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, December 1978 and February 1979; USDA, Foreign Agriculture Circular FLM 1-79, January 1979; Bureau of Agricultural Economics, Meat, Situation and Outlook, 1979; the United Kingdom Meat and Livestock Commission, International Market Survey, 1979/1; and the replies to the model questionnaire received by 30 March.
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PART I - IMPORTING COUNTRIES

United States

1. The reduction in the size of the cattle herd continued throughout 1978. From a record of 132 million head on 1 January 1975 the inventory had declined to 116.3 million in January 1978. In January 1979 the herd had diminished further and totalled 110,564,000 head, some 16 per cent fewer than the record number in 1975. Due to improved seasonal conditions throughout the cattle breeding States and to strengthening sale yard prices, the cattle herd liquidation rate was much reduced in 1978 compared to 1976 and 1977. The number of cattle and calves on feed for the slaughter market on 1 January 1979 at 12.7 million head was the second highest 1 January feedlot inventory since 1974. The 1 January figure was 1 per cent less than the comparable 1978 estimate and 6 per cent more than the number on feed at 1 January 1977.

2. All categories of cattle decreased in numbers during 1978: beef cow numbers were down by 4.7 per cent, from 38,809,000 head in January 1978 to 36,989,000\(^1\) in January 1979; dairy cow numbers decreased by 0.8 per cent to 10,853,000 head\(^2\); heifers by 4.7 per cent to 16,885,000 head\(^3\); steers by 2.7 per cent to 16,321,000 head; bulls by 5.6 per cent to 2,401,000 head; and heifers, steers and bulls under 227 kgs. by 7.4 per cent to 27,413,000 head. The 1978 calf crop was estimated at 43,839,000 head, 5 per cent below the final 1977 inventory of 46,088,000 head. During 1979 cattle numbers in the United States are forecast to stabilize at around 110 million head, showing even a slight increase by the beginning of 1980 provided that cow, heifer and calf slaughterings continue as expected.

3. In 1978 slaughter of fed cattle is expected to be around 7 per cent above year earlier levels while a decline in slaughter levels is expected of non-fed steers, heifers and cows. At the end of 1978 cow slaughter was declining but for the year as a whole it is expected to be still rather high at about 8.5 million head, a decrease of around 13 per cent on that of 1977. Heifer slaughter is expected to exceed the record high of 28.5 per cent of total slaughterings set in 1976, in view of the January-October 1978 figure of heifer slaughter accounting for 29.7 per cent of total cattle slaughtered under Federal inspection. Commercial calf slaughter for the year is estimated at around 4.2 million head, a decrease of 23 per cent on the 1977 level.

\(^{1}\)Provisional
4. About 70 per cent of total cattle slaughterings in 1978 will be accounted for by fed cattle. Twenty-seven per cent of total slaughter will be made up by cow and bull slaughter and slaughter of steers and heifers directly off grass is expected to decline by around 50 to 60 per cent. Total cattle slaughterings are expected to show a 6-7 per cent decline in 1978 compared to the level in 1977. In 1979 a substantial cut-back in slaughterings of non-fed cows, heifers and calves is expected but the effect of this reduction is likely to be partly offset by a higher turnoff of fed cattle at heavier average slaughter weights.

5. In 1978 placements of cattle in feedlots were very large. During the July-September 1978 period net placements for the twenty-three States which collect this information were over 6.9 million head, 12 per cent more than year earlier figures. The inventory on 1 October shows a 16 per cent increase of placements on last year. For the fourth quarter of 1978 placements amounted to 8,656,000 head in the twenty-three States, 9 per cent below the same period in 1977. For 1979 it is expected that placements of cattle on feed will continue at high levels, as a result of large feed grain harvests in 1978 and subsequent ample grain supplies at relatively low prices.

6. Marketings of fed cattle for slaughter during the fourth quarter of 1978 had increased by 11 per cent to 6.73 million head compared to the same period in 1977. It was the highest fourth quarter marketing figure since 1972. Fed cattle marketings for the first six months of 1979 could possibly be 4 to 6 per cent higher than year earlier levels although this would be greatly influenced by the level of placements during the coming months.

7. Production of beef totalled 2.69 million tons in the third quarter of 1978, 6 per cent less than a year earlier, while veal production for that period amounted to 63,000 tons or 32 per cent less than in the year earlier period. For 1978 as a whole beef and veal production totalled 11.18 million tons, roughly 5 per cent down on the 1977 beef and veal production level of 11.7 million tons. This decline in production is due in part to the sharp reduction in the size of the cattle herd in later years. The 1978 meat production consisted of more fed beef and less non-fed or lean beef, a shift in the production mix which is expected to continue in 1979. During the first six months of 1979 total beef production is expected to decline by 3-4 per cent compared to year earlier levels, provided that the average dressed weights continue to be heavier than year earlier. The last six months of 1979 beef production is expected to be at much the same level as the year earlier and for 1979 as a whole a 4-6 per cent beef production decrease is forecast.

