BACKGROUND DISCUSSION PAPER ON CURRENT MARKET CONDITIONS AND PROBABLE DEVELOPMENTS IN INTERNATIONAL TRADE IN BEEF AND BOVINE ANIMALS

Note by the Secretariat

The present note is in three parts dealing respectively with importing countries (I), exporting countries (II) and with selected aspects of the general situation of international trade in the bovine sector (III). In the preparation of this document the following sources have been used: USDA, Livestock and Meat Situation, August 1978; USDA, Foreign Agriculture Circular FLM 4-78, July 1978; USDA, Foreign Agricultural Circular, Livestock and Meat, August 1978; the United Kingdom and Livestock Commission, International Market Survey, Summer 1978 and Autumn 1978; and the one reply to the model questionnaire (L/4168/Rev.3) received by 29 September. The replies to the questionnaire received after that date have been taken into account whenever possible.
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PART I - IMPORTING COUNTRIES

United States

1. The 1 July 1978 inventory of all cattle and calves on farms in the United States was estimated to be 121.6 million head, a decrease of 8.6 million head, or 7 per cent, from the year earlier level. Compared to the numbers three years earlier, this means a decrease of 13 per cent or 18.6 million head. Large financial losses incurred by cattlemen during the last few years and, maybe more recently, the need to meet cash flow requirements by selling some animals at the improved prices are responsible for the decline in cattle numbers.

2. Also beef cow numbers decreased further and totalled at 1 July this year 37.6 million head, 20 per cent below those of 1975. The number of heifers held for beef cow replacement showed another decline, the total figure being reported to be 5.4 million, down 8 per cent on the 1977 5.8 million heifers for beef cow replacements.

3. The 1 July 1978 inventory of milk cow numbers declined less than the above categories and were at 10.8 million head, down only 1 per cent on the year earlier figures. Some of the reduction in the milk cow herd might be attributed to the higher prices for cull cows which induced dairymen to sell some of their less productive cows, which could have contributed to the relatively high level of cow slaughter in the spring of 1978.

4. The estimate of the calf crop for 1978 was in the middle of this year 44.1 million head, a decrease of 4 per cent on year earlier levels. This year's calf crop would then be 13 per cent smaller than the record large calf crop of 1974 and would be the smallest since 1968. The 44.1 million head calf crop constitutes 88.8 per cent of the 1 January 1978 inventory of all cows that have calved.

5. The 1 January 1979 inventory of all cattle and calves is expected to be between 110 and 112 million head. It would then be 15 to 17 per cent below the peak number of 132 million head on 1 January 1975, and the lowest the inventory has been since 1970. However, during 1979 cattle numbers are expected to increase as a result of the much firmer beef market which should encourage the rebuilding of herds, in spite of this year's forecast for the calf crop.
6. At 1 July 1978, steers and heifers (excluding replacement heifers) weighing 500 pounds and over were estimated at 26.6 million head, a decrease of 2 per cent from a year earlier levels. The decrease in calf slaughterings during the first half of this year contributed to keep steer and heifer numbers from declining even further. Another reason might be the increased numbers of calves placed on feed during this year's first six months, as rates of gain tend to be higher for animals in feed lots than for those on pastures.

7. Placements of cattle on feed during the first half of 1978 were 10 per cent higher than a year earlier, which resulted in a 1 July 1978 inventory of cattle on feed, in the twenty-three States which collect this information, of 10.9 million head, an increase of 12 per cent on year earlier levels. During the second half of this year and for early 1979, placements are expected to be higher than a year earlier levels although less than for the first half of this year.

8. During the first half of 1978 fed cattle marketings increased 6 per cent over the corresponding year earlier period. Based on the 1 July inventory of cattle on feed in the heavier weight groups, fed cattle marketings for July-September was estimated to rise some 7 per cent on year earlier levels, about the same level as the reported marketing intentions of producers. Fed cattle marketings for the fourth quarter of this year are expected to be some 5 per cent above a year earlier.

9. Cattle slaughterings in the period January-June amounted to 20.16 million head, slightly below last year's level in the same period. Fed cattle slaughter increased by 1 per cent in the first quarter and by 8 per cent in the second quarter compared to year earlier levels. In 1978 as a whole fed cattle slaughterings are expected to increase by 5 per cent compared to 1977, but reductions are expected in non-fed cattle and cow slaughterings, resulting in a decline of 4 per cent in total cattle slaughterings.

10. Cow slaughterings have so far been at year earlier levels but are expected to decline by 14 to 15 per cent below a year earlier levels during the second half of this year as a result of reduced cow numbers and the possibility of good grazing encouraging the retention of breeding stock. For the year, cow slaughter may total 8.8 to 9.0 million head.

11. Calf slaughterings have been at low levels this year. During the period January-June slaughterings totalled 2.28 million head, some 17 per cent below the level of the same period last year. This trend is expected to continue during the remainder of 1978, mainly because of higher prices which have encouraged producers to hold back calves until they have achieved higher weights.
12. Beef production for the first two quarters of 1978 totalled 12,040 million pounds, 3 per cent less than for the corresponding period a year earlier. Beef production is expected to continue at low levels for the second half of this year compared to the levels of the same period in 1977. It is expected that it will fall some 5 per cent below a year earlier, totalling about 5.6 million pounds. In the year as a whole beef production is expected to decline 4 per cent compared with 1977, to 10.83 million tons. This production would consist of more fed and less non-fed beef. However, forage supplies, rates of gain, and producers' marketing decisions will determine this level of production.

