INTERNATIONAL MEAT CONSULTATIVE GROUP

Seventh Meeting - 28-29 March 1977

Statement Made by the Representative of New Zealand

I would like to inform the Group of New Zealand's production and export estimates for the current production year and forecasts for next year. In addition, I will comment briefly on how we see production prospects in other countries, and on market conditions in the major destinations of concern to New Zealand.

New Zealand's production and exports

Total beef and veal production for the year ended September 1977 is expected to be 498,000 tonnes (bone-in weight). This is some 19 per cent less than the record 612,000 tonnes produced in 1976. This reduction in production reflects a return to more normal levels of cow slaughterings and the absence of any significant carry-over of prime cattle from the previous year. Assuming that average carcass weights will be lower than in the last two years and that some herd rebuilding will begin, beef and veal production in 1978 is not expected to exceed 478,500 tonnes.

An anticipated reduction in beef and veal stocks at September 1977 and a reduction in domestic consumption is likely to result in the export of 245,000 tonnes (product weight) in 1977. This is 1 per cent above the previous year's exports of 242,466 tonnes. On the assumption that there will be a further reduction in beef and veal stocks between September 1977 and September 1978 and that present domestic consumption levels are maintained, exports of 207,000 tonnes are expected in 1978.

Although beef export prices, and hence producer prices, have improved to some extent in recent months, the production of beef remains substantially less profitable than sheep production for most farmers. Current indications are that at present farmers' expansion plans are oriented more towards sheep than beef production.
Ministry of Agriculture estimates suggest that the national cattle herd peaked at over 10 million on 31 January 1975 and, if this is correct, the period since then has been one of substantial decline reflected in a 1976 herd of 9.777 million and the estimated 9.6 million cattle in farms on 31 January 1977. The commencement of herd rebuilding, coupled with an anticipated increased retention of dairy beef calves during 1977, implies a national herd of about 9.8 million in January 1978.

**Production and market trends elsewhere**

As a result of the European drought last summer, slaughterings were heavier in some regions, while cutbacks in feeding led to a reduction in average carcass weight. At this stage it is difficult to assess whether the increased slaughterings were a distortion of the usual seasonal pattern in which case they could be balanced by reductions later on, or whether, in fact, they heralded an overall reduction of the Community herd. Some evidence of more breeding cattle being slaughtered supports the second view, in which case the production potential of the herd in Europe must naturally be affected.

In the longer term it is indicated that the drought may have resulted in the EEC cattle breeding herd being reduced by about 450,000 cows more than would have been the case in normal climatic conditions. This represents an estimated 100,000 tonnes of beef and veal. However, it can be expected that intervention stocks will be called into use to make up any shortfalls in production potential. This could mean low stock levels by the end of this year and a net EEC beef import of at least 500,000 tonnes in 1978.

Such forecasts will, of course, be considerably affected by developments in EEC beef and dairy policy in 1977. We would therefore, welcome further elaboration by the representative of the Commission of the European Communities of the expected effect on imports of the new régime which is to come into effect this week, and also of the likely effect on beef production and marketing of Commission proposals on dairy policy. As a brief comment on the new beef régime we would simply note that although the new arrangements contain provision for the levy-free import of 25,000 tonnes of beef for the manufacture of corned beef, and an additional 50,000 tonnes of manufacturing beef at a reduced levy, other imports will be subject to higher rates of levy than have ever previously operated.

One welcome move in the Community relates to the Italian Government decision to revise the law to allow the sale of frozen meat alongside fresh meat in butchers' shops. While the effect of this revision is of more interest to exporters of New Zealand lamb, we consider that it will contribute to an increase in sales of all meat affected by the law.
Elsewhere in Europe last year saw production rises in Sweden and Yugoslavia, but little change in Switzerland, Iceland and Greece. Output was thought to have declined in Austria, Finland, Norway, Portugal and Spain.

In Eastern Europe the general trend was downward, with Bulgaria a possible exception. The Soviet Union maintained and even increased its cattle herds, despite feed shortages in the autumn and winter of 1975-1976 and probably had a small rise in beef and veal production in 1976.

The general outlook for Europe is that the weaker demand in 1976 due to falling output, rising retail prices, and increasing supplies of alternative meats, as well as wider economic problems, will be continued into 1977.

The North American market for New Zealand beef was beset with problems in 1976, most of which arose from high domestic meat production and continual disruption to beef and veal imports by the imposition of restrictions.

By early December most countries had filled 1976 quotas for imports to the United States. New Zealand, under the Meat Board’s shipping programme maintained its shipments up to 29 December. In Canada the small quotas set in October for the remainder of 1976 were soon filled by both Australia and New Zealand.

The North American meat markets in December continued to suffer from high domestic production of meat in both the United States and Canada. In the United States a beef production increase of 8 per cent was the principal factor in contributing to a record red meat production in 1976.

Canada beef production rose by a similar amount and was also at a record.

The number of cattle in both countries on 31 December 1976 was down significantly for the second successive year. With the high production, prices for all domestic meats were low in December and the market for New Zealand beef lacked real strength, although some price gains were made for forward deliveries. However, January of this year did show more promise in that sales increased and prices firmed.

In January, the harsh and widespread winter weather played a major rôle in North American meat production and pricing. Cows for slaughter were in short supply, while feedlot cattle had to be fed more grain to be brought to normal slaughter weights. The total effect of the climatic conditions was to alter marketing patterns throughout the month and to add further uncertainty to likely production trends in the months ahead.
In Japan, it appears that domestic meat production will increase, particularly pork and chicken, with some increase for beef. It can be expected, therefore, that beef imports are not likely to increase significantly.

The issue of the beef import quota for the second half of fiscal 1976 was finally resolved in January when the Japanese Government announced an additional 15,000 tonnes for the general quota. With this, the general quota of imported beef for fiscal 1976 totals 80,000 tonnes, an increase of 5,000 tonnes over the previous year. In addition the Government announced a special quota of 5,000 tonnes to cover boiled beef and the school lunch programme. While this increase in imports is welcomed, the concerns which led exporters to reconvene consultations with Japan under Article 22 of the GATT remain. It is considered that it is in the best interests of both exporters and importers to allow stable conditions of trade which provide exporters with a clear indication of importers expectations. In such conditions exporters are better able to plan their production and marketing policies and so seek to avoid disruptions to trade.

As we have said before, and this comment does not apply solely to Japan, it is not possible to turn beef production off and on like a tap. If trade in beef is to proceed on a stable and satisfactory basis then it is necessary for producers to have a reasonable idea of the total requirements of their markets without having to face the prospect of being arbitrarily excluded from markets. As has been demonstrated over the last few years an action in one market can have a significant effect on other markets. It is our hope that in this Group we can go some way towards achieving greater stability in trade in beef, and we note that the agreement reached on another item on our agenda could well make a useful contribution to the achievement of this aim.