1 Estimate
8. In 1978 imports of beef and veal under the 1964 Meat Import Law were, after an increase of 90,719 tons in June 1978, set at 676,903 tons product weight, or around 16 per cent more than in 1977. Under the voluntary restraint agreements, Australia was the main beneficiary as its share of the allocation, after reallocation of some quantities, amounted to 365,000 tons, or around 54 per cent of the total. Total beef and veal imports during the period January-November 1978 amounted to 684,317 metric tons, up 23 per cent from 555,518 tons in the same period in 1977. In 1979 domestic supplies of beef and veal are likely to decline substantially while meat imports will increase somewhat. Under the voluntary restraint agreements the import volume of meat allocated in 1979 amounts to 712,000 tons product weight, of which the Australian allocation amounts to 374,000 tons and that of New Zealand to 153,800 tons. It is understood that the quota has been increased in an effort to limit the substantial rise in domestic beef prices predicted as a result of the recent decline in cattle numbers but also because domestic beef production is forecast to decline by 4-6 per cent in 1979.

9. Prices of beef and veal in 1978 rose considerably compared to earlier years. Retail prices for beef rose from 162.7 cents per pound at the beginning of the year to 189.7 cents per pound at the end with an annual average of 181.9 cents per pound compared to an annual average of 148.4 cents per pound in 1977. Choice feeder prices, 600-700 pounds, at Kansas City rose from US$47.89 cwt. at the beginning of the year to US$66.52 cwt. at the end of 1978, the average over the year being US$58.78 cwt. compared to the year earlier US$40.18 cwt. The weighted average price on the farm also increased from US$34.40 cwt. in 1977 to US$48.23 cwt. in 1978.

10. As a result of a decline in beef and veal supplies in 1979, of increases in the general price level and consumer preferences, retail red meat prices are likely to increase on average 6 to 10 per cent compared to 1978, with a 10 to 14 per cent increase in beef prices and a more moderate one of 2 to 5 per cent for pork. Feeder cattle prices are also expected to increase further in 1979 with prices for choice yearling steers averaging in the mid- to upper $60 per 100 pounds. If demand for beef remains as strong as anticipated in the second half of 1979, further price rises will be likely.

11. Strengthening retail prices and reduced supplies of beef and veal resulted in a reduction of consumption of beef and veal in 1978 in the order of 6.5 per cent, totalling 54.7 kgs. Total consumption of red meat is expected to be only moderately higher than the 86.4 kgs. per person in 1977. Given current government policies aimed at restraining growth in the economy in order to check inflation, it does not seem likely that demand for beef will strengthen in 1979. On the contrary, beef consumption in 1979 is expected to decline 2.5 to 4.5 kgs. below the 1978 level.

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1 Preliminary
12. Exports of beef and veal from the United States totalled 74,160 tons carcass weight in 1978, up from 46,000 tons in 1977, while cattle exports amounted to 122,208 head. Part at least of the increased beef and veal exports would be accounted for by expected larger exports of high quality beef to Japan.

Canada

13. The 1 July 1978 cattle inventory indicated a decrease in total cattle numbers to 13,711,500 head or 7 per cent compared to year earlier figures. The biggest decrease was registered in bull numbers which decreased by 9 per cent to 252,900 head and beef cow numbers which decreased by 8 per cent to 3,875,000 head. As cattle producers gradually moved to retain greater numbers of breeding stock in response to strengthening prices, it is likely that the reduction of the herd in the last six months of 1978 continued at a slower rate. It is expected that beef cow numbers will have decreased by 3-5 per cent at the January 1979 cattle inventory. No cow herd growth is expected before January 1980.

14. Total cattle slaughterings (including imports) continued to decrease in 1978 and up to 18 November the decrease was 10 per cent compared to the same period a year earlier. In the first quarter of the year the decrease amounted to 4 per cent, 10 per cent in the second and 15 per cent in the third. Since the third quarter in 1977, Federally inspected steer slaughter of domestic origin has decreased in each quarter. January to end of October 1978 steer and heifer slaughterings were 9 per cent below those of a year earlier. The forecast for 1979 indicates further sharp decreases in slaughter rates, following the same general pattern as in the United States.

15. In line with the decreases in the beef cow inventory is the downward trend of cow marketings which, on average, has continued to decrease for the last two years. For the period January-October cow marketings were 4 per cent lower than a year earlier, while in September and October marketings decreased sharply by 21 per cent and 32 per cent respectively in Western Canada, and 17 per cent and 25 per cent in Eastern Canada.

16. During 1978 beef and veal production is estimated to have dropped around 5 per cent compared to the 1977 level, to approximately 1.08 million tons. Higher average carcass weights, due to more fed cattle in the slaughter mix, however, resulted in a less sharp drop in production than in slaughter rates. Due to increased pork production, total red meat production is expected to be the same in 1979 as in 1978. Beef and veal production however is expected to continue its downward trend for at least another two to three years. The beef and veal production in 1979 has been

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1 Preliminary
forecast at 960,000 tons, a reduction of some 9 per cent on the estimated 1978 level. Beef production decreases in Canada throughout 1979 should follow the same general pattern as that in the United States, with higher production decreases in the second half of the year than in the first.