13. In the first three months of 1978, imports of beef and veal totalled 232,000 tons, 9 per cent higher than in the corresponding year earlier period. Total United States imports of beef and veal in 1978 are forecast at 1,025,000 tons, 15 per cent above last year's level. Under the United States Meat Import Law, 604,000 tons of fresh, chilled and frozen meat were imported in the first five months of 1978, a 16 per cent increase over a year earlier levels. Imports from Australia and New Zealand increased by 49 per cent and 5 per cent respectively, while there was a 32 per cent decline in imports from Canada. On 8 June 1978, the United States Government announced that there was to be an increase of total United States imports of fresh, chilled and frozen beef, veal, mutton and goat by 90,719 tons to 676,903 tons. Australia has been the main beneficiary, having been allocated a further 47,000 tons.

14. The reduced cattle numbers indicate that prices for all classes of cattle should remain substantially above last year's levels. They are expected to remain near or above late July levels, both for fed cattle and feeder cattle. Beef demand continues to be strong as relatively large quantities of beef have recently been moving through the retail market at prices 25 to 30 per cent above a year earlier levels. This does not seem to have significantly diverted consumers from beef consumption.

15. Choice slaughter steers are expected to average around US$55/cwt. during the second half of 1978. However, some seasonal weakness may occur this autumn with prices at US$1 to US$2 below those of July. A good demand by feed lots for feeder cattle is expected to keep choice yearling steers at prices around US$58 to US$63 during the remainder of this year. Feeder calves will probably sell at a premium to yearlings.

16. For the period January-June 1978, per capita consumption of beef and veal declined by only 3 per cent to 27.6 kgs. compared to a year earlier in spite of the near 18 per cent increase in retail prices. The forecast for 1978 as a whole amounts to a beef and veal consumption of 54 kgs. per person, a decrease of some 5 per cent on last year.
17. Exports of beef and veal from the United States in 1978 are expected to total 60,000 tons compared with 46,000 tons in 1977. Expected larger exports of high quality beef to Japan would account for this increase.

Canada

18. Cattle numbers on farms in Canada as of January 1978 amounted to 12.87 million head, 6 per cent down on a year earlier figures. Heifer numbers showed the largest decline, totalling 1.54 million head compared with 1.73 million a year earlier, a decrease of 11 per cent.

19. During the first seven months of 1978, the number of federally-inspected cattle slaughtered was lower than in January-July 1977. Slaughters, at 1.93 million head, declined 9 per cent compared with the same period last year. The largest relative declines were expected in cow and heifer slaughters, due to the decline in the cattle number on farms as shown by the January 1978 census. However, all types of cattle slaughters declined at a fairly consistent rate. During the remainder of the year cattle slaughters are expected to continue below last year's levels with a 6 per cent decrease for the year as a whole.

20. Canadian production of beef and veal is expected to decline in 1978, following a slight rise in 1977 over year earlier levels. In the first five months of this year, total beef production amounted to 311,000 tons, 1 per cent less than during the corresponding year earlier period. Average carcass weights have generally been higher than in 1977, this trend being expected to continue throughout 1978. Therefore, the reduction in beef production in 1978 as a whole is expected to be less than the decrease in cattle slaughters. Beef production is expected to total 1.09 million tons in 1978, 5 per cent less than in 1977. A further decrease of 6 per cent is forecast for 1979.

21. Canada will continue to be a net importer of beef and veal in 1978. During the period January/July 1978, Canadian beef and veal imports totalled 37,000 tons; compared with a year earlier, this is a decrease of 13 per cent. For 1978 as a whole it is expected that about 97,000 tons (carcass weight) will be imported, which is about the same tonnage as in 1977.

22. Since late 1977 prices for both fed cattle and feeder cattle have strengthened in Canada. The increase in fed cattle prices has had an extra impetus, due to the depreciation of the Canadian dollar against the United States dollar. Together with trends in feed prices, trends in fed cattle and feeder cattle prices will be of key importance to the prospective state of producer confidence and hence to the trends in cattle numbers and
in beef and veal production in 1978 and 1979. During the first seven months of 1978 cattle prices strengthened considerably and by the last week of July the average price of A1,2 steers in Toronto, at $63.25 per 100 lb. l.w., compared to $62 in late April, an increase of more than 40 per cent on year earlier levels.

23. In 1977 beef and veal consumption in Canada amounted to 52.8 kgs. per capita and total meat consumption to 100.5 kgs. In 1978 the domestic consumption of beef and veal is expected to decline by some 5 per cent compared to 1977. Rapidly rising retail beef prices, resulting from the lower production levels will be the primary cause of this decline. However, as retail pork prices are holding firm, this may help to slow the decline in beef consumption as Canadian consumers will not be as prone to shift to pork consumption.

24. In 1977 Canada increased its exports of live cattle, other than for dairy or breeding, with 18 per cent over 1976 levels. The 1977 level of 528,000 head is forecast to be maintained in 1978 or even surpassed. Virtually all of these exports went to the United States. During the first four months of 1978, 194,000 head were exported to the United States, well ahead of year earlier levels. Nearly half of the cattle exported so far in 1978 have been slaughter cattle.

