However, Brazil's frozen exports also increased, with a significant increase in exports to the Soviet Union. Brazilian exports in 1981 have been stimulated, in part, by government incentives and by the removal of an export tax early in the year; however, increased production and reduced domestic demand for beef (arising from increased supplies of competitive meats) increased export availabilities.

15. Exports by the traditionally large importing countries, particularly the EEC and the United States remained high in 1981. The United States, the world's largest beef importer, is expected to export nearly 100,000 tons of beef and carcass weight equivalent of live cattle. The major markets for its (high-quality) beef were Canada and Japan, but significant increases occurred in exports to the EEC and Saudi Arabia. It appears that a downturn in the EEC's "exportable surplus" may have begun in 1981 (production in Ireland, one of the EEC's major exporters, is estimated to decrease by at least 20 per cent); however, production is still believed to have substantially exceeded

\(^1\)Argentina signed trade agreements with both these countries in 1981. The Agreement with the Soviet Union calls for delivery of between 60,000 and 100,000 tons (product weight) of beef, annually, during 1981-85 inclusive. That with Egypt calls for the delivery of up to 32,000 tons of beef and 4,000 tons of beef liver annually to March 1984.

\(^2\)Uruguay apparently has an agreement to sell 25,000 tons of beef to Ghana during the next two years, with the first delivery of 6,000 tons due in November, 1981.
consumption requirements in the two largest beef consuming countries of the EEC, France and West Germany. Therefore, although EEC's exports are expected to decline 9 per cent below the 1980 level in 1981, they would still be twice the average level for the 1976-79 period. This would mean that the EEC would be the world's second largest beef and veal exporter for the second year in a row.

16. The growth in imports by the Soviet Union and Egypt in recent years, and in particular in 1981, is a development worthy of comment. Soviet beef imports in 1981 are forecast to total 450,000 tons, which would be 65,000 tons, or 17 per cent, more than in 1980. If so, this would make the Soviet Union the second largest beef and veal importer in the world. The increase in imports by the Soviet Union (primarily from Argentina, the EEC, and certain East European countries) is apparently related to shortfalls in domestic production from targeted levels. However, it must be seriously questioned whether the Soviet Union would have been as significant an importer if international beef price levels had not been as depressed as they have been in the past two years. Past experience suggests that the Soviet Union is a very price sensitive market. Further growth in the market, therefore, would be uncertain, should international beef prices recover.

17. Egypt's total red meat imports (the majority of which is believed to be beef) are projected to total 120,000 tons in 1981, which would be 33 per cent more than in 1980 and 90 per cent more than in 1979. Although the substantial rise in Egypt's meat imports relates in part to increased population and income, it is largely related to governmental food policy aimed at ensuring adequate supplies of basic foodstuffs for the low-income population through systems of rationing, official retail outlets and subsidization of retail prices. For the fiscal year ended June 30, 1981, consumer subsidies on foodstuffs totalled US$3 billion, of which US$240 million was for meat products. Consequently, the increase in meat imports relates in large part to the fact that retail prices encouraged consumption that was well in excess of domestic production.

(b) Outlook

18. It would appear that 1981 was a year of supply adjustments in the major traditional beef importing countries (the United States, Japan, the EEC, and Canada). That is to say that beef producers in these countries were adjusting herd growth plans in reaction to reduced demand and increased production costs, not only in the current but in preceding years. The consequent high levels of beef production (as producers continued to dispose of breeding stock), combined with the reduced beef demand, decreased their import requirements. Inasmuch as it would appear that these adjustments were completed in 1981, or will be in early 1982, beef production levels are expected to stabilize (in the case of the EEC to decline) during 1982. This alone would suggest some improvement in prices and import demand in these countries. The outlook for consumer beef demand is uncertain and varies from country to country; however, at best, little more than modest improvement in demand is expected.
19. Import demand in the North American and Japanese markets in 1982 should improve. In Canada and the United States the production of manufacturing-quality (cow) beef is expected to stabilize early in the year and then decline modestly as a result of reduced industry costs (primarily feed costs) which is expected to precipitate withholding of cattle from the market. This, combined with some improvement in demand should cause some improvement in import demand and prices. Production of manufacturing quality beef in Japan is expected to remain high in 1982; however some demand improvement is expected. Exports from Australia and New Zealand are expected to be at about the same level in 1982 as in 1981 and, if developments in Japan and North America evolve as expected, prices should improve somewhat.

20. The supply-demand balance for beef and veal within the EEC is expected to improve further in 1982. Specifically, decreased production is expected in the more important beef consuming countries of the EEC. Consequently, a simultaneous reduction in exports and increase in imports are expected. The consensus of opinion is, however, that both movements will likely be modest. Therefore, exporting countries, to which, in the past the EEC was a major market, will again be required to export to other markets. Exports by Argentina are forecast to increase modestly in 1982 with the preponderance of exports again going to the Soviet Union and Egypt. It is uncertain at this time however, whether the average dollar value of exports will increase from the sharply reduced levels of the third quarter of 1981. It is not clear at this time whether Uruguay will be able to maintain its level of exports in 1982 at the 1981 level, but exports will be well above the average level of 1976-79.

21. In summary, therefore, it would appear that the level of trade (as measured by exports) will increase in 1982. Imports by the major traditional importing countries are expected to increase somewhat, which should have a positive influence on prices of internationally traded beef and veal. However, imports by the "newly expanded" markets (particularly the Soviet Union and Egypt) are expected to remain high and be of crucial importance to several major exporters.
III. COUNTRY-BY-COUNTRY ANALYSIS

(1) Cattle numbers

22. In the United States cattle numbers at 1 July 1981 totalled 125 million head, 1.6 per cent higher than year-earlier. Beef cow numbers totalled 40.17 million, 2.2 per cent higher than year-earlier. These numbers suggest a significant slowing in the rate of herd rebuilding relative to that which had been experienced over the previous year and a half. The cause is relatively clear: producer returns have been squeezed by a weak market and rapidly escalating costs. As this situation persisted through most of 1981, it is likely that year-end inventory will show very little growth from 1 January 1981; an indication of liquidation is even possible. For 1982 a modest increase in growth rates is possible, consistent with expected similarly modest improvements in market conditions and/or reductions in industry costs.

23. In Japan the last available census of cattle numbers is that of 1 February 1981. At that time, cattle numbers totalled 4,385,000 head, 3.2 per cent higher than year-earlier. Wagyu cattle numbers increased 2 per cent, dairy steer numbers increased 12 per cent, and dairy cow numbers increased by 2.5 per cent. The growth in Wagyu numbers was expected due to governmental encouragement of this sector of the industry. The growth in dairy steer numbers reflects, in part, the preceding growth in dairy cow numbers, but also a reduction in calf slaughter. It appears likely that growth in the cattle herd continued in 1981; however, growth in 1982 is less certain and will depend on continued assistance to both the beef and dairy sectors.