17. Canadian imports of beef and veal in 1978 are expected to be slightly, or 1.5 per cent, above the level of 1977 in spite of the very low levels of imports at the beginning of the year. In November 1978 some 88 per cent of the global quota of 67,642 tons product weight had been filled and it is estimated that most, if not all, of the remaining 12 per cent had also been filled at the end of the year. The main beneficiaries of the Canadian quota were Australia, New Zealand and the United States. Following the announcement of an increase in the global import quota for 1979, to a total of 70,308 tons product weight, it is expected that Canadian imports will increase to at least that amount in 1979, Australia still being the main supplier.

18. During 1978 and at the beginning of 1979 domestic beef prices rose even more sharply in Canada than in the United States. By the end of January 1979 the price of A1.2 steers in Toronto had increased by 47 per cent, compared to a year earlier, averaging $73.50 per 100 lb. live weight. Much of the price strength came from the demand side of the market, the magnitude of which was however unexpected and unprecedented on the basis of normal demand influences. The strengthening in prices is expected to continue in 1979 although maybe at a somewhat slower rate as continued strong consumer demand for beef might be influenced by higher supplies of pig and poultry meat.

19. Due to increased consumption of pig and poultry meat, total meat consumption in 1978 is estimated to have remained unchanged at the fairly high 1977 level. However, beef and veal supplies having been reduced in 1978, consumption of those meats is expected to have declined by approximately 5 per cent to 49.5 kgs. With beef supplies likely to decrease further in 1979 and prices to continue rising, it seems likely that consumers will cut even further their beef and veal consumption in 1979.

20. Canadian exports of beef and veal and live cattle totalled some 26,000 tons and 212,482 head respectively in the period January–November 1978, compared to 38,400 tons and 243,000 head in the whole of 1977. It seems likely that the figures for the whole of 1978 will be considerably smaller than those for 1977. Most Canadian beef and veal and cattle exports are shipped to the United States. The outlook for 1979 beef and veal and cattle exports indicate a continuation of decreased export availabilities.
Japan

21. Wagyu cattle numbers showed a 1 per cent increase in the August 1978 census compared to the year earlier level, totalling 1,458,000 head, or about the same level as in February 1978. However, higher wagyu slaughters in the second half of 1978, together with a 1 per cent decrease in cow and heifer numbers and with the number of calves born remaining steady, means that wagyu cattle numbers are expected to be lower at the February 1979 census, by probably 3-4 per cent. Dairy cow numbers totalled 2,043,000 head in the August census, up 4 per cent on year earlier levels, as well as heifer numbers, indicating that, as productive rates exceeded slaughter rates, dairy cow numbers are likely to continue growing at around 4 per cent. Dairy steers increased by 8 per cent to a total of 576,000 head, a rise brought about by moderate slaughter rates, the expansion of the dairy cow herd and the apparent interest by farmers to rear dairy steers in preference to wagyu steers. Numbers of dairy steers are expected to continue expanding at a slower rate as slaughter rates are expected to increase. At the February 1979 census total cattle numbers amounted to 4,009,000 head, up from 3,875,000 a year earlier.

22. Cattle slaughters in 1978 show an increase of 8.3 per cent on the 1977 level, totalling 1,198,000 head compared to 1,107,000 head in 1977. Beef cow slaughters increased by 9.6 per cent from 224,000 head in 1977 to 246,000 head in 1978 while those of beef steers increased by 16.5 per cent from 203,000 head in 1977 to 237,000 head in 1978. Dairy steer and dairy cow slaughterings increased by 10.9 per cent and 1.4 per cent respectively from a level of 318,000 head and 348,000 head respectively in 1977 to 353,000 head for both categories in 1978. A considerable percentage drop in slaughters was registered with bulls which decreased by 22.7 per cent from 13,000 head in 1977 to 10,000 in 1978. In 1979 total domestic slaughter is expected to increase even further despite an expected decrease in wagyu slaughters.

23. Production of bovine meat in 1978 is estimated to have increased by approximately 12 per cent to around 403,000 tons, with average carcass weights being 3.5 per cent higher than in 1977. Although significantly below the 1977 increase of 20 per cent, this increase reflects decisions by producers to continue curbing the rate of herd expansion in response to relatively depressed prices. Forecasts for 1979 indicate little changes in production trends.

24. Japanese imports of beef and veal during 1978 are expected to have increased by roughly 5 per cent to around 99,000 metric tons product weight compared to 85,000 metric tons in 1977. The major part of these imports is delivered by Australia and most of the remainder by the United States and New Zealand. The United States/Japan trade discussions may be partly responsible for the Japanese beef import increases in 1978 as well as an
attempt by the authorities to reduce somewhat retail beef prices. Forecasts for beef imports in 1979 are that they will exceed those of 1978 by up to 10 per cent as demand is expected to grow faster than domestic supply.