25. Canadian exports of feeder cattle have also increased considerably. From 1976 to 1977 they doubled, reaching over 146,000 head. January through April 1978, feeder cattle exports to the United States were some 32,000 head, compared to 13,000 head for the corresponding period in 1977.

26. Beef and veal exports in the first half of 1978 totalled 21,000 tons, a 26 per cent decrease on the corresponding period a year earlier. As with cattle, most of Canada's beef and veal exports are destined for the United States. Canadian exports to the United States are, however, limited by a bilateral agreement.

Japan

27. At the beginning of 1978 the Japanese cattle numbers had increased by an estimated 2 per cent compared with a year earlier. This trend is expected to continue throughout 1978. In February this year total cattle amounted to 4,009,000 head of which 1,228,000 were dairy cows compared to February 1977 when total cattle reached 3,875,000 head of which dairy cows represented 1,176,000 head.
28. Cattle slaughterings in Japan in the first three months of 1978 were, at 291,000 head, 6 per cent higher than the corresponding period a year earlier. Slaughterings of beef cattle totalled 114,000 head, an increase of 19 per cent compared with the first three months of 1977. Slaughterings of dairy cattle amounted to 158,000 head, an increase by 2 per cent, while calf slaughterings declined by 27 per cent to 19,000 head.

29. There was a significant increase in beef production in the period January-April 1978. Compared to the corresponding period in 1977, production from Wagyu steers was up 21 per cent to 52,000 tons; beef production from dairy steers increased by 16 per cent to 36,000 tons while that of dairy cows decreased by 5 per cent to 32,000 tons. As a whole, beef and veal production in 1978 has been forecast to rise by 7 per cent compared to 1977. As a result of declining livestock feed prices leading to increased fattening of cattle before slaughter, there has been on average a 2 per cent increase in carcass weight compared with the same period a year earlier.

30. In the period January-April 1978, beef imports were up 24 per cent to 35,000 tons compared with a year earlier. Imports from Australia, accounting for 78 per cent of total imports, rose by 19 per cent, those from New Zealand and the United States by 81 per cent and 28 per cent respectively compared to a year earlier. It is expected that imports will continue to increase, despite the forecast rise in the level of domestic production.

31. On 25 August 1978 the Japanese Ministry of Agriculture introduced a tendering system for imported chilled beef to bring about a fairer distribution of imported beef among retail and wholesale outlets. Under the new system approximately 70 per cent of the imported chilled beef is distributed through tenders while the remainder is sold to more than 2,200 designated meat shops throughout Japan, while before the Livestock Industry Promotion Corporation allocated the chilled beef between five specialized distributors.

32. Wholesale beef prices, after having strengthened steadily in the first quarter of 1978, began to weaken in early May. In mid-June prices began to recover, and by the last week of June the price of second grade Wagyu steers in Tokyo averaged ¥ 1,550 per kg., 2 per cent lower than at the beginning of April and 5 per cent lower than a year earlier. Second grade dairy steers averaged ¥ 1,192 per kg., down 5 per cent on the price in April and 7 per cent on that of a year earlier. However, the prices received by exporters to Japan have in fact increased due to the appreciation of the yen on world exchange markets.

33. Per capita red meat and poultry consumption rose slightly in 1977. Consumption of pork, beef and poultry amounted to a total of 26.8 kgs. per person while that of beef reached 14 kgs. per person. It is expected that consumption of beef will increase by 6 per cent in 1978. However, the increase in domestic production and the current high level of stocks is expected to be adequate to cover increased consumption.
European Community

34. The Community cattle numbers showed a marginal increase in 1977 and there is a possibility that cattle numbers will expand further in 1978, given the increased prices for fat cattle. Apparently a rebuilding phase began in 1977 as total slaughter declined while at the beginning of 1978 cattle numbers had increased. Despite the increased slaughter forecast for 1978, herd numbers are expected to have increased by 1 January 1979, compared to this year. The slight increase in slaughter should be more than offset by a large calf crop from the increased cow herd. The herd build up - particularly in dairy cattle, which are the source of most of the EC's beef supplies - is being encouraged by high EC milk prices, good forage supplies, and favourable prices for protein supplements.

35. Although no official figures are as yet available for beef and veal production, it is expected that the level of production for the whole of 1978 will be comparable or slightly above that of 1977, that is around 6,400,000 metric tons carcass weight.

36. Net imports of beef and veal in 1978 are expected to be comparable to those in 1977, not exceeding some 295,000 tons carcass weight equivalent. The levy on imports will remain high and actual purchases will probably not significantly exceed the level of the various quotas for imports on preferential terms, particularly as EC's intervention stocks remain high.

37. Under the jumelage/balance sheet scheme for manufacturing beef the right was earned to import the bone-in equivalent of just over 11,500 tons of beef in the third quarter of 1978. Sales of United Kingdom and Irish Republic intervention beef under this scheme earned the right to import the bone-in equivalent of 1,050 tons and 3,140 tons respectively. The Community import quota of young male cattle for further fattening, under the balance sheet arrangements, has been set at 35,000 head for the fourth quarter of this year.