24. The Canadian cattle herd totalled 13,866,600 head at 1 July 1981, unchanged from year-earlier. Beef cow numbers totalled 3,877,500 head, a decrease of 1 per cent. The cessation of herd rebuilding was expected as producers' returns had decreased sharply in the latter half of 1980 and in the first half of 1981. Market prices declined through this period and costs escalated rapidly. Moreover the grain economy, which has been relatively strong, appears to have attracted some producers away from cattle enterprises. By year's end, a slight upturn compared to year earlier is expected, the cattle herd totalling some 12,470,900 head. In 1982, a resumption of herd growth, although modest, is projected based on some improvement in market prices and some subsidence of industry costs.

25. The cattle and calf herd in South Africa appears to have stabilized in 1981 after having decreased rather sharply in the years since 1978. At 1 August, 1981 cattle and calves were estimated to total 8,482,000 head, a decrease of only 0.2 per cent from one year-earlier. Sharply higher returns are believed to have encouraged producers to cease herd liquidation. A modest uptrend in cattle numbers is foreseen for the next two years, with numbers in 1982 forecast to return to their 1980 level.
26. Cattle and calf numbers in the European Economic Community (of 10) are forecast to show a decrease of 1 per cent (to 77,398,000 head) at December, 1981. This would be the second year of decreases of cattle numbers in the Community (ten member states), and would return them to levels roughly equivalent to those which existed from 1975-77. Cattle numbers in the Community (of 10) have been remarkably stable since 1975; in fact, despite the increase in total numbers which occurred from 1977-79, there has been a fairly consistent downturn in cow numbers since 1974, a downturn which accelerated in 1980, and, apparently, in 1981. This latter factor suggests that little growth in total numbers can be foreseen in the medium term.

27. Cattle and calf numbers in Finland are forecast to total 1,660,000 head at 15 December, 1981, which would be a modest (0.2 per cent) increase from December 1980. This increase would be the fourth consecutive year of increase. It would occur despite projected further decline in dairy cow numbers (reflecting measures taken to discourage milk production).

28. Cattle and calf numbers in Austria in June 1981 totalled 2,520,900 head, 0.4 per cent more than one-year earlier. Cow numbers totalled 970,400 head, slightly above the 1980 level but well below that of 1979. This modest uptrend in cattle numbers is forecast to continue.

29. As was expected, cattle and calf numbers at 1 April 1981 showed a substantial decrease in Switzerland. Cattle and calves totalled 1,954,300 head (of which 65 per cent were dairy cows and heifers) a decrease of 3.8 per cent from year earlier. Adult cattle totalled 1,340,500 head (down 3.4 per cent) while calves totalled 613,800 head (down 4.5 per cent). This sharp decrease in cattle and calf numbers is apparently mainly related to adverse weather conditions during the first half of 1980 which forced a massive slaughtering of, in particular, cows. It is believed, however, (and the sharp decline in cow and heifer slaughter in 1981 would tend to confirm) that there will be some expansion of numbers in 1982 (an increase of 3 per cent is expected in the April 1982 herd estimates), but that this increase will not be sustained in subsequent years.

30. Australian cattle numbers at 31 March 1981 totalled 25,170,000 head, an unexpectedly large decrease of 4 per cent from year-earlier. Of this total, beef cattle and calves comprised 22,806,000 head, 4.3 per cent below year-earlier. Reduced returns to cattle producers, unfavourable weather conditions, and relatively better returns in the sheep and grain industries appear to be the principal causes of the reduction. Although the adverse economic circumstances continued for Australian producers in 1981, it is believed that the rate of herd liquidation slowed down since the drought conditions, which plagued the industry in recent years, have ceased. For 1982 little change in cattle numbers is expected and a slight increase is expected for 1983, subject to more certainty in market access arrangements and improved export prices.
31. Cattle numbers in Argentina in June, 1981, totalled 55,000,000 head, a decrease of 2 per cent from year-earlier. All categories of beef cattle decreased. This was the fourth year of decrease in the Argentinian cattle herd (a trend which is expected to continue in 1982 when cattle numbers are forecast to total 54,000,000 head, a further 2 per cent decline). The continuation of the downtrend relates largely to the downturn in producer prices since mid-1980, combined possibly with the effects of cost increases, a downturn which seems to have accelerated in 1981.

32. Cattle numbers at 30 June 1981 in New Zealand were estimated at 8,300,000 head, an increase over year earlier of some 1.7 per cent. Dairy cows are estimated to have increased to 2,030,000 head (from 1,994,000 head) and beef cows to 1,900,000 head (from 1,891,000 head). In view of the forecast slaughter rates, no substantial changes are foreseen for the rest of the year.

33. Cattle and calf numbers in Uruguay at 30 June 1981 totalled 11,357,000 head. This was 1.7 per cent higher than one year-earlier, and 13.6 per cent higher than in 1978 when the expansion period began. It represents a substantial slowing down of expansion of cattle numbers, however, as the 1980 increase was 8.5 per cent. Slowing down of herd expansion appears to be a product of the reduced market prices in 1980 and 1981 and of an apparent sharp escalation of costs. These factors bring into question the further expansion of the Uruguayan cattle herd in the coming years.

34. The most recent census of cattle and calf numbers in Hungary is that of 1 January 1981. At that time numbers totalled 1,918,000 head, which was 1.6 per cent below one year earlier. 1980 was the second year of reduction of cattle numbers in Hungary.

35. Total cattle numbers on State and collective farms (roughly seventy-five per cent of the national herd) in the USSR on 1 August 1981, at 93.8 million heads, were 0.8 per cent higher than year earlier, confirming Soviet Union's hitherto successful attempts to keep the cattle herd intact in spite of the difficult feed situation in the country in the last few years. If no substantial negative changes in the feed situation occur in the short to medium term, the USSR cattle herd can be expected to be maintained at roughly the same level throughout the coming winter.

(ii) Cattle Slaughter

36. Cattle and calf slaughter in the United States totalled 14,867,000 head for the first 5 months of 1981. For all of 1981 it is expected to total 37,485,000, 3 per cent more than in 1980. This unexpectedly high slaughter level reflects the increased rate of disposal of female stock in the face of sharply reduced producer returns over the last year and a half. It also reflects the entrance on the market of animals from the increased 1980 calf crop. There is considerable uncertainty regarding slaughter levels in 1982 as it is not known how strongly producers will
respond to the anticipated modest improvement in returns. Assuming that cattlemen maintain the slow rate of herd expansion, slaughter levels in 1982 should be little changed from those in 1981, the decrease in marketings of breeding stock being counterbalanced by the increase in the 1981 calf crop.