25. For the second half of the Japanese fiscal year (1 October 1978-31 March 1979) the general beef import quota was fixed at 55,000 tons, compared to 45,000 tons for the year earlier period, bringing the total general quota for the whole of 1978/79 fiscal year to 95,000 tons. Under the special import quota a total of 9,000 tons of beef is allowed to be imported during the six months ending 31 March 1979, a quota which includes 1,500 tons allocated for use in hotels and another 1,500 tons for school lunches. The special import quota for the whole of fiscal year 1978/79 amounts to 17,000 tons, bringing the total beef import quota for that year to 112,000 tons, an increase of some 18 per cent over a year earlier. It is expected that Japan will increase substantially its import quotas for some agricultural products, including beef, over the next five years.

26. Mainly as a result of seasonal growth in demand but also because of a slight reduction in marketings of imported beef, wholesale beef prices recovered during the autumn of 1978 from the low levels attained in July. In October, for instance, the price of grade 2 wagyu steers in Tokyo averaged ¥1,668 per kg. d.w., 8 per cent higher than in July but well below the ceiling stabilization price of ¥1,730 per kg., and the wholesale price of dairy steer in December 1978 amounted to ¥1,402 per kg. compared to ¥1,171 per kg. in March 1978. The apparent weakness in wholesale prices early in the year reflected the relatively higher domestic beef production and the increased supplies of alternative meats and imported beef and veal.

27. Total red meat consumption is expected to rise by around 7 per cent in 1978 to 3,250,000 tons. Consumption of beef and veal increased by around 7 per cent in 1978, giving a per capita consumption of 4.6 kgs. This increased beef consumption is due to a combination of relatively stable retail prices, increased beef and veal production and imports and strong economic growth in 1978. Given a continuation of strong beef demands in 1979 it is likely that beef and veal consumption will increase further in the months ahead.

European Community

28. Cattle numbers at the end of 1978 showed a slight increase on the year earlier level with 77,216,000 head compared to 77,130,000 head in 1977. This increase was mainly due to increased numbers of female animals one to two years old, suggesting that producers were retaining their younger stock for either breeding or fattening. A similar pattern can be seen from the estimated cattle numbers at the end of 1979 where the estimated increase to 77,454,000 head is wholly accounted for by an increase in young female animals, while, since 1977, cow and calf numbers are continuously declining.
29. Slaughter levels in 1978 are estimated to be slightly down on those of 1977 - 27,070,000 head and 27,359,000 head respectively. Reduced slaughterings in Denmark, Italy and the United Kingdom were offset by heavier slaughterings in West Germany, France and Ireland. Slaughter levels for 1979 are forecast at 26,900,000 head, a further reduction compared to 1977 and 1978, with calf slaughterings declining more than other cattle.

30. Production of beef and veal in the European Communities increased marginally in 1978 after several years of modest decreases, total meat production estimated at 6,420,000 metric tons carcass weight in 1978, up from 6,383,000 tons in 1977. Forecasts for 1979 meat production indicate a slight increase to around 6,450,000 tons where expected decreases in production in the United Kingdom, the Irish Republic and Italy should be offset by an increase in France, West Germany and the Netherlands.

31. Total cattle, beef and veal imports from third countries were higher in 1978 (395,000 tons carcass weight equivalent) than in 1977 (379,000 tons), fresh and chilled meat and live cattle registering the biggest increases whereas frozen meat dropped from 141,000 tons in 1977 to 119,000 tons in 1978. The large drop in frozen meat imports is partly due to decreased imports from Botswana during part of 1978 because of the foot and mouth disease situation in that country. Forecasts for 1979 indicate a further increase in imports to 415,000 tons carcass weight equivalent.

32. During 1978, 38,500 tons of boneless frozen meat (corresponding to 50,000 tons of meat on the bone) were imported under the GATT levy-free quota, the level of which will remain the same in 1979. Imports of frozen beef for processing, under the Balance Sheet Arrangements\(^1\) amounted to 50,000 tons (bone-in) in 1978. In 1979 it is expected that 60,000 tons will be imported under these arrangements, where 30,000 tons will qualify for a total suspension of the levy (System A) and the rest for a total or partial suspension, but in any case not more than 55 per cent levy rate (System B). Imports of young bovine animals intended for fattening amounted to an estimated 230,000 head in 1978. For 1979 the import needs in young bovine animals have also been estimated at 230,000 head, 75,000 of which are to be imported during the first three months of 1978, but this estimate seems to have been made on the basis of former yearly imports of 200,000 head. It seems therefore possible that the figure for 1979 will be revised upwards later in the year. The maximum quantity of beef allowed in from ACP countries in 1979 has been fixed at 27,532 tons boneless equivalent, the same quantity as in 1978.