38. Purchases of beef in 1978 under the permanent intervention arrangements, have remained consistently lower than sales of intervention beef in the European Economic Community as a whole. In May/July beef purchases totalled 37,000 tons for the European Economic Community as a whole, compared with almost 65,000 tons in the corresponding period of 1977. In Western Germany and the Irish Republic they amounted to 14,000 tons and 15,000 tons respectively and to 1,900 tons in the United Kingdom, while no beef was purchased in Belgium, France, Italy and Luxembourg. Sales of intervention beef in May-July amounted to 80,000 tons compared with less than 15,000 tons a year earlier. By August, sales had exceeded purchases by 62,000 tons and as a result European Community intervention stocks were reduced to 259,000 tons by mid-August. At the end of 1978 it seems possible that total stocks could be even further reduced although much could depend on whether a further private storage scheme is introduced.
39. Under the European Community fixed-rate private storage aid scheme for beef forequarters operated throughout the Community from 3 to 31 July, it is understood that agreed contracts covered the storage of over 33,000 tons of beef, where 7,000 tons were stored in France, 10,000 tons in Western Germany, 3,000 tons in the Irish Republic, 7,000 tons in the United Kingdom and 2,580 tons in Belgium.

40. The Community reference price for cattle remained unchanged in June and July 1978. In August and first two weeks of September the prices fluctuated between 66.58 p. and 69.49 p. per kg. (85.84 per cent to 86.98 per cent of the guide price). It seems unlikely that the reference price will rise above 90 per cent of the guide price during September/October.

41. Consumption of beef and veal in 1978 is expected to be above 1976 levels, following a slight decline in the consumption level in 1977. Nearly all EC countries are expected to show some increases in beef and veal consumption. The average beef and veal consumption for the Community countries amounted to 25.3 kgs. in 1976 and 25.2 kgs. in 1977, the highest consumption being in France with 31.2 kgs. in 1976 and 31.3 kgs. in 1977.

42. Within the Community, French exports of calves in the first four months of 1978 were at slightly lower levels than a year earlier. During the same period nearly three times as many calves were imported from the United Kingdom compared to the corresponding period in 1977. With effect from May 1978, beef and veal export refunds from the Community to third countries were increased by almost 10 per cent.

Spain

43. Meat production in Spain increased considerably since the mid 1960's, with beef production increasing more than other meat sectors. In 1965 beef production totalled 178,000 tons, while by 1977 it had increased to 425,000 tons. Imports of beef average a yearly 40,000 tons, most of which is consumed in the Canary Islands.

44. In 1973 a total of 61,000 tons of beef were imported and consumed in Spain, but two years later it had declined to 6,000 tons. However, there were slight increases in 1976 and 1977.

45. The main sources of supply for beef to Spain have been the South American countries. In 1975 75 per cent of Spain's imports came from these countries, a figure that had declined from 93 per cent in 1973.

46. The consumption of beef and veal in 1977 increased over year earlier levels from 12.9 kgs. to 13.4 kgs. per person. Total meat consumption in Spain amounted to 56 kgs. in 1976 and 58.4 kgs. per person in 1977. No dramatic changes are expected for 1978.
47. On 1 July 1978 cattle numbers in the public sector (state and collective farms = two thirds of total production) totalled 91.8 million head, an increase of 2 per cent compared to a year earlier. At 29.3 million head cow numbers are also up 2 per cent from the corresponding year earlier level.

48. In the first four months of 1978 sales of fat cattle by private farmers were considerably higher than a year earlier, which suggests that cattle numbers also have increased.

49. The 1978 target for total meat production as a whole is 15.6 million tons (live weight), which would constitute a record level and a 5 per cent increase over last year's actual output of 14.8 million tons. A large part of this increase is expected to be taken up by beef and veal production. Since Soviet cattle production, during the period January-June of this year, amounted to 4.70 million tons, an increase of 5 per cent compared with the corresponding period a year earlier, the prospects for reaching the target look favourable.

50. The USSR has not made its customary purchases of beef on the world meat markets and no major contracts seem to have been made by early September with the traditional suppliers such as New Zealand, Australia and Argentina, notwithstanding that reports have it that meat is scarce in some parts of the USSR. This may be due to an attempt by the Soviet authorities to reduce the trade deficit with the West, and to save foreign currency.

51. After a decline in per capita meat consumption in 1976, consumption recovered in 1977, total consumption of meat amounting to 48.4 kgs. per person in 1977 compared to 44.9 kgs. in 1976, a third of this, approximately, being pork consumption. Beef and veal amounted to 23.8 kgs. and 24.6 kgs. per person in 1976 and 1977, respectively. Total meat consumption for 1978 is not expected to change much.

Eastern Europe

52. While trends in livestock numbers are not identical in all East European countries, at the beginning of 1978 estimated cattle numbers in these countries were at 32.79 million head, almost 2 per cent higher than a year earlier. The most marked increases were registered in Czechoslovakia and Hungary while there was a decline in Romania. Poland's cattle population has remained stable and accounted for over a third of the cattle population in Eastern Europe in both 1977 and 1978.
53. An estimated 2.0 million tons of beef and veal were produced in Eastern Europe in 1977, a reduction of over 4 per cent compared with a year earlier, but an increase of 13 per cent compared with the period 1972-1974. Except for Bulgaria and Romania, production declined in all the East European countries. The largest decline occurred in Poland, where production fell by over 9 per cent between 1976 and 1977. For the region as a whole production in 1977 was some 5 per cent down on 1976.

