We would like to offer an overview of the international meat market including remarks not only concerning developments in Australia but also offering our perceptions of the situation in other markets. This will enable other delegations to have the opportunity to correct our assessments and hopefully to answer some points where we are unclear. We would also subsequently like to comment in some detail on the secretariat's excellent paper which affords a good background to this discussion and will considerably assist the work of the Group.

At the last meeting of the Group, we commented that the prospects for a recovery from the depressed conditions which have overshadowed the world beef market for the last three years were not as bright as they had appeared to be some months previously. Recent developments have confirmed this view and it now appears likely that we will have to wait until mid-1978 for a moderate strengthening of Australian export prices.

The main factors likely to affect the outlook for beef and veal in Australia in 1978 are seasonal conditions, the changed structure and size of the herd, the tight liquidity situation facing producers, and the level of demand for beef on the domestic and overseas markets. In particular, the timing and extent of a forecast recovery in the United States beef market will be of major importance to the Australian industry since movements in United States demand for manufacturing grade beef have a major impact on Australian sale-yard prices for cattle.

Generally poor seasonal conditions in Southern Australia over the past few months suggest that the current high rate of slaughterings will continue over the summer months. These should ease by late autumn if there are normal rains and satisfactory pasture growth prior to the commencement of winter.

Although there should be some overall easing in the rate of liquidation, slaughterings should continue to reflect the depressed economic conditions in the industry and are likely to remain at historically high levels.
Nevertheless some improvement in market prospects in the last half of 1978 is expected to encourage producers to withhold stock to increase herd size and result in lower slaughterings of female stock and calves. The female component in total adult cattle slaughterings is likely to be lower than in either of the past two years, but still probably above the longer-term average of 35 per cent to 40 per cent. Calf slaughterings could decline to about 1.8 million head, compared with an estimated 2.36 million per annum during the last two years. The reduction in slaughterings of female stock and calves should therefore result in an increase in average slaughter weights compared to 1976 and 1977. Consequently, total Australian production of beef and veal in 1978 is currently forecast to decline by 10 per cent to around 1.8 million tonnes, despite a 13 per cent drop in slaughterings.

Domestic consumption of beef and veal in Australia is expected to be lower in 1978, although still at a relatively high level. The size of the reduction will be influenced largely by movements in retail prices for beef. These are likely to show some increase during the last half of the year, when sale-yard prices could show some response to improved United States demand for manufacturing beef and to the reduction in supplies of cattle on the market. Domestic consumption could therefore account for some 850,000 tonnes (carcass weight), a reduction of 8 per cent on 1977.

In general, it appears that developments in the United States market and the volume of imports by the USSR and Eastern European countries are likely to be the key factors determining the level of export demand for Australian beef during the next twelve months. In view of the expected reduction in output and continued relatively high levels of domestic consumption, total Australian exports in 1978 could be around 900,000 tonnes (carcass weight), some 10 per cent below the estimated 1977 record. However, if there is a substantial strengthening of overseas demand and significantly higher prices in world beef trade, exports could rise well above this figure as additional beef is diverted from domestic consumption.

I would now like to review some of the likely short and medium-term trends that appear to us to be developing in some of the major markets for beef and veal, in particular the United States, Canada, the EEC and Japan.

The outlook for beef and veal in the United States in 1978 is expected to be largely influenced by the level of domestic demand for meat and the prices of feed grains and competing meats although the level of economic activity slowed during the last half of 1977, real GNP is forecast to increase by between 5 per cent and 6 per cent in 1978. This, together with a slight improvement in the employment situation, should result in some strengthening in the demand for meat.
The record 1977 feed grain crop is expected to provide ample supplies of feed at prices considerably below those of the last few years. In recent months, feed prices have fallen to their lowest levels relative to cattle prices since 1973 and placements of cattle on feed have increased in response to the improved prospects for profitable feeding.

If seasonal conditions are normal in 1978, the improvement in demand for feeder cattle should result in a substantial reduction in slaughterings of cows, non-fed steers and heifers. Furthermore the decline in production of non-fed beef is expected to be offset by the increase in fed beef output, thus resulting in lower overall production. Total United States production of beef and veal is therefore expected to be about 4 per cent below the 1977 figure at around 11.2 million tonnes.