37. Sharp increases in slaughter of both dairy cows and dairy steers in Japan resulted in an overall marked increase in cattle slaughter during the first half of 1981. Cattle slaughter totalled 620,000 head (up 13.4 per cent). Dairy cattle slaughter increased 23 per cent while Wagyu cattle slaughter declined 6.5 per cent. The increase in dairy cow slaughter reflects efforts to discourage milk production in the face of high production and low milk prices. The decreases in Wagyu cattle slaughter reflects efforts to increase Wagyu cattle numbers. The 14 per cent drop in Wagyu cow and heifer slaughter in the first half of 1981 (following a 15 per cent decline in 1979 and a 23 per cent decline in 1980) indicate a buildup in the breeding component of the Wagyu herd. It is believed that cattle slaughter in Japan will remain high at least through early 1982.

38. Cattle slaughter* (inspected) in Canada totalled 1,776,500 head for the first six months of 1981, an increase of 6 per cent. In fact, however, perhaps only half of the increase was due to increased domestic marketings. The other half was due to a sharp increase in imports of live cattle from the United States. As in the United States the major cause of the increase in domestic marketings was increased disposal of female breeding stock combined with a cyclical increase of the calf crop in 1980. Since price-cost relationships are expected to improve only moderately during 1982 female cattle kill is expected to decrease only slightly, and may be largely offset by the preceding cyclical increase in the calf crop. For the year as a whole total slaughterings are expected to show an increase of 3.7 per cent, to 3,529,200 head. However, for 1982 a decrease to 3,490,000 head is forecast.

39. Cattle and calf slaughter in South Africa during 1981 is not expected to experience as sharp a reduction as earlier feared. Even so, the estimated decrease is still substantial: slaughter is expected to total about 2,000,000 head, a decrease of 21.5 per cent from 1980 (for the first 6 months of 1981 slaughter totalled 947,000 head, a 30 per cent decrease from year-earlier). The decrease reflects both the decrease in the cattle herd which has occurred since 1978 and the withholding of breeding cattle to expand herds. Corresponding with the modest growth expected in cattle numbers, cattle slaughter is expected to increase in each of the next two years.

40. Slaughter of bovine cattle and calves in the European Economic Community is estimated at 28,000,000 head (10 member states) in 1981, a decrease of 2.9 per cent from year earlier level (however, as the

*Includes US live imports for immediate slaughter
comparison is made with figures from 9 member states, (figures for 10 member countries are not available), it would appear possible that the correct figure is somewhat different). It is estimated that all categories in the slaughter mix has decreased in 1981, cow and heifer slaughter totalling 11,000,000 head (down from 11,341,000 head in 1980), adult male cattle totalling 10,350,000 head (compared to 10,619,000 head in 1980) and calf slaughter down from 6,869,000 head in 1980 to 6,650,000 head in 1981. In 1982, slaughter rates are forecast to continue decreasing.

41. Cattle slaughter in Finland totalled 275,500 head during the first six months of 1981, 6 per cent higher than year-earlier. Calf slaughter totalled 41,300 head, 15 per cent below year-earlier. While increased steer and bull slaughter was the major contributor to the increase in cattle slaughter during the first 6 months, it is expected that cow slaughter will increase substantially during the second half of the year owing to measures which have been taken to discourage milk production. Thus for the year as a whole, slaughter should average above year-earlier.

42. A sharp increase in cow slaughter (of 6.7 per cent) in Switzerland in 1980 was largely responsible for a significant increase in overall cattle and calf slaughter (3.7 per cent) in that year. The increase in cow slaughter was largely due to adverse weather conditions early in the year. In 1981, however, the trend has reversed sharply. For the first nine months of the year cow and heifer slaughter decreased 13.4 per cent relative to year-earlier, while total slaughter declined 9.5 per cent. For the year as a whole slaughter is forecast to decline 7.9 per cent. The decrease seems to be related largely to the efforts to rebuild cattle herds by withholding breeding stock from the market. For 1982, slaughter is forecast to rise significantly (by 5 per cent) but is expected to decline again in 1983.

43. Cattle and calf slaughter continued to decline during 1981 in Australia. For the first three quarters of 1981 cattle slaughter decreased 8.8 per cent (to 4,939,700 head) and calf slaughter decreased 2.5 per cent (to 1,222,200 head). A slowing in the rate of inventory reduction and improved weather conditions both appeared to play roles in the reduction. For the year as a whole, total slaughter is currently estimated at 8,180,000 head, a decrease of 7.5 per cent compared to 1980. For 1982 slaughter is forecast to decrease further to 7,700,000 head.

44. Cattle and calf slaughter in Argentina during the first half of 1981 totalled 7,657 000 head, 7.7 per cent higher than in the same period of 1980 and for the year as a whole is forecast at 15,150,000 head, a 8 per cent increase from year earlier. The increase appears to reflect a continued slowing of herd expansion (in the face of a rather sharp downtrend in producer prices during the first half of 1981), since the major part of the increase resulted from increased cow, heifer, and calf slaughter. No major uptrend in producer prices is currently foreseen; consequently the rate of disposal of female stock should remain relatively high.
45. For the first ten months of its 1980/81 season (ended 30 September) cattle slaughter in New Zealand increased by 3.4 per cent (to 1,881,000 head). The increase was primarily due to increased cow slaughter (up 12.5 per cent), while steer and heifer slaughter decreased. It is not yet clear whether the increase in cow slaughter represents a trend to slower rates of growth in cattle inventories, therefore the outlook for slaughter levels in 1982 is unclear.

46. Uruguay has experienced a dramatic increase in cattle slaughter in 1981, a continuation of the uptrend evident in 1980. For the first nine months of the year slaughter totalled 1,629,000 head, 34.8 per cent higher than year-earlier. For the year as a whole slaughter will likely exceed 2,000,000 head, at a minimum 25 per cent more than in 1980. The Uruguayan cattle industry has been in a state of rapid expansion since 1978 (cattle numbers increased by 13.6 per cent, or 1,356,000 head between June 1978 and June 1981, an annual rate of increase of 4.5 per cent). The effect of this expansion in terms of increased cattle slaughter and beef production began to be evident during the second half of 1980. The expansion was fuelled by a rapid escalation of producer prices through 1978 and 1979. However, as production levels rose during 1980, market prices began to fall. For cattle producers the fall in market prices aggravated a deteriorating situation arising from rapidly increased production costs. The reaction has apparently been to slow down herd expansion, which has placed substantially more breeding stock on the market (cow and heifer slaughter during the first nine months of 1981 increased by 45 per cent, and was nearly three times that of 1978) and has accentuated the price decline. This may suggest that 1981 will be the "peak year" of cattle numbers in Uruguay, and that the cattle herd and slaughter levels will stabilize or even possibly decline somewhat over the next few years.