54. During 1977 an estimated 400,000 tons of red meats were imported into the area. However, import requirements are expected to be reduced significantly this year, because of increased production levels being forecast for both beef and pigmeat.

55. Total meat consumption in East European countries amounted, on average, to 63.4 kgs. per person in 1976, and 65 kgs. in 1977, the highest consumption level being that of Poland with 77.7 kgs. per person in 1977. Of this total meat consumption, beef and veal consumption represents on average for the East European countries 17.9 kgs. per person in 1976 and 18 kgs. in 1977, Poland still being the largest individual consumer with 23.5 kgs. per person in 1977.
Argentina

56. Cattle numbers in Argentina have in the last years increased and have stabilized since 1976 around 60 million head. However, the herd numbers are officially forecast to decline to around 59 million head around mid-July 1978, reflecting a more pessimistic view by beef producers of future market trends. By the end of this year, the cattle numbers are forecast to fall to the low level of 55.1 million head, the lowest level since 1973. With the prospect of a deterioration in the beef economy and even given normal weather conditions, cattle numbers may decrease even further in 1979.

57. Argentine cattle slaughter levels continue to increase as they have done each year since 1974. The present high slaughter rate is a result of herd culling, which is expected to continue at an even greater rate through the second and third quarters of 1978. Cattle slaughterings for 1978 as a whole will possibly be some 10 per cent higher than in 1977.

58. In 1977, beef and veal production amounted to 2.90 million tons - the highest level for over forty years. In the first quarter of 1978 beef and veal production totalled 763,000 tons and the forecast for the whole of 1978 amounts to the record level of 3.1 million tons, which is some 7 per cent higher than in 1977. The outlook for the 1979 beef and veal production largely depends on whether or not the herd liquidation stops. However, it seems not unlikely that beef and veal production will be as high in 1979, or slightly higher than in 1978.

59. There was a rather strong increase in export prices and domestic sale yard prices in Argentina in 1977, prices which however started to fall in the first quarter of 1978. Cost increases have been strong and interest rates on loans are very high. Farmers are forced to bring cattle to the market, often at premature weights in order to overcome liquidity problems. Trends in the cattle prices at Liniers Market have not been consistent. Although steer prices increased by 15 per cent between April and May, in real terms they were at their lowest since May 1974. A similar trend was also shown by cow prices. However, steer and cow prices were, at the end of July, over twice as high as those of a year earlier.

60. Domestic consumption of beef and veal which in 1977 reached the high level of 2.29 million tons, giving a per capita consumption of 89 kgs., is forecast to fall to 87 kgs. per head in 1978, down 2 per cent on the 1977 figure. Total meat consumption in 1977 amounted to 107.9 kgs. per person.
61. Exports of beef so far in 1978 have been higher than a year earlier. The provisional figures issued by the National Meat Board show that, during January-June 1978, 346,000 tons of bone-in beef (including processed beef) were exported, an increase of 32 per cent over the level a year earlier. However, the average unit value of Argentine beef showed during this period a slight decline in terms of dollar values, mainly due to a large fall in prices, in the second quarter to $771 per ton from $801 per ton during January/March 1978. As a whole, beef exports in 1978 are expected to remain substantially higher than the year before.

62. To encourage exports of beef promotional campaigns have been carried out in South American countries and West Africa. Thirty-five thousand tons were exported to Brazil in the first half of 1978, and it is expected that these exports will total 70,000 tons at the end of this year compared to only 2,000 tons last year. Live cattle exports have been higher this year than in 1977 and 15,000 live cattle were sent to Paraguay in the first six months of 1978 and 1,500 live steers to Libya.

Australia

63. The end of March cattle inventory in Australia indicates that the cattle population, at 29.14 million head, had decreased by 7.6 per cent on a year earlier level, the lowest level for six years. This decline is the result of the high level of slaughterings due to drought conditions at the end of 1977 and the beginning of 1978 and of the low level of beef prices in the last four years. A further decline in cattle numbers by March 1979 is possible. However, if seasonal conditions continue to improve and recent price increases for cattle are maintained long enough to restore producer confidence in the cattle industry, the magnitude of this decline will likely not be as large as in the past two years.

64. Slaughterings of cattle and calves continued above 1977 levels and increased by 28 per cent to 3.91 million in the second quarter of 1978, compared to a year earlier. Cattle and calf slaughterings totalled 12.56 million during the twelve-month period ended June 1978, 8 per cent more than the corresponding period a year earlier. In the second half of 1978 cattle slaughterings are expected to drop well below the year earlier level, the latest forecast for 1978/1979 indicating a 17 per cent decrease in slaughterings compared with the previous year. An increase in average carcass weight is, however, expected to partly offset this decline. Slaughterings of female adult cattle are expected to be lower than in either 1976/1977 or 1975/1976 but will probably still account for over 40 per cent of the total.
65. Production of beef and veal in the second quarter of 1978 is, at 535,000 tons, marginally lower than the year earlier level. During the twelve-month period ending June 1978, however, the Bureau of Agricultural Economics estimates that beef and veal production amounted to more than 2.1 million tons, compared with 1.99 million tons the previous year. For July 1978/June 1979, the BAE expects a decrease in beef and veal production to 1.63 million tons, a 13 per cent decline on the year earlier levels. This forecast reflects a decrease in the available supply of slaughter animals as a result of a reduction in the herd base coupled with some easing in the rate of liquidation of the cattle herd.