\(^1\)Community requirements for manufacturing grade beef are estimated each year by the Commission. If this estimate exceeds the anticipated level of supplies from existing sources (e.g. domestic production intervention stocks, private storage stocks, imports through GATT quotas, imports through ACP quotas), special quotas can be introduced for the import of the balance of the meat either levy-free or at reduced rates of levy. The right to import under this quota is linked to sales of beef from intervention stocks.
33. In 1978 intervention stocks of beef were reduced considerably as sales of intervention beef greatly exceeded purchases. Total public stocks of intervention at the end of 1978 amounted to 254,900 tons carcass weight equivalent, of which 114,130 tons were boneless meat, 97,400 tons bone-in and 43,380 tons of canned meat. In 1979 intervention stocks are expected to decline further although the extent to which this occurs will depend on any changes made to the intervention regulations, the policy on sales of intervention beef and the use of private storage aid. At the end of 1978, contracts agreed in the hindquarters private storage aid scheme, introduced last November, amounted to some 40,053 tons.

34. Since the start of the 1978/79 marketing year the market prices have remained below the intervention price (90 per cent of the Guide Price). However, some seasonal increases are expected in the next few months. The Community Cattle Reference Price increased by over 2 per cent in January 1979 compared with December 1978 and averaged 85.50 per cent of the guide price. In all member States, except Denmark and Luxembourg, prices increased. In February the reference price declined marginally compared to January and was 85.39 per cent of the guide price. Compared with a year earlier, prices increased in national currency terms in all member States except Denmark, West Germany, Luxembourg and the Netherlands.

35. Import prices for live cattle and frozen beef were increased at the beginning of March 1979. The price for live cattle was then increased to 65 units of account per 100 kgs. (previously 64 U.A.) and to 105 units of account per 100 kgs. for frozen beef (previously 100 U.A.). This results in a reduction in the gross levies applied on imports of beef from third countries by 2 per cent for fresh beef and 7 per cent for frozen beef.

36. Total consumption of bovine meat in the Community as a whole shows an increase in 1978 of some 155,000 metric tons, carcass weight, compared to 1977, i.e. a consumption of 6,750,000 tons in 1978 compared to 6,595,000 tons in 1977, an increase of about 2.3 per cent. The per capita consumption increased from 25.4kgs. in 1977 to 25.9kgs. in 1978. The consumption of bovine meat in 1979 is forecast to show a small increase in the Community as a whole, rising to 6,815,000 tons carcass weight or 26.1kgs. per person.

37. Exports of beef and veal and cattle to third countries were at higher levels in 1978 than the previous year, rising from 151,000 metric tons carcass weight equivalent in 1977 to 178,000 tons in 1978. Sales of intervention beef were increased, in particular to Eastern Europe and Middle East in the second half of 1978. Exports in 1979 are forecast at 180,000 tons.
38. Total cattle numbers on State and collective farms on 1 January 1979 amounted to 90.8 million head, an increase of 1.6 per cent over the year earlier figure of 89.4 million head. Cow numbers increased by 1.7 per cent from 29.2 million head in 1978 to 29.7 million head in 1979. On private farms there was an increase in total cattle numbers by 1.3 per cent from 23.3 million head in 1978 to 23.6 million head in 1979. Cow numbers remained stable at 13.4 million head.

39. In part as a result of the herd expansion programme, production during 1978 of beef and veal is estimated to have increased by around 2 per cent to 6.27 million tons. However, total meat production did not meet the target of a 5 per cent increase, rising by only 3.4 per cent to 15.2 million tons compared to 14.7 million tons in 1977. Given favourable weather conditions in the principal agricultural areas assuring ample feed supplies, it is likely that the USSR could further expand its beef and veal production in 1979.

40. Imports of beef and veal diminished considerably in 1978, some estimates indicating a decrease by as much as 70 per cent to 100,000 tons carcass weight. This reduction seems to be mainly due to increased domestic production in an effort to improve self-sufficiency ratios, and to higher world beef prices. Most of the imports made in 1978 originated in East European countries while those from Australia, New Zealand and Argentina declined substantially. Beef imports in 1979 may not substantially differ from those in 1978 provided that weather conditions and home production continue to be favourable. However, there are indications of renewed import interest, Australia having been granted a contract for 10,000 tons of boneless beef for delivery in the first quarter of 1979.

41. Consumption of beef and veal in the USSR in 1978 is expected to have followed the upward trend of the last few years, giving a per capita consumption of around 25 kgs. In the coming year, consumer demand is likely to remain strong with rising demand, especially for a wider choice of high quality processed meats.

Eastern Europe

42. Cattle numbers in the area as a whole amounted to 38.2 million head at the inventory on 1 January 1978, 1 per cent more than a year earlier. Cattle numbers are expected to have increased further during 1978, showing a slight rise in total numbers at the January 1979 census and if weather conditions are favourable and feed supplies adequate, it is likely that
the area's cattle numbers will have increased even further at the end of
the year. In Poland cattle numbers at the 1978 June census had increased
by around 1 per cent to 13.10 million head while the August census in
East Germany and Czechoslovakia showed an increase of 2 per cent to
5.64 million head and 4.92 million head respectively.