47. Cattle slaughter in Hungary during the first six months of 1981 totalled 203,300 head, down 2.7 per cent from the same period of 1980. For the year as a whole slaughter is forecast to total 420,000 head, which would be a 7.8 per cent decrease from 1980. Calf slaughter in 1981 is forecast to total 6,200 head, an increase of 6.9 per cent from the sharply reduced 1980 levels. The reduction of cattle slaughter in Hungary is related primarily to the reduction of cattle numbers since 1979, combined with the increase in live cattle exports expected in 1981 (to 150,000 head which would be an increase of about 14 per cent).

(iii) Production*

48. Beef and veal production in the United States in 1981 is expected to increase by 3-4 per cent (to 10,208,000 - 10,300,000 tons) relative to 1980. For the period January-July 1981, beef production totalled 5,805,600 tons and veal production 103,400 tons, 4.3 per cent and 8 per cent above year-earlier, respectively. During that period there was no change in average carcass weights relative to year-earlier, therefore production increased approximately in proportion to the increase in

*When not otherwise stated "tons" refers to metric tons and carcass weight.
slaughter. Since slaughter levels are expected to average at about the same level as in 1981 during 1982, similar stability is expected in beef and veal production.

49. From a total of 418,000 tons in 1980, it is expected that beef production in Japan will show an increase of about 12-14 per cent (to 468,000 - 476,000 tons) in 1981. For the first six months of 1981 beef production increased by 16.8 per cent (to 215,000 tons) relative to the first half of 1980. Veal production was unchanged. This rise in production during January-June was 3.3 percentage points more than the increase in cattle slaughter reflecting, particularly, the substantive rise in dairy steer carcass weights. Dairy beef production during this period rose 26.3 per cent while Wagyu beef production fell 40 per cent. It is expected that beef production will again rise in 1982, but the rate of increase is expected to be considerably less than in 1981.

50. Beef and veal production in Canada is estimated to total 1,002,600 tons in 1981, a 3.2 per cent increase from 1980. The estimated increase in production is, however, less than the estimated increase in cattle slaughter. Average carcass weight decreased due to a larger proportion of cows in the slaughter mix and to unfavourable cattle prices and high feed costs, which reduced feeding periods for steer and heifers in feedlots. Slaughter weights in 1982 however are expected to rise, and the expected increase in production should reflect the decline in slaughter.

51. As with cattle and calf slaughter, beef and veal production in South Africa has fallen sharply in 1981. For the first six months production totalled 201,200 tons, a decrease of 25 per cent, and for the year as a whole is expected to total only 399,500 tons, 21 per cent less than in 1980. It is, however, believed that 1981 will be the "low year" of this cattle cycle, as production is expected to expand in each of 1982 and 1983.

52. Brazilian beef production is estimated to total 2,250,000 tons in 1981, a substantial 5 per cent increase from 1980. This would be the third year of increased production in Brazil. The uptrend is expected to continue for some years.

53. Beef and veal production in the European Economic Community (of 10) is expected to decline by 2 per cent in 1981 (to 6,991,000 tons) from the record 1980 level. This would be the first year of decreased production in the Community since 1977. This decrease is forecast despite expected increases in beef and veal production in the Community's two largest producers: France and West Germany. Substantial decreases in Ireland and the United Kingdom are, however, expected to more than offset increases in other countries. It should be noted that the increases in beef and veal production which occurred in the Community from 1977 to 1980 occurred despite relative stability in cattle numbers. Apparently this relates to the significant increase in cow slaughter, attendant to the problem faced in the dairy industry, and to a significant decline in calf slaughter as calves were held for slaughter at maturity (calf slaughter declined in 1980, and is believed to have declined at a much more substantial rate than total slaughter
in 1981, particularly in France and Italy). These factors suggest that, the Community is entering a "longer-term" period of decreased beef and veal production.

54. Beef and veal production in Finland totalled 58,050 tons (of which 570 tons was veal) during the first six months of 1981, 7 per cent above year-earlier. Production for the year as a whole is expected to total about 115,000 tons, which would be 1.2 per cent above 1980. This would be the third year of increased production in Finland; production in 1981 would be about 10 per cent higher than the 1978 low.

55. Beef and veal production in Switzerland has followed the same trends as those in cattle and calf slaughter. Production for the first nine months of 1981 totalled 112,400 tons (of which 84,000 tons were beef and 28,400 tons were veal), a decrease of 10.7 per cent relative to 1980 (11 per cent for beef, 10.1 per cent for veal). For the year as a whole production is forecast to total 156,000 tons, 7.3 per cent below 1980. As with cattle slaughter, production is forecast to rise substantially in 1982 (to 166,800 tons, or by 7.0 per cent).

56. Australian beef and veal production is expected to decline again in 1981. During the first three quarters of the year production totalled 1,085,000 tons, a decrease of 8.5 per cent relative to 1980. Production was down less than slaughter due to slightly higher slaughter weights this year compared to last. Production for the year as a whole is expected to decline by 7 per cent to 1,433,000 tons. A further, but smaller, decline is forecast for 1982.

57. Beef and veal production in Argentina during the first six months of 1981 totalled 1,514,000 tons, 5.1 per cent higher than year earlier. For the year as a whole production is expected to total 2,975,000 tons, 3.4 per cent higher than year-earlier. Lower average carcass weights (because of an increased proportion of cows in the slaughter mix) has resulted in production rising at a slower rate than slaughter. For 1982 production is again expected to fall, consistent with the anticipated decline in slaughter.

58. Beef and veal production in New Zealand for the year October-September 1980/81 is estimated to have increased by 1-2 per cent (to about 500,000 tons) relative to 1979/80. This increase is believed to be less than the increase in slaughter as average carcass weights declined due to an increase in cows as a proportion of total slaughter.

59. Beef and veal production in Uruguay will almost certainly exceed 400,000 tons in 1981 indicating, at a minimum, a 25 per cent increase over 1980 production levels. For the first nine months of 1981 production totalled 332,000 tons, 35.5 per cent more than for the same period of 1980. The increase in production experienced during the first nine months of 1981 roughly parallels, in proportionate terms, the increase in slaughter.

60. Beef and veal production is expected to fall roughly in proportion to cattle slaughter in Hungary in 1981. Production is forecast to be
123,700 tons in 1981 (of which 100 tons would be veal), 7.1 per cent below 1980. For the first six months of the year production totalled 59,600 tons, 5.2 per cent below year-earlier.