66. After having fluctuated considerably in the early months of 1978, cattle prices stabilized and remained steady in most parts of Australia during April and May. Mainly as a result of lower slaughtering levels and higher export prices achieved in sales to the United States, prices strengthened considerably in June and July. In March, the price at Brisbane for light steers averaged 55.60 Australian cents per kg. d.w., 5 per cent more than a year earlier, while by the second week of August this price had increased to 74.00 Australian cents per kg. d.w., 68 per cent higher than in May and 66 per cent more than a year earlier.

67. The decline in production could be partly offset by lower domestic consumption and by a reduction in stocks. The domestic consumption of beef and veal should remain at a relatively high level in 1978, although it is expected to decrease somewhat. In the first nine months of the 1977/1978 year consumption declined 6 per cent compared to a year earlier, totalling 47.4 kgs. per person. Higher retail prices and increased export demand is responsible for this lower level of domestic consumption.

68. Australian beef and veal exports reached, for the twelve-month period ended June 1978, a record level of 758,000 tons, an increase of more than 17 per cent over a year earlier levels. This increase was mainly a result of increased exports to the Middle East and the United States. Exports to the United States and the Middle East rose by 40 per cent and 70 per cent respectively while sales to the United Kingdom totalled 12,000 tons compared to the year earlier figure of 7,700 tons. During this period, exports to the USSR amounted to 34,000 tons, a decrease of 48 per cent.

69. Exports to the United States are expected to be at higher levels in the second half of 1978 than in the corresponding period the previous year. This is due to the new higher level of meat imports set by the US Government in June 1978 whereby Australia's new voluntary restraint level for beef exports to the United States was increased by 47,000 tons to 348,000 tons product weight for 1978 as a whole. The exports to the Middle East are also expected to rise and should total 70,000 tons product weight in 1978. Egypt has been a major purchaser of Australian beef this year and bought, in the first three
months of 1978, nearly 11,000 tons. For the period 1978/1979, Australian exports of beef and veal as a whole are, according to a BAE forecast, expected to decline to 600,000 tons notwithstanding expectations of higher export levels to the United States and Japan.

New Zealand

70. The Ministry of Agriculture estimates that at 30 June 1978 there were 8.5 million cattle on farms compared with an estimated 8.75 million in 1977. The estimates for 31 January 1979 are 9.04 million cattle on farms compared with 9.129 million at the same time this year.

71. Poor spring growing conditions and a severe summer drought have, despite a comparatively mild autumn and winter, made this a difficult season for most cattle producers. Some redistribution of cattle slaughterings occurred in response to the drought, with greater numbers being killed early in the season so that slaughterings over the peak period of March to June were reduced somewhat. However, the adult cattle kill for this season to date (27 August) is 5 per cent greater than for the same time last season, with much of the increase being attributable to a cow-kill 12 per cent greater than last year.

72. Cattle slaughterings for export during the three-month period ended June totalled 640,000 tons, 1 per cent higher than for the corresponding months a year earlier. In the 1977/1978 year as a whole, slaughterings will probably remain at a similar level as in 1976/1977.

73. Production of beef and veal for exports has been at reduced levels during 1978 compared with 1977. In the second quarter, 74,000 tons were produced for export, 12 per cent lower than in April/June 1977. In the nine months ended June 1978, production totalled 193,000 tons, 4 per cent less than in the corresponding period a year earlier.

74. Beef and veal production for the year ended 30 September 1978 is forecast at 534,000 tons (carcass weight) from the slaughter of 2.39 million adult cattle and 1.10 million calves. Beef and veal production for the year ending 30 September 1979 is forecast at 500,000 tons (carcass weight) from the slaughter of 2.15 million adult cattle and 1.10 million calves.

75. Meat consumption is expected to remain relatively high this year as a result of continued large supplies. Beef, veal and lamb consumption should total near last year's levels, while pork and mutton consumption are forecast to increase slightly. Domestic consumption of beef and veal for the year ended 30 September 1978 is forecast at 192,000 tons carcass weight and at 185,000 tons carcass weight for the year ending 30 September 1979.
76. Average seasonal prices to the producer for beef were low in real terms, compared with lamb and wool prices, despite the upturn in producer returns in the latter half of the season due to increased United States beef prices and the relaxation of the United States beef import restraint levels. The season's average schedule price for manufacturing beef is estimated at 74 per cent of the long-term real average price for beef.

77. At current prices beef production results in a gross revenue of $11.5 per stock unit compared with $17 per stock unit from sheep production. This is reflected in the continued high rate of cow and heifer slaughterings, despite expectations of improved producer returns for beef in the 1978/1979 season. Forecasts for the 1978/1979 season give beef production a gross revenue of $13 per stock unit compared with $18 per stock unit for sheep production.