43. The East European countries as a whole are expected to show only
a marginal increase of total meat production in 1978 compared to the 1977
level of 10.9 million tons. Beef and veal production is estimated to have
increased by 2 per cent to 2.08 million tons in 1978. The estimated increase
is the result of both higher slaughter rates and an increase in average
carcass weights. Forecasts for the area as a whole, although production
trends are not uniform in the separate countries, indicate further meat
production increases in the coming years.

44. Due to increased domestic supplies of meat, imports are estimated to
have declined significantly in 1978. If the favourable conditions continue
in 1979 it is likely that imports will be further reduced. These imports
will probably be purchased largely from low price South American exporters
while around 45,000 tons carcass weight of beef will be imported from
Australia (approximately 60,000 tons in 1978).

45. Between 1963-65 and 1975-77 per capita consumption of all meats
increased by between 40 and 70 per cent in the East European countries,
Bulgaria, Romania and Yugoslavia registering the greatest increases.
However, the biggest meat consumers are Czechoslovakia (77.9 kgs.) and
East Germany (79.6 kgs.) of which 27.2 and 21.5 kgs. respectively are beef
and veal. In Bulgaria, Hungary and Romania five-year plans call for an
acceleration in the rate of increase in meat consumption to keep pace
with the planned production expansion.
PART II - EXPORTING COUNTRIES

Argentina

46. Cattle numbers in Argentina at the inventory in June 1978 are estimated to have been 60 million head, down by 1 million on year earlier levels. The decrease occurred in beef cow numbers which declined from 24.5 million head in 1977 to 24 million in 1978; beef heifers declined by an estimated 100,000 head from 6.7 million head in 1977 to 6.6 million in 1978 while that of steers decreased from 11.1 million head in 1977 to 10.9 million head in 1978 and calf numbers decreased by an estimated 200,000 head from 13.4 million in 1977 to 13.2 million head in 1978. Bull, dairy cow and dairy heifer numbers are estimated to have remained at the same level as the year before. For the inventory in June 1979 total cattle and calf numbers are forecast to decrease further by 1 million head, totalling 59 million head or half a million head less than in 1975. The decline is expected to be in the same categories of cattle as in 1978.

47. Cattle slaughter rates in 1978 are estimated to have increased by some 11.5 per cent from a total of 14.7 million head in 1977 to 16.5 million head in 1978. The increase in slaughter rates is considered to be in response to increased domestic and foreign demand as well as to relatively depressed net returns to cattle producers. However, the average dressed carcass weights of slaughtered cattle declined to an estimated 193 kgs. in 1978 from 197 kgs. in 1977 and 203 kgs. in 1976. The high slaughter rate of 1978 is expected to continue in 1979 although at somewhat reduced levels, reflecting an expected turn about in the cattle cycle. Total slaughterings are forecast to amount to 15.5 million head in 1979, a decline of 1 million head on the estimated 1978 figure.

48. Argentine beef and veal production increased by an estimated 12 per cent in 1978 compared to 1977, from a level of 2,900,000 metric tons (carcass weight) in 1977 to an estimated 3,250,000 metric tons in 1978. The high level of production in 1978 is considered to have the same reasons as the high level of slaughterings. Production in 1979 is forecast to decline by about 4 per cent to 3,100,000 metric tons carcass weight as a response mainly to declining slaughter levels.

49. A continuing strong consumer demand for beef and a strengthening in demand for Argentine beef exports were reflected in a rise in average sale yard prices which are estimated to have risen by around 15 per cent during the first eight months of 1978 compared to the same period a year earlier. Cow prices rose by around 25 per cent to average approximately 38 US cents per kg. while steer prices at Liniers Market rose by 11 per cent averaging around 40 US cents per kg. (live weight). However, the increase
in prices tended to be offset by the rising cost of input, thus keeping net returns to producers relatively depressed. Internal and external prices were on a definite upward trend towards the end of 1978, helped by an improvement in the domestic and foreign supply/demand relation. It is expected that this trend will continue in 1979, improving net returns to producers.

50. Domestic consumption of beef and veal is expected to rise to the record level of 2,530,000 tons in 1978 or 96 kgs. per person, an increase of around 10 per cent on the 1977 level of 2,295,000 tons or 89 kgs. per person. In 1979 it is not expected that consumption of beef and veal rise further as it is expected that there will be a strong export demand, with a possible reduction in supplies and rising prices.

51. Total meat exports from Argentina in 1978 amounted to 598,744 tons (product weight), compared with 497,441 tons in 1977, an increase of 20 per cent. Beef exports amounted to 447,062 tons compared to 361,048 tons in 1977, an increase of 23.8 per cent. Of total beef exports 31 per cent was sent to the European Community compared to 33 per cent in 1977, although the quantity of beef exported to the EC increased by 16.8 per cent from 120,000 tons in 1977 to 140,000 tons in 1978, all categories of beef exports included (frozen, chilled, canned, etc.). Increased quantities of beef were sent to Greece, Spain, Portugal, North Africa and the Middle East, compared to earlier years. Exports in 1979 are expected to be at about the same level as in 1978 or somewhat higher.