61. Total meat production January-August 1981 in the Soviet Union amounted to 9.81 million tons, an increase of 2 per cent compared to year earlier. Poultry meat production showed the greatest increase with 9 per cent (to 1.15 million tons) whereas pork production and beef production increased by 3 per cent and 0.1 per cent respectively (to 2.43 million tons and 5.72 million tons respectively). Sheep meat production declined slightly or by 0.1 per cent to 515,000 tons. The target for total meat production in 1981 has been set at 16 million tons but it is believed that the production level will fall short of the target by around 800,000-900,000 tons, mainly because of insufficient feed supplies and consequent lower slaughter weights. Bovine meat production may, however, equal or slightly pass last year's production.

(iv) Stocks

62. Stocks of bovine meat in Canada are expected to remain at about the same level as year earlier (31,800 tons). Most of this meat is beef (30,700 tons) and all of the stocked meat reported are held in private stocks. A slight increase in stocks is forecast for the end of 1982.

63. In South Africa, publicly held stocks of bovine meat are not likely to be large at the end of 1981 in view of the production situation. At the end of the second quarter they amounted to 1,600 tons and at the end of the year it is believed that they will be lower still or around 1,000 tons.

64. Total stocks of intervention beef in October 1981 in the European Economic Community amounted to 169,917 tons (product weight), a decrease of some 28 per cent compared to year earlier (235,482 tons). Of the total 102,705 tons were bone-in beef and 65,212 tons (product weight) were boneless beef. The highest stocks were kept by France (60,877 tons, product weight and slightly higher than a year earlier).

65. Beef stocks in Finland at mid-1981 totalled 6,500 tons, 2,000 tons more than year-earlier. The increase reflects the sharp rise in beef production.

66. Public stocks of bovine meat in Switzerland are generally not important in volume (figures for private stocks are not available). In the last few years the largest stock volume was recorded in 1979 with 11,100 tons. For 1981 end of year stocks are estimated at 1,400 tons and for 1982 it is forecast that stocks will be around 2,000 tons.

67. Bovine meat stocks (held in store for exports) in Australia stood at 48,000 tons at the end of June, 10,000 less than year earlier but 29,000 less than in 1979, giving an indication of decreased production and export availabilities. Year end stocks are not expected to reach last year's closing stocks (50,000 tons).
68. Total stocks in Uruguay at 30 September 1981 amounted to 16,000 tons, roughly the same as year earlier (17,000 tons). End of year stocks are likely to be somewhat smaller than third quarter stocks.

69. Public stocks in Hungary are estimated to amount to 1,300 tons at the end of 1981, the lowest level since 1977.

(v) Prices

70. Cattle prices in the United States during 1981 were disappointing, averaging below year-earlier levels throughout most of the year (for the first 10 months of 1981, choice steers (408-499 kgs., liveweight) at Omaha averaged US$143.27 per 100 kgs. compared to US$148.86 during the same period of 1980). A mid-year upturn in fed cattle prices proved to be related only to seasonal demand strengthening and as the summer season passed prices relapsed. Cow prices and therefore manufacturing-quality beef prices did not even benefit from seasonal demand strength: domestic wholesale cow beef prices averaged below 1980 levels throughout the year. Moreover, imported boneless beef was selling at an unusually high discount relative to domestic manufacturing beef in 1981 and the downtrend in the prices which began in mid-1980 continued throughout 1981. The fundamental cause of weakness in United States' cattle prices has been increased cattle marketings and beef production in combination with stagnant demand. The increase in marketings was primarily of female breeding stock due to the sharp increase in costs of production in the US cattle industry (principally interest and feed costs). While it is expected that cattle prices in the United States will average above 1981 levels during 1982, it is not expected that they will reach the record levels of early 1979.

71. Producer prices in Canada followed similar trends to those in the United States during 1981. Prices averaged below year-earlier levels during much of 1981, and mid-year seasonal strength dissipated in the fourth quarter. Trade with the United States generally holds prices of cattle, beef, and veal (expressed in US$) in Canada within a very wide range around prevailing US market prices. Consequently, the expectation of some improvement in prices in the United States during 1982 also holds for Canada. However the improvement is not expected to be dramatic, nor is it expected that prices will approach the record 1979 level.

72. The sharp decrease in beef production in South Africa in 1981 resulted in correspondingly sharp rises in prices received by cattle producers, which has also resulted in major increases in retail beef prices. The producer price for Grade 1 AX cattle during the first half of 1981 averaged US$2.77 per kg. compared to US$1.65 one year earlier. Retail beef prices rose by over 50 per cent during the first half of 1981.

73. Cattle reference prices in the European Economic Community increased by 5 per cent and 9 per cent respectively in the first two quarters of 1981. It is forecast that these prices will rise by another 4-8 per cent before the end of the year but it is unlikely that it will
be higher than 90 per cent of the guideprice, as the latter is to be increased by 2.5 per cent in December 1981. The average market price for cattle changed very little from 1979 to 1980. However, it would appear that the situation in 1981 suggests an increase of some magnitude (compared to recent years) in cattle market prices as the increase January-July amounted to some 9 per cent.

74. Producer prices in Finland trended downward during the first half of 1981 despite an uptrend in the target price; consequently the spread between the target price and the average producer prices widened. The downtrend in producer prices was reflected at the retail level but retail prices still averaged 1-2 per cent above year-earlier levels.

75. Despite reduced domestic production of beef and veal in Switzerland, beef and veal prices at all levels have averaged below 1980 levels (by about 7 per cent) in 1981.

76. Cattle prices in Australia, led by decreases in prices in the export market (particularly the United States' market), have averaged well-below 1980 levels during 1981. Cow prices were most seriously affected by the weakness in the export market. Prices of cattle destined for the domestic market (i.e. higher grades) were less seriously affected by weaker export markets.

77. The average price of Argentina's beef exports during the third quarter of 1981 dropped sharply relative to both those prevailing during the first half of 1981 and those of one year earlier (the third quarter average price was US$1,477 per ton compared to US$1,697 per ton in 1980).

78. Cattle prices in New Zealand are overwhelmingly influenced by market conditions in the United States. Thus, the weakness in the United States' market during 1981 has been reflected in New Zealand exporters' schedule prices.

79. Cattle prices in Uruguay averaged well-below year-earlier levels during the first nine months of 1981 corresponding to the sharply increased slaughter levels. Export prices, however, were surprisingly strong, averaging at about the same level as one year-earlier. Prices at the producer level have exhibited a downtrend since early 1980.

80. The average minimum guaranteed price for cattle producers in Hungary in 1981 at US$129.90 per 100 kgs. is 7.9 per cent higher than that of 1980. Retail beef prices increased by a comparable amount. At the same time the average price of exported compensated carcass beef decreased by 5 per cent to US$206.00 per 100 kgs.