78. Export shipments of beef in April/JJune totalled 61,000 tons shipped weight over 30 per cent lower than the very high level a year earlier. In the nine-month period ended June 1978 shipments were 18 per cent lower than in the corresponding period a year earlier, although there were increases of 17 per cent and 13 per cent respectively in shipments to Canada and the United States. For the year ended 30 September 1978 exports are expected to reach 241,000 tons (product weight), with some reduction in end of season stocks while for the following year exports of 203,000 tons are expected.

Central America

79. Over the past few years there has been a build-up in cattle inventories and slaughter levels in Central America. As of 1 January 1978 cattle numbers were estimated at 14.4 million head, an increase of 3 per cent over a year earlier levels. Cattle slaughter is estimated at some 2.3 million head which, compared to the 1977 figure of 2.1 million head, is an increase of 9 per cent.

80. As a result of increased cattle numbers and slaughter levels, beef and veal production is forecast to rise to 426,000 tons in 1978, an increase of 10 per cent over a year earlier figures. Of total meat production in Central America, 80 per cent is represented by beef and veal.

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1For the purposes of this paper, Central America consists of the Dominican Republic, Haiti, Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.
81. Total beef exports from Central America for 1978 are forecast at 155,000 tons, an increase of 22 per cent over a year earlier levels. As of beginning of June this year, actual shipments from Central America to the United States amounted to 38,774 tons, a decrease of 20 per cent on the year earlier level. This decrease is explained by the fact that the Dominican Republic and Belize had, by July 1978, made no shipments to the United States, the Dominican Republic having had an export ban on beef. Exports are however expected to increase substantially during the second half of 1978.

82. The United States continues to be the traditional market for beef exports from the Central American markets. However, lower United States beef prices in 1976 and 1977 and voluntary restraints on exports to the United States market, induced some Central American countries to develop other markets, especially in Venezuela and the Middle East. In 1978, though, Central American countries are expected to export almost exclusively to the United States as prices for imported boneless beef are now higher in the United States.

83. The level of exports to the United States from Central American countries was, for 1978, originally set at 98,385 tons product weight, some 1,542 tons above the 1977 level. In June, however, this level was raised to 113,581 tons as part of the overall increase by 90,719 tons to 676,903 tons of imports of fresh, chilled and frozen beef, veal, mutton and goat.

Mexico

84. For the end of 1978, total cattle numbers in Mexico are forecast at 28.8 million head, virtually unchanged from a year earlier. Cattle slaughter is forecast at 6.1 million head.

85. Because of a drought that began last autumn and continued far into 1978 in part of northern Mexico, Mexican beef and veal production was forecast, in July this year, at 1.04 million tons, about the same level as in 1977, earlier expectations of herd building having been altered by the drought.

86. Total red meat consumption is expected to increase by 1 per cent over year earlier levels. Beef and veal, and mutton and goat meat consumption is forecast at 1.01 million and 55,200 tons respectively, the same as a year earlier. Per capita consumption of beef and veal in 1977 amounted to 15.6 kgs. whereas total meat consumption amounted to 28.4 kgs. per person.

87. Mexico is expected to export 544 tons of fresh, chilled and frozen beef to Japan this year. At the end of June, Mexico had shipped 15,295 tons of beef to the United States, 10 per cent above the year earlier figure.
Exports of Mexican beef to the United States are subject to the provisions of the United States Meat Import Law and until recently Mexico's tonnage of beef to the United States was estimated at 28,622 tons product weight for 1978, some 454 tons above a year earlier levels. However, as a result of the United States Government's recent decision to increase beef imports, Mexico's share was increased by 15 per cent under the bilateral agreement. This higher level may, however, not be reached by Mexico as the Mexican Government has decided that, with the problems of inflation and higher beef prices for retail cuts, it may be better to export less and make certain that there is enough beef for the home market.

Uruguay

88. Cattle slaughter is expected to increase moderately this year over 1977 levels, an increase which would be due to policy changes last year. Measures to improve producer prices and encourage marketings, particularly of heavier cattle over three years old, are included in these changes. Also included is the rise in domestic wholesale and retail prices plus the setting up of a reserve of some 15,000 tons of beef to assure available supplies for the big population centres of Montevideo and Canelones.

89. The forecast for beef and veal production for 1978 is 375,000 tons, a level some 3 per cent above that of 1977 but considerably below that of 1976 when there was a record output of some 400,000 tons. The 1976 production level was a response to government policy favouring exports at the expense of domestic consumption. Wholesale and retail prices had been maintained at relatively low levels making producers reluctant to deliver to slaughter plants serving the domestic market. However, supplies were available from export plants, where prices were higher. Consumption of beef in Uruguay for 1978 is currently forecast to rise by some 3 per cent over the relatively low 1977 levels. Per capita consumption of beef and veal was in fact at its lowest level since 1972 with only 66.3 kgs. per person compared with 83.7 kgs. and 75.6 kgs. in 1975 and 1976 respectively.