Australia

52. The end of March 1979 cattle inventory in Australia is forecast to show a 5 per cent decline to around 28 million head, which would mean the third consecutive year of decrease in herd numbers since 33.4 million was reached in March 1976. However, the herd size may tend to stabilize during 1979, due to reductions in slaughterings of female stock and calves in the latter months of 1978.

53. Total slaughterings of cattle and calves declined in 1978 to 12,346,400 head compared to 12,790,900 in 1977. The decline occurred during the second half of 1978, reflecting a drop in the availability of suitable animals but also a sharp improvement in sale yard prices since mid-1978, which as expected showed a marked reduction in slaughterings of female cattle especially in December 1978. Any tendency to expand cattle enterprises will, however, tend to be dampened by the recent market slump and, in some cases, continuing liquidity problems.
54. At the March 1978 cattle inventory there was a record level of male cattle and a relatively low proportion of breeding stock and as the slaughter rates of cattle and calves in 1979 will be largely dependent upon the size and composition of the herd, not excluding seasonal conditions or producers' perception of the industry's changing economic situation, a high overall slaughter should be possible with ample numbers of steers and bullocks, while at the same time allow breeding stock numbers to be maintained or even increased. In 1979 total cattle slaughter is forecast to decrease by nearly 20 per cent to some 9.7 million head of which calf slaughter would account for 1.7 million. Total female slaughterings should be well below the last two years' 50 per cent level of adult slaughterings but still above the longer term average of 35 to 40 per cent.

55. Production of beef and veal in 1978 declined by slightly more than 1 per cent to 2,134,466 tons carcass weight compared to 2,158,242 tons in 1977. The forecast for beef and veal production in 1979 indicates a decrease of roughly 384,000 tons compared to 1978, to a level of 1,750,000 tons carcass weight. Because of improved seasonal conditions and reduced levels of female cattle and calf slaughterings resulting mainly in a forecast increase in average slaughter weights means that production is likely to decline less than total slaughterings. However, slaughterings could increase above the forecast level if seasonal conditions deteriorate during the year, although it seems highly improbable that production would increase to the very high levels of the past two years.

56. In 1978 Australian sale yard prices for cattle increased significantly from the very low levels of the past few years. A reduction in supply due to smaller herd numbers and improved weather conditions together with strengthened export demand, particularly from the United States, resulted in, on average, a 33 per cent price increase in the first ten months of 1978, compared to the same period in 1977, with an average sale yard price for the third quarter of 60 per cent above that for the same period in 1977.

57. In the third quarter of 1978 the FAS price for Australian boneless cow beef exported to the United States amounted to 142 c/kgs. as compared to 89.4 c/kgs. a year earlier. Sale yard prices (weighted average) increased over the same period from 47.3 c/kgs. in 1977 to 75.5 c/kgs. in 1978. However, in spite of the 1978 improvement in sale yard prices, in real terms they were still significantly below the average 1970-72 prices. Moreover, the net income situation of many beef producers was still relatively depressed, producer returns being still below those of the early 1970s and with production and marketing costs still at high levels. In 1979 prices are expected to remain relatively firm compared to the greatly improved levels of late 1978. The majority of beef producers are expected to get a substantial improvement in their net incomes during 1979.
58. Consumption of beef and veal in Australia has increased more than 60 per cent from the beginning of the decade to 972,000 tons or 69.1 kgs. per person in 1977, due mainly to the low level of beef prices, but also reflecting increased lamb prices in 1977. The 1978 consumption of beef and veal amounted to 886,000 tons (62.4 kgs. per person), or a decrease by 9.5 per cent on the 1977 consumption. In 1979 domestic consumption is forecast to decline further to 750,000 tons or a 15.3 per cent decrease on 1978 consumption figures, due mainly to expected reduced production.

59. Beef and veal and cattle exports in 1978 have increased to 1,184,947 tons carcass weight equivalent from the 1977 figure of 1,138,973 tons. Exports to the United States, the Middle East and the Republic of Korea increased considerably while those to Eastern Europe decreased to half the tonnage of 1977.

60. Exports of Australian beef and veal to the United States in 1978 are estimated to have increased by 14 per cent or to a total of 365,000 tons, compared to 1977. Initially Australia was allowed a volume of 301,000 tons into the United States under the voluntary restraint programme but during the year this was increased to 365,000 tons, amounting to some 54 per cent of the total United States import allocation. Exports to Japan January-October 1978 amounted to the same as in 1977, i.e. 87,000 tons carcass weight. For the whole of 1978 exports are estimated at 110,000 tons or some 77 per cent of all Japanese imports of beef and veal. The European Communities imported 246,000 tons carcass weight of Australian beef and veal in the first ten months of 1978, more than double that of the year earlier period. The United Kingdom accounts for most of this increase and can probably be seen partly as the result of reduced levels of imports from Botswana because of disease problems in the latter country's cattle herd. Most of Australian shipments have been admitted under the GATT levy-free arrangements. The Republic of Korea accounts for the most remarkable import development of Australian beef and veal with as little as 500 tons carcass weight in 1976, 6,000 tons in 1977 and 48,000 tons in the first ten months of 1978. In 1977 and 1978 Australia filled 85-90 per cent of Korean tenders.

