It will be recalled that Australia was one of the first countries to stress the need for the establishment of a permanent international forum on the trade in meat.

As an initial contribution to such an exchange the Australian delegation has distributed to delegations a paper setting out its views on the present crisis in the trade in beef:

- together with a paper outlining the situation within Australia
- unfortunately, we were not, for reasons of timing, able to distribute this paper in advance through the GATT secretariat and allow time for prior study.

As a starting point and before speaking to the main paper, I should like to say that the Australian view is that the present period of crisis is now global and cannot be regarded as a series of bilateral international trading problems. In fact

- the proportion of meat traded internationally (approximately 10 per cent) is so small in relation to world production. Consequently, relatively minor fluctuations in supply or demand can have a disproportionate impact on trade.
- this we believe underlines the need to build the trade to enhance stability.

The factors we see as most influential in causing cyclical and short-term fluctuation in surplus are outlined in pages 15-37 of the Australian paper entitled "Demand and Supply Factors in the World Beef Market"

- which outlines also the Australian view of the so-called cattle cycle.
In summary we see the short-term response of producers in a number of countries as particularly important:

- for example the short-term producer response to an increase in beef prices may induce little change in output, or even an actual decline in production if producers judge the upward price trend would continue.

The longer-term response however will be an increase in output since cattle held off from slaughter will be heavier when marketed. There will also be a tendency to retain more breeders.

This general response pattern is supported by a number of empirical studies of supply response which have mostly shown a negative or zero supply elasticity with respect to beef price changes in the short term - but a positive supply elasticity in the medium term (between one and four years of lagged response)

- in some countries (our Argentine friends may have a comment here) this cycle seems to have been almost self-perpetuating.

We look back upon the early 1970's as a period of accelerating world economic activity with cattle prices rising strongly and reaching peak levels in many countries during 1972 and 1973.

In nearly all major producing countries the response to this situation was a downturn in slaughtering and production and a marked build-up in cattle numbers. When demand slackened off a price break occurred in late 1973. The producer response was then reversed: production of meat increased strongly.

This further depressed prices and served to induce stock build-ups to a point where a number of governments in importing countries felt obliged to take action against imports.

In 1974 actual production in exporting countries was not able to be increased significantly due to restricted marketing opportunities.

- in Australia, assisted by seasonal conditions, cattle were withheld from slaughter in the hope that the market situation and prices would improve;

- Australia thus tended to be out of phase with other countries. Now production is increasing in response to some recovery in domestic prices while at the same time there is a continuing build-up of the beef herd.
While the causes of action taken by governments to protect their domestic cattle industry are, we feel, to be explained along these lines, there are certain important implications.

1. While most governmental interventions may have a stabilizing influence on domestic markets of importing countries (at some cost to taxpayers and consumers), the effects upon exporting countries have been destabilizing.

2. Direct market intervention involving stockholding policies or restrictions on imports can involve higher consumer prices leading to falls in consumption which in turn further aggravates the situation both for domestic producers and exporters.

It is apparent that, given the gift of hindsight, many of the elements in the current market recession could have been more effectively dealt with had there been from the outset some trade oriented consultative process;

- this underlines what we have always said about the need for an early warning rôle, though the magnitude and timing of changes in demand and the general economic conditions were unusual.

Looking forward we cannot yet discern any pattern emerging for a recovery phase - nor its timing and magnitude.

For the major importing countries, the present slump will presumably continue until domestic demand increases and/or domestic supplies begin to decrease.

- due to import restrictions market recovery cannot be significantly influenced by imports.

For exporting countries a recovery is very much tied to an improvement in the situation of importing countries' markets to the point where imports can be resumed or increased.

It is of course clear that the level of world economic activity is a determinant in any recovery.

In accordance with future trends in economic activity Australia foresees two main possibilities:

1. If world economic activity improves and greater effective demand exerts upward pressure on prices then the producer response would probably again be to hold back cattle, thus meat supplies in 1976 would tend to tighten. This effect would be strengthened by falls in feed grain prices.
2. If increased world activity is delayed for two or three years then producers will continue to liquidate breeding stock, and supplies in 1976 and 1977 will remain high but, thereafter, lower beef supplies could well coincide with a significant recovery in demand and markedly strengthened beef prices.

