We propose in our statement to give you a summary of developments in the Community's meat market in 1977 and we shall try to indicate what we believe the developments of this market are likely to be in 1978.

In our statement, we shall emphasize the evolution in the beef and veal sector while attempting to give you summary information on the expansion of markets in competing meats, more specifically pork and mutton.

An analysis of the Community's market situation in 1977 leads to the following findings:

- weather conditions were relatively satisfactory with an early spring which enabled earlier than usual turning of animals out to pasture, a cool and rainy summer but, above all, an exceptionally mild autumn which delayed the bringing in of animals from pasture. For the 1977/78 winter, reserves of fodder were plentiful.

- beef and veal production as a whole declined by 2.6 per cent, but this reduction did not evenly affect the whole of the sector and it may be useful to give a breakdown of the incidence on the various categories of animals. Thus, we feel that:

(1) production of calves for slaughter increased by about 3.6-3.7 per cent. Very heavy slaughterings occurred during the winter 1976/77, and it is our view that this was attributable to a shortage of fodder due to the 1976 drought;

(2) production of oxen and bulls declined by about 3.3 per cent;

(3) production of calves and heifers decreased by 4-5 per cent.
The slight reduction in slaughterings resulted in a slight increase in livestock numbers. The scope of this phenomenon was relatively modest. We believe, however, that it was significant, because the year 1977 marked the end of the destocking period which had started in 1974.

- we estimate that bovine meat consumption in the Community increased by roughly +0.5 per cent, a fairly small increase which is attributable to the following factors:

(1) the general level of economic activity which was fairly unfavourable with 6 million unemployed;

(2) competition from pork, prices for which were relatively more attractive for consumers, not only for direct consumption but also for the processing industries.

- because of the tight situation which persisted in the Community market throughout the year 1977, intervention buying was necessary, and our fears, which we expressed at our last meeting, proved correct, because our intervention stocks at the end of 1977 exceeded those held at the end of 1976 by some 120,000 tons.

- this situation was naturally reflected in price developments. Thus, average cattle prices observed in representative Community markets in 1977 never exceeded intervention price levels, despite the measures taken in the market.

- lastly, our external trade developed as follows:

we imported 342,000 tons, and

we exported 142,000 tons (58,000 tons less than in 1976).

So much for the year 1977. As regards, now, forecasts for 1978 and subject to all the reservations called for in such a delicate field as the beef and veal market, where factors external to the market may well influence normal developments, we feel that the essential features of the evolution of this market could be summarized as follows:

- production might decline by about 0.25 per cent. We are of the opinion that some firming up of prices might lead to a slight stock build-up and that such increased stocking might mainly affect female animals.
- consumption will remain stagnant and the rise will not exceed 0.5 or 0.6 per cent, for the same reasons as those mentioned in respect of 1977, i.e.: the general economic situation and a possible substitution by competing meats, in particular pork.

- as regards prices, we foresee an upward tendency during the first half of 1978 which, with all due proportions, could be rather pronounced during the bridging period.

During the second half of the year, price developments will most probably depend on the circumstances in which the bringing in of animals from pasture can take place. To some extent, the situation during the autumn will depend upon weather conditions.

- in view of the factors which suggest that the beef and veal market tends to some extent to achieve a new balance, we hope that intervention buying will remain within reasonable limits, below those of 1977.

- in 1978, the volume of our imports will probably exceed, and our exports work out at, levels comparable to 1977 realizations.

Such was, briefly, the beef and veal market situation in 1977 and such are our views as regards probable developments in this market in 1978.

As regards, now, other meats, i.e. pork and mutton and lamb, we would wish to make the following comments:

(1) as regards mutton and lamb, we have observed a decline in production which should be in the neighbourhood of 5 per cent and affects nearly exclusively United Kingdom production.

Several factors may have contributed to this decline, in particular, increased stocking due to favourable price developments, but we believe that the scope of the production decline from September 1977 may be attributable, at least in part, to an instinctive reaction tending to retain animals so as to benefit from the opening of some frontiers as from 1 January 1978.

Still in the mutton and lamb sector, we note for 1977 a rise in prices by about 10 per cent in the United Kingdom and ± 4 per cent on the Continent. This rise is to be attributed to the decline in production on the one hand and the rise in world prices on the other.
Concerning pork: in 1977, this sector was characterized by a strong increase in production during the first half which should be in the neighbourhood of 6 per cent, and a slight decline during the second half. Thus, over the whole of 1977, average production increases did not exceed some 3.5 per cent compared with 1976. It seems, however, that slaughterings increased by more than 3.5 per cent, which implies that carcass weights have declined.

As a result of high production levels during the first quarter, prices reached their minimum levels around May (110 UA), and recovered as from the month of June already, to reach 125 UA in December 1977, and thereafter showed a fairly strong tendency to decline.

On the other hand, we find that average prices observed in 1977 were about 3 per cent less than the average for 1976.

In 1978, production developments are likely to exhibit the following pattern:

- On the basis of the results of the December 1977 survey,
  - swine numbers increasing by 3.4 per cent,
  - sow numbers increasing by 2.5 per cent, and
  - piglet numbers increasing by 4.0 per cent,

we foresee for 1978 a new increase in pork production of some 2 per cent over 1977.

Community pork prices are at present in substantial decline (Easter-Whitsun period) and work out below the intervention level of 92 per cent of the base price (120.20 UA/100 kgs. slaughtered weight).

To conclude this statement, we believe that the following findings are in order:

- the year 1977 marked the end of the destocking period in the beef and veal sector, but the imbalance between supply and demand has been persisting in the Community market throughout 1977 and in early 1978, because stagnating demand due to the level of economic activity, and this situation is reflected in price developments on the one hand and intervention buying on the other.
(2) in the pork sector, we do not expect abnormal developments in the market, assuming, however, that feed grain supplies also develop normally.

(3) the situation in the mutton and lamb sector will probably be characterized by a recovery of production in the United Kingdom.