90. Uruguay's export commitments are carefully weighed by the government in view of concern about sufficient supplies for its domestic markets. In 1977, over forty different international markets imported Uruguayan beef. For 1978, current estimates for beef exports are 134,000 tons, only slightly above 1977 levels. The early 1978 exports to Brazil of 50,000 tons of beef, chilled compensated quarters, are expected to be followed by a second contract of 50,000 tons to be delivered during the second half of 1978. Trade sources also indicate that Egypt is interested in continuing their meat imports from Uruguay.
PART III - GENERAL

International economic situation

91. The prospects for economic growth in the major industrialized countries are still bleak. According to the latest OECD forecasts, real GNP will only be 3.5 per cent higher on average for the OECD area in 1978 than in 1977. This rate of growth will decline to an annual rate of 3.3 per cent in the first six months of 1979 if no new economic incentives are introduced. However, if the July Bonn Summit promises are fulfilled GNP might increase to 4.5 per cent.

92. A severe winter and coal strikes resulted in no GNP growth in the United States in the first three months of this year compared with a year earlier level. However, there have been signs of recovery recently and in 1978 as a whole GNP is forecast to be 3.8 per cent higher than last year. Growth in real GNP during the first half of 1979 seem unlikely to exceed an annual rate of 3 per cent.

93. The economic growth in Japan during the first three months of 1978 was the most marked since the oil crisis in 1973 and in 1978 as a whole real GNP is expected to be 5.5 per cent higher than in 1977 while for the first six months of 1979 it is not expected to reach 5 per cent.

94. In the Federal Republic of Germany, economic growth has remained at a low level with GNP for 1978 forecast to increase by only 2.5 per cent in real terms. However, as a result of the Bonn Summit, tax cuts amounting to DM 12.25 billion are intended to stimulate further growth.

95. For the European Community as a whole, the Commission has revised its earlier estimate of 3.5 per cent growth in GDP to 2.8 per cent notwithstanding some signs of increased business and consumer confidence.

96. The inflation rate for the OECD area is expected to remain at about 7 per cent throughout this year and in early 1979. In the United States the upward trend continues to cause concern, and inflation (using the private consumption deflator) is expected to be equal to the OECD average, but some acceleration is possible during 1979. Consumer prices in Japan are forecast to rise by 5 per cent in 1978, with some probable acceleration in the next eight to twelve months.

International cattle situation

97. World cattle numbers are still decreasing. The United States cattle census results indicate that total breeding cow numbers are likely to be even lower at the beginning of 1979 than a year earlier when they were 5 per cent less than at the beginning of 1977, and breeding heifers were
down 7 per cent on those of a year earlier. The implications for world beef production and prices are important, as it now seems likely that the low production year in the current United States cattle cycle will be 1980.

98. Cattle numbers are also declining in Australia, mainly because of the drought conditions and the poor liquidity position of many beef farmers. In New Zealand and Argentina cattle numbers are expected to remain relatively stable for the remainder of this year. European Community and Eastern European cattle numbers are forecast to increase slightly during 1978 while there may be a decline in Japan.

99. Beef and veal production has been lower than a year earlier in most parts of the world in recent months, with the exception of Japan, where in 1978 as a whole a 7 per cent increase is expected. In the United States, beef production declined 2 per cent in the first half of 1978 compared to a year earlier and a 7 per cent decline is forecast for the second half of the year. Beef production in Australia was still at a high level in the first half of the year but a considerable reduction is expected for the second part of this year. Production in Argentina has been higher than expected and for 1978 as a whole could be at least 5 per cent higher than in 1977. In the European Community production of beef and veal for 1978 as a whole is not expected to show substantial differences compared to a year earlier. However a slight increase in production of beef and veal is possible compared to last year. The production in the USSR has increased some 5 per cent in the first two quarters of this period. Total world beef production is likely to show a further decline in 1979, particularly while breeding herd expansion takes place in such countries as the United States and Australia. Increased production is nevertheless forecast in Eastern Europe and the USSR.

100. The forecast for world beef imports remains at a high level, although smaller supplies will push prices above those of 1977. In 1978, the United States is expected to import just over 1 million tons, 135,000 tons more than in 1977 while the European Community imports are forecast at some 295,000 tons, the same as last year's imports. In contrast to last year's imports of 350,000 tons, the USSR has so far not imported any known quantities and the Soviets buying intentions for the remainder of this year remain unknown.

101. Higher cattle and beef prices are expected in most producing and consuming countries for the near future, as a result of projected reduced cattle numbers in most major producing countries and an increased world demand for meat because of higher incomes and population expansion leading to a tightening of world cattle supplies over the next few years.
102. General economic demand indicators remain very sluggish and for some countries recent forecasts suggest some weakening in these indicators in 1978 compared with 1977. In the United States, consumption of beef has been declining while beef prices have risen. In the first half of 1978 United States beef consumption had decreased 3 per cent compared to the year earlier level and for 1978 as a whole consumption is expected to decrease by 5 per cent. Some increase in beef and veal consumption is expected in 1978 for the European Community as a whole, following the slight decline in consumption in 1977. In Japan, beef consumption has been rising in 1978 as a result of increased production and imports.

103. Exports of beef and veal from Australia in the twelve months ended June 1978 were 17 per cent higher than a year earlier while a reduction is forecast for 1978/79, despite the expected increase in exports to the Middle East and the United States. Argentinian beef exports in the first six months of 1978 rose by 32 per cent over year earlier levels to 346,000 tons; increased quantities were sent to European Community countries, the Middle East and Brazil. European Community exports of beef to third countries have been significantly higher than a year earlier in recent months.