61. In 1979 Australian beef and veal exports are forecast to decrease by some 16 per cent from its 1978 record level, i.e. from 1,172,847 tons to 980,000 tons carcass weight, a reduction mainly due to production decrease. The reduced export volume will primarily affect the low price markets while shipments to the United States, Canada and Japan will get close to or slightly higher than in 1978.
New Zealand

62. The 1978-79 season began last October with cool dry conditions in the North Island and cold wet conditions in the South Island. Feed supplies were generally satisfactory, although in some areas cattle feed was limited. By January conditions had become very dry, with high temperatures and drying winds. Some areas suffered near drought conditions, with stock feed and water shortages. Rains in February have alleviated these immediate problems in all areas, but winter feed supplies remain low. Carcass weights have remained at about last year's low levels, but should increase as the feed situation improves in autumn.

63. The Ministry of Agriculture estimates that at 31 January 1979 there were 8,633,000 head on farms compared with 9,129,000 head a year earlier. Forecasts for 1980 indicate a further drop in cattle numbers to 8,565,000 head.

64. The 1978-79 killing season started well and has progressed smoothly, so that slaughterings for most classes of livestock to date are above that for the same period last season. Adult cattle slaughterings to 4 March 1979 are 5.5 per cent above those for the same period last season, with heifer slaughterings 10.3 per cent up. Cow slaughterings however appear to be levelling off at about last year's levels, and may drop back further. Lamb slaughterings are 6.2 per cent up and adult sheep slaughterings are up by 163 per cent. Hogget slaughterings, however, are 16 per cent below those for the same period last season, suggesting a continued shift by farmers from beef to sheep production, despite improved beef prices this season.

65. Beef and veal production in 1978/79 is forecast at 472,600 tons carcass weight from the slaughter of just over 2 million adult cattle and about 1.2 million calves and vealers. Cattle slaughterings to date have however been higher than expected so that some upward revision of beef production estimates may be necessary as the season progresses and trends become more easily discernible.

66. Production of beef and veal for export during the last quarter of 1978 totalled 49,000 tons, 20 per cent more than year earlier levels. Improved weather conditions and better feed supplies led to an increase in average carcass weights. However, beef and veal production for export in 1978/79 is likely to amount to about 215,000 tons product weight or 13 per cent less than year earlier levels.

67. Lamb production in 1978/79 is forecast at about 340,000 tons carcass weight from the slaughter of 26.2 million lambs, whereas mutton production is forecast at 162,000 tons carcass weight from the slaughter of 8.3 million adult sheep.
68. Sale yard prices showed considerable improvement in the second part of 1978, reflecting the reduction in supplies of beef and veal and the increase in exports to the higher price United States market. Minimum export prices for beef in 1978 were set at NZ 41c/kg. for cow M grade (140.5 kgs. and over) and NZ 57c/kg. for steer P1 grade (220.5 kgs. to 270 kgs.) with prices averaging NZ 60.4c/kg. and NZ 72.0c/kg. respectively in the first ten months of 1978. Producer prices improved for lamb and beef in real terms compared with the previous season whereas mutton prices remained low for the early part of the season, having however improved recently in response to Russian purchasing activity.

69. Meat consumption in 1978 remained at high levels compared to 1977. Total consumption of bovine meat amounted to 190,400 metric tons or 59.9 kgs. per person compared to 186,100 tons and 59.7 kgs. per person in 1977. Beef and veal consumption is expected to drop considerably in 1979 in response to higher prices and is now forecast at 153,600 tons or 49.1 kgs. per person. Domestic consumption of lamb is forecast at 35,000 tons carcass weight while that of mutton is expected to amount to 60,000 tons carcass weight.

70. Beef shipments in September/November 1978 totalled 52,000 tons, 12 per cent more than a year earlier. Shipments for the whole of 1978/79 are expected to be down 7 per cent to 215,000 tons product weight with the bulk of the exports going to the United States, followed by substantive exports to Canada. Exports to Japan are expected to have trebled in 1977/1978 showing a figure around 6,600 tons, while beef sales to the USSR were non-existent.

**Mexico**

71. Cattle numbers in January 1978 were estimated at a total of 29,773,000 head, an increase over 1977 of some 440,000 head. The largest increase was that of dairy cows, amounting to around 385,000 more in 1978 than in 1977. Because of the severe drought in northern Mexico, cattle numbers are expected to show a decrease in 1979 putting off earlier expectations of herd building.

72. Since 1974 Mexican slaughter rates of cattle and calves have steadily increased although fairly slowly. In 