(vi) Imports

81. Increased domestic supplies of manufacturing - grade beef, weakened domestic beef demand, and increased interest rates substantially reduced the United States' imports of beef and veal in 1981. Imports (subject to the Meat Import Law) totalled 781,336 tons (product weight) for the
first seven months of the year, down 15.5 per cent. For the year as a whole imports are expected to total only about 800,000 tons, compared to 936,000 tons in 1980. Imports occurred on an unrestricted basis throughout 1981, as trigger levels were not exceeded. Australia remained, by far, the largest exporter to the United States in 1981, supplying 45.6 per cent of imports for the first seven months. However, its share of the United States market declined while that of New Zealand increased to 30 per cent for the same period (up from 24 per cent one year earlier). While some increase in the United States demand for imports is expected in 1982, this increase is expected to be subdued: supplies of pork in the United States are now forecast to be somewhat higher than previously expected, interest rates are likely to remain high, and demand is expected to be generally weak.

82. During the first six months of 1981 Japanese imports of beef and veal totalled 84,000 tons, 6.3 per cent higher than the first half of 1980. While Australia remained the largest single exporter to Japan, its share of the market decreased while that of the United States and New Zealand increased. Although Japanese imports will likely increase for the whole of 1981 compared to 1980, they are expected to be below total quota* allocations and also below 1979 levels. This relative weakness in import demand has related primarily to reductions in imports of frozen boneless beef which has reflected the high domestic production (and relatively low prices) of manufacturing grade beef. Supplies of domestic manufacturing grade beef are expected to (at least) stabilize in 1982. This, combined with the possibility of some improvement in demand, suggests that some increase in imports could occur.

83. Canadian imports of beef and veal are expected to increase substantially in 1981 (by 13 per cent to 92,000 tons). For the first six months of 1981 imports totalled 36,800 tons, 22.5 per cent higher than year-earlier. Three-quarters of these imports were from Australia and New Zealand, the rest from the United States. A large part of the increase relates to the fact that domestic manufacturing beef production is relatively low and that exports of this quality of beef to the United States have increased. In addition, hog production has fallen, and consumer demand appears to have improved somewhat. A decrease in cattle prices in the United States, relative to those in Canada, during the first half of 1981, resulted in very heavy importation of finished cattle from the United States and commensurately a drop in live cattle exports. Live cattle imports for the first six months of 1981 totalled 101,000 head compared to only 36,000 head the year before. Canadian imports of beef and veal in 1982 are expected to continue to be

*The beef import quota for April-September 1981, was set at 68,000 tons, 4,000 tons, below the same period of 1980. At this time the amount of the quota for the second half of the Japanese fiscal year is unknown.
relatively strong and are forecast to total 107,000 tons. Although by next year permanent import control legislation is expected to have been enacted, quota restrictions are unlikely unless similar restrictions are imposed in the United States.

84. South African imports of dressed beef and veal totalled 8,200 tons during the first half of 1981, compared with 3,600 tons during the first half of 1980. The majority of this was frozen beef and most was from South West Africa. For the year as a whole dressed beef and veal imports are expected to total 13,000 tons, which would be 21 per cent above those of 1980. Imports of live cattle in 1981 are expected to fall to about 120,000 head (23,600 tons, carcass weight equivalent) from 134,000 head (26,300 tons) in 1980. Live cattle are also imported almost exclusively from South West Africa.

85. Imports of beef and veal into the European Economic Community are estimated to rise by around 9 per cent in 1981 compared to year earlier (from 339,000 tons in 1980 to 370,000 tons in 1981). The accession of Greece, and decreases in local production would account for this expected increase. A further import increase is forecast for 1982. It is expected that the increase will occur mainly in fresh and chilled beef. Imports of cattle are however forecast to decline in 1981 (from 370,000 head in 1980 to 340,000 head in 1981).

86. Beef and veal imports by Switzerland in 1981 are expected to total about 13,500 tons, which would be an increase of 3,900 tons relative to 1980. The increase in imports (most of which will be fresh and chilled and most of which will be from Argentina) is due to reduced domestic production in 1981 combined with continued, relatively strong demand. It is expected that 4,000 head of live cattle and calves (600 tons carcass weight equivalent) will be imported in 1981, all of which will be from France. Rising domestic production of beef and veal in 1982 is forecast to significantly reduce imports.

87. Hungary expected to import about 30 per cent more beef and veal (including carcass weight equivalent of live cattle) in 1981 than in 1980, or 13,600 tons versus 10,400 tons. Of the total, 12,000 tons is expected to be fresh and chilled beef. During the first nine months of 1981, 10,000 head of live cattle (1,600 tons carcass weight equivalent) (from Poland) and 11,400 tons of fresh and chilled beef were imported (3,500 tons from the United Kingdom and 7,900 tons from West Germany). Hungary's imports of dressed beef and veal in 1981 were exclusively fresh and chilled whereas traditionally they have been frozen.

88. The Soviet Union is expected to increase its total meat imports in 1981 compared to year earlier as a result of its domestic production problems. It is estimated that imports will be in the order of 1,000,000 tons compared to imports of 850,000 tons in 1980. A major part of the imports, or 450,000 tons, would be that of bovine meat while sheep, pork and poultry meat would account for 230,000 tons, 140,000 tons and 180,000 tons respectively. The major sources of red meat imports would be East European countries, the European Economic Community, Argentina and Australia.
(vii) Consumption

89. Total beef and veal consumption in the United States is forecast at 10,760,700 tons in 1981 compared to 10,766,500 tons in 1980, a decrease of some 200 grams per person. Weakened domestic demand, due to the economic situation, and cheaper competing meats seem to be the main reasons for the continued decline of bovine meat consumption. An improvement is possible in 1982 if the general economic situation eases.

90. Total consumption of bovine meat in Japan in the first half of 1981 was up by 10.6 per cent (to 298,000 tons). However, compared to the second half of 1980 (331,000 tons) there was a decrease of 10 per cent. According to available data (1976-1980) bovine meat consumption has for the period looked at, increased in the second half of each year. Therefore, it may be assumed that beef consumption may show an increase in the second half of 1981, implying for the year as a whole a rise in beef consumption compared to year earlier.

91. After a decline in 1979 and 1980, consumption of beef and veal in Canada is expected to show a 3 per cent increase in 1981, totalling 1,015,500 tons (42.5 kgs. per person). This is expected to happen in spite of somewhat higher retail prices than year before. In the next two years, and as the economic situation is expected to improve, beef and veal consumption is forecast to increase slowly but steadily, reaching 1,040,500 tons in 1983.