With demand for feeder cattle likely to be strong during the first half of 1978, it is expected that prices for feeders will have increased enough to encourage producers to retain breeding stock and thus to halt the liquidation of the cow herd. Cow numbers are therefore forecast to stabilize during the year, although total cattle numbers are still expected to decline somewhat from the figure of 117 million to 118 million head estimated for January 1978.

The reduced supplies of beef in 1978 are expected to result in strengthened prices for all classes of cattle as the year progresses. However, significantly higher supplies of pig and poultry meat are expected to provide some dampening effect on beef price rises. Nevertheless, lower supplies of non-fed beef are expected to result in improved demand for manufacturing grade beef, thus causing a significant strengthening of prices for this class of beef in the second half of the year.

Developments in the beef market in Canada are expected to roughly follow those in the United States with the current downswing in the cattle cycle expected to level out in 1979. As in the United States, increased supplies of feed grains at lower prices are expected to result in higher production of fed beef. Total production of beef and veal is forecast to be 10 per cent lower than in 1977 at around 1.0 million tonnes and Australia would hope that this might lead to a return to normal free import arrangements in Canada. Should this not occur we would expect that there would at least be some growth in the size of the Canadian import quota for 1978.

Production of beef and veal in the EEC is forecast to decline only slightly in 1978, by less than 1 per cent to 6.1 million tonnes. However, there is some possibility that the introduction of premiums for the non-marketing of milk and the conversion of dairy herds could result in a higher level of beef output than currently anticipated, due to higher slaughtering of dairy cows.
Australia is aware of the market situation in the Community where static consumption, combined with increasing production, has led to a substantial build-up in the level of intervention stocks. This, in turn, has acted to keep domestic prices in the Community at relatively low levels and as a result imported beef has continued to be excluded from the EEC by the imposition of prohibitive import levies. Access for third country suppliers such as Australia has been restricted to the global quotas which operate outside the normal levy system (the GATT levy-free quota and "balance sheet" quotas). The Australian delegation notes however that the EEC has limited the amount of beef which can be imported under the "balance sheet" arrangements in 1977 to 40,000 tonnes CWE and not 75,000 tonnes CWE as was originally envisaged.

We would be pleased to hear the Community's comments on their likely import levels in 1978. In particular we would appreciate their comments on the expected size of the "balance sheet" quotas.

In Japan, the current high slaughtering of dairy steers is expected to decline significantly in 1978. As a result we would expect the production of beef and veal to be some 3 per cent lower in 1978. Although consumption of beef and veal is expected to increase, import policies designed to keep beef prices at relatively high levels are likely to continue to place limits on this increase. The Japanese beef quota for the importation period January to June 1978 of 50,000 tonnes represents a significant and welcome increase over the levels of imports for the previous two quota periods and brings access for 1977/78 to 90,000 tonnes. Nevertheless, it is still some 9,000 tonnes below the total access for 1976/77. We would welcome any information which the Japanese delegation could provide, particularly in respect of their estimates on dairy steer slaughterings for the next twelve-month period.

Continued high levels of cattle slaughterings in Australia and ample supplies of beef relative to demand on the United States market are expected to be the main reasons for only a moderate strengthening in Australian sale-yard prices for cattle in 1978. While prices in North America should improve in 1978 there seems little prospect of significantly greater access to this market or those in Japan and the EEC. As a result of this situation, the income position of specialist beef producers may not show any significant improvement in the year ahead as costs increase at close to the same rate as returns.

In conclusion we should like to refer to the assessments in the secretariat's paper which we think are fairly consistent with our own. We welcome the paper as an excellent contribution and though mainly a collation of contributions from participants, something more than this has emerged as the total effect. In particular we welcome remarks in the paper which clearly indicate the understanding of those responsible of the requirements of a surveillance rôle. Australia cannot find much cause for optimism in the short-term outlook provided in the paper but it is a most realistic document.