What does all this mean for Australia.

Members of the Group have received a paper on this, but since its preparation later figures have become available which I shall now indicate.

The preliminary results of the livestock census on 31 March 1975 resulted in beef and dairy cattle numbers of 33 million head

- slightly below the 34 million estimated in the circulated paper
- but still an increase of 2.2 million head over 1975
- this represents an increase of 7.1 per cent on last year and 31 per cent above 1971 levels.

Sheep and lambs were 153.3 million head or 5.6 per cent above 1974 but still well below the 180 million head in 1970.

Beef and veal production for the ten month period July 1974 to April 1975 was 1.2 million tons or 10 per cent above the corresponding period in 1973/74.

Production of mutton and lamb were up by 11.5 per cent and 14.4 per cent respectively but pigmeat fell by 17 per cent.

As a result total meat production rose by 7.7 per cent on year earlier levels.

Domestic consumption is estimated to be running at an annual level of 850,000 tons

- this is an increase of 60 per cent over 1973/74 and 52 per cent above the previous record in 1956/57
- current per capita consumption is estimated at 64 kgs./head compared with 40 kgs./head in 1973/74 and 7 per cent above the 1950/51 level of 59.7 kgs./head.
- this increase reflects markedly lower retail prices and up until early this year lower production and high retail prices for lamb, the major competing meat.

Exports for the ten months to April 1975, as recorded by the Australian Meat Board, shows that

- beef and veal shipments at 330,000 tons were 115,000 tons below year earlier levels
- the major falls in shipments when compared with year earlier figures were:
  - United States down 25,000 tons
  - Japan down 69,000 tons
  - United Kingdom down 14,000 tons
- those falls of course reflect lack of access to overseas markets or low offer prices by overseas buyers
- lack of export demand has had marked effect on prices received by producers
  - in early May the general level of prices was 70 per cent below the peak in September 1973 - in money terms the lowest since the early 1950's
  - for cows, returns to producers are in many areas not covering costs of getting cattle to market.
- the situation would have been far worse but for the significant increase in domestic consumption.

Producers confidence in the future of the industry has been severely shaken by the fall in overseas demand.

- no substantial increase in returns in seen in the near future
- the outlook is not good and the future will be largely determined by decisions of overseas countries to permit reasonable access -
  - without this, the likely trend will be to scale down operations or "quit beef".
Because of low prices being offered to producers, lack of income has created severe problems

- if this continues for much longer, many aspects of herd management will be curtailed

  - matings will decline as producers "gear down"

  - the net result will be a fall in numbers.

Because of the financial situation of producers the Australian Government has taken steps to assist the industry

- in December $20 million was made available for loans at commercial rates of interest to beef producers

- in March the Government agreed to lend the Australian Meat Board $3 million to assist it in making export sales

  - loan is to be repaid by industry

- in April, the Australian Government agreed to further funds totalling $19.6 million being made available for loans to producers

  - apart from times of natural disasters such as droughts and floods, this is the first time for many years that beef industry has needed advances of this nature.

  - reflects gravity of situation.

The most worrying feature of the present situation is that continuation of the circumstances of the last eighteen months could have long-term damaging effects on industry and threaten the resource base.

In summary the present situation for Australia is

- limited export opportunities

- depressed cattle prices limiting the level of slaughter

- but overhanging this is the uncertainty of the weather

  - should drought develop this will result in a substantial loss of cattle

  - this has implications for the long-term future of industry.
While in the short term, there is the potential for a further rise in herd numbers and therefore production, this may not eventuate because

- adverse climatic conditions or economic forces may force a significant number of producers to abandon the industry

- this will be compounded if there is no significant change in the export situation

- as producer costs are continuing to rise at a rapid rate the economic viability of large sectors of the industry is threatened.