92. Beef and veal consumption in South Africa is forecast to drop sharply from that in 1980 (by 21.3 per cent) in 1981, to 585,000 tons or 21.7 kgs. per capita. A major reason for this decrease is the sharp increases in retail prices which has occurred since the beginning of the year.

93. Total beef and veal consumption in the European Economic Community (of 10) is forecast to again decline in 1981, the second consecutive year of decrease. It is believed that consumption will total 6,920,000 tons, 1 per cent below that of 1980. It is also believed that veal consumption will again fall by more than that of beef. The decreases in consumption in the last two years have been caused, primarily by the economic difficulties faced by the member countries of the Community, i.e. slow income growth, high unemployment, and increased inflation. Part of the decrease, however, also appears to derive from increases in retail beef and veal prices, particularly in 1981. Increased consumption is expected in 1982 but the magnitude of the increase will depend upon the strength of the economic recovery which, at this time, remains very uncertain.

94. Beef and veal consumption in Finland totalled 53,200 tons (11.1 kgs per capita) during the first half of 1981, 5.3 per cent less than year-earlier. This occurred despite an estimated rise in beef production, reflecting a build-up in stocks and an increase in exports. It is expected that beef consumption will remain below year-earlier during the remainder of 1981.
95. Despite an estimated decrease of production of 12,200 tons in 1981, it is forecast that beef and veal consumption in Switzerland will decline by only 1,800 tons (to 175,900 tons or 27.2 kgs. per capita). Consumption levels are expected to be maintained by a sharp reduction in public beef stocks and by increased importation. Increased beef production in 1982 is expected to maintain consumption levels near those of 1981.

96. Beef and veal consumption in Australia has shown a substantial decrease in the last few years, from 68.9 kgs. per capita in 1977 to 45.9 kgs. in 1980, a drop of some 33 per cent. The decline in beef and veal consumption was largely due to higher prices of beef and the availability of cheaper competitive meats. For 1981, it is estimated that consumption of beef and veal will increase by 7.2 per cent to 49.2 kgs. per capita (731,000 tons). It would seem that this increase is mainly due to a generally improved economic situation and depressed export prices, with consequent effects on retail prices.

97. Beef and veal consumption in Argentina increased in the first half of 1981 by 7 per cent to 1,281,000 tons. Consumption per capita also rose, maintaining by far Argentina as the world's first beef consumer. For 1981 as a whole an increase in consumption (globally) of 3.0 per cent to 2,495,000 tons is forecast, while, however, per capita consumption should remain around or above below last year's 87.1 kgs.

98. Consumption of beef and veal in New Zealand in 1981 is expected to pick up somewhat, compared to the level of 1980. Total beef and veal consumption for 1981 is estimated at 158,700 tons (compared to 150,700 tons a year earlier), giving a per capita consumption of 50.8 kgs (compared to 48.2 kgs in 1980). For 1982 a drop in consumption is forecast.

99. Beef and veal consumption in Uruguay is forecast to increase in 1981 but, (because of the sharp increase in exports) not in proportion to the increase in production. Consumption may total 210-215,000 tons (roughly 72 kgs. per capita) 2-3 per cent more than in 1980.

100. It is believed that beef and veal consumption in Hungary will be maintained at 1980 levels in 1981 despite reduced domestic production. It is expected that this will be accomplished by way of an increase of beef and veal imports and a small reduction of exports. Total consumption is estimated at 97,400 tons or 9.1 kgs. per capita.

101. Consumption of meat in the Soviet Union totals around 58 kgs. per capita, of which 26 kgs. is bovine meat, 19 kgs. is pork and 4 kgs. is sheepmeat. However, the consumption of meat does not appear to be equally distributed in the country but tends to be substantially higher in the cities, and in particular in the capital, than in the countryside.
(viii) Exports

102. The United States is expected to experience a substantial rise in exports of beef and veal in 1981. For the first six months of 1981 exports totalled 37,434 tons (product weight), 30 per cent higher than in the same period of 1980. Significant increases of exports occurred to several countries including Canada, the EEC, Japan, and Saudi Arabia. It should also be noted that during the same period, the United States' exports of edible offal increased by 8 per cent, to 109,690 tons. The principal markets were the EEC, Japan and Mexico. While they were expected to be well above 1980 levels in total during 1981, beef and veal exports were not expected to be as strong during the second half of 1981. The increase in exports has largely been related to weakness in the domestic market; consequently, the anticipated strengthening of the market in 1982 could reduce these exports.

103. Canada's exports of beef and veal and live cattle are almost totally (90 per cent) to the United States. Exports of beef and veal for 1981 are expected to increase relative to 1980 (they totalled 28,275 tons during the first six months of the year, an increase of 15 per cent, 87 per cent of which were to the United States). Due to weakness in the United States market, Canadian live cattle exports are expected to decrease substantially in 1981. For the first six months of the year, exports of live cattle totalled 71,000 head, a decline of 47 per cent. Feeder cattle exports recorded the largest decline.

104. The sharp reduction of beef and veal production in South Africa virtually curtailed its exportation of these products. In 1980 exports amounted to 7,400 tons.

105. Brazil's exports of beef and veal are believed to have expanded dramatically in 1981. Total exports for the year are estimated at 105 000-110,000 tons, 25-30 per cent higher than in 1980. While the largest proportion of exports continued to be processed (cooked and canned) meat, exports of frozen boneless beef also expanded. The improvement in exports was based on expanded production combined with weak domestic beef demand, elimination of an export tax (in April), and (apparently) the provision of assistance for processed beef exports.

106. European Economic Community exports of beef and veal are expected to decrease by around 9 per cent in 1981 (to 585,000 tons including live cattle) compared to the record level of 1980 (642,000 tons including live cattle). This is due to the expected fall in beef and veal production, a reduction in the breeding herd and also to the accession of Greece which will absorb part of the intra-Community exports. Exports of cattle are expected to remain at the same level as in 1980. The decrease in exports are primarily expected to affect frozen beef while fresh and chilled beef would decrease less and processed meat would remain at the same level as year before. Major customers would be the USSR, Middle Eastern countries and some East European countries.
107. In 1981 Australia's beef and veal exports are estimated to have decreased by 23 per cent to 450,000 tons (shipped weight). This follows a 23.8 per cent decline in 1980. For the first nine months of 1981, exports totalled 359,064 tons (product weight) a decrease of 15 per cent from year earlier. While exports to North America are forecast to decline 33 per cent, this is expected to be partially offset by a three fold increase in shipments to Asian markets (excepting Japan).

In 1982, exports are currently forecast at around 440,000 tons (product weight). Based on recent United States forecasts, there is little prospect for improved shipments, at least in the first half of 1982. Reports from Japan indicate that the beef and veal quota for the second half of 1980/81 (deliveries January/June 1982) is also likely to be down compared with the corresponding period in 1981, leading to reduced shipments from Australia. Availabilities for other markets should therefore be largely unchanged from 1981.

108. Argentina's exports of beef and veal (including cooked and canned beef) were estimated to total 348,700 tons during the first nine months of 1981, a decrease of 1.8 per cent from the already substantially reduced 1980 levels. However, it appears that the downtrend in exports may have stopped. Exports for the April-September period were above year-earlier, and for the year as a whole exports are expected to at least equal, and possibly exceed, the 1980 level of 469,000 tons. Argentina's contractual arrangements with the Soviet Union and Egypt, and its expansion in other Middle Eastern markets should be integral in this regard. Also important appears to be the substantial devaluation of the peso (by about 75 per cent relative to the U.S.$) since the beginning of the year and increased beef production. Exports to the Soviet Union, Egypt, and Israel increased during the first nine months of 1981, and combined accounted for 62 per cent of frozen beef exports. Exports to the EEC, Brazil, and other traditional markets, however, continued to decline. For 1982 exports are expected to increase from 1981 levels; however, there is considerable uncertainty regarding the magnitude of the increase.

109. New Zealand's beef and veal export performance over the last few years has been in considerable contrast to that of other major exporters. Exports for the first 9 months of the 1980/81 (October-September) year totalled 157,041 tons, 1.3 per cent above the same period of 1979/80 which was, in turn, above 1978/79. New Zealand has not faced the same difficulties in the United States market as Australia, due in part to favourable exchange rate movements. However, New Zealand has not experienced the same production decreases as other major exporters either.

110. Uruguay's beef exports increased sharply in 1981. For the first nine months of the year exports totalled 150,358 tons, 80 per cent more than year-earlier. While increased production of beef and veal have been a cause of the increase in exports, it should be noted that exports have increased at about three times the rate of production. This suggests increased competitiveness in the export market. The major part of the increase in exports has been due to increased exports of frozen beef to Egypt. Egypt will account for roughly one-half of Uruguay's
frozen beef exports in 1981. Nonetheless, Uruguay's major customer continues to be Brazil which will take virtually all of Uruguay's fresh and chilled beef exports and a significant proportion of frozen beef exports. Of total exports during the first nine months of 1981, Brazil accounted for 45 per cent of Uruguay's exports, Egypt 26 per cent, and the EEC 13 per cent.

111. Considering its production level, Hungary is a significant exporter of beef, veal, and live cattle. In 1981, Hungary expects to export 51,400 tons of dressed beef and veal (compared to 52,200 tons in 1980) and 150,000 head of live cattle and calves (compared to 132,000 head in 1980). The Soviet Union will again be the major market for live cattle exports, followed by Libya and Lebanon. The Soviet Union will also take virtually all of Hungary's frozen beef and veal exports, (i.e. 33,000 tons out of 35,000 tons). Exports of fresh and chilled beef and cooked and canned beef will be relatively small, with Czechoslovakia accounting for most of the former and West Germany most of the latter.
IV. DEVELOPMENTS IN MEMBER COUNTRIES 1975–1980*

112. Comparing the reported production, imports and exports of beef and veal of countries signatories to the Arrangement Regarding Bovine Meat with the FAO's estimates of the world totals of beef and veal production, imports and exports in 1980, the following facts emerge:

1. Participants in the Arrangement accounted for about 60 per cent of world beef and veal production (i.e. approximately 27,900,000 tons C.W.E.);

2. Participants accounted for around 90 per cent of world exports of fresh, chilled and frozen beef and veal (excluding intra-EEC trade);

3. Participants accounted for about 60 per cent of world imports of fresh, chilled and frozen beef and veal (excluding intra-EEC trade)

113. As concerns the aggregate trends of bovine meat production, consumption and trade 1975–1980, in countries participating in the Arrangement Regarding Bovine Meat the following could be mentioned:

(a) Production

114. In total, beef and veal production in participating countries increased (by 10 per cent) from 1975 to 1977 (when it amounted to 30,083,000 tons). Production declined in each of 1978 and 1979 (totalling 27,957,000 tons in 1979, down 7 per cent from 1977). The only major exception to this short downtrend was the EEC. Increased production in, principally, the EEC, the United States and Uruguay arrested the aggregate downtrend in 1980. An uptrend in production, of unknown length (likely not long) now appear underway, despite an apparent downtrend in the EEC.

(b) Consumption

115. The trends in total beef and veal consumption of participants roughly paralleled those of production until 1980. Consumption increased to 1977 (to 28,812,000 tons, up 9 per cent from 1975), fell to 1979 (to 26,850,000 tons, down 7 per cent from 1977), and was relatively steady in 1980. However, a significant divergence of the two trends now appear to be underway: consumption in participating countries seems likely to decline in 1981.

*This section will be used as part of the introduction to the annual report to be issued at the beginning of 1982.
116. Exports of fresh, chilled and frozen beef and veal by participating countries increased steadily from 1975 to 1979; they equalled 1979 levels in 1980, but appear likely to increase again in 1981. Exports in 1980, at 2,321,000 tons, were 81 per cent higher than in 1975.

117. Imports of fresh, chilled and frozen beef and veal by participating countries have exhibited much less of an uptrend than exports between 1975 and 1980. While exports initially doubled during the period, imports increased by only 32 per cent. Moreover imports appear likely to fall again in 1981, after a 14 per cent decrease in 1980.

118. The divergent trends of imports and exports appear to relate, inter alia, to: reduced beef demand in traditional major importing countries (the United States, the EEC, Japan); to an uptrend in exports by countries which have been major exporters but which had for some time been experiencing reduced exports (notably Uruguay); and to increased exports by traditional beef importers (notably the EEC, but also in 1980-81, the United States).

119. The divergent trends of imports and exports also points to the increased importance of countries outside the Arrangement as importers. Most notable in this regard are the Soviet Union, Egypt, and numerous countries in North and West Africa, and the Middle East.
Appendix

PRODUCTION OF BOVINE MEAT

(‘000 metric tons)

NOTE: Total participants 1980: provisional
IMPORTS OF FRESH, CHILLED AND/OR FROZEN BOVINE MEAT
('000 metric tons carcass weight equivalent)

NOTE: Total participants 1980: provisional
United States: includes "other" bovine
meat (canned, cooked, etc.).
(Source: USDA)
CONSUMPTION OF BOVINE MEAT

('000 metric tons)

NOTE: Total participants 1980: provisional
NOTES: Total participants 1980: provisional

Australia: includes fresh, chilled or frozen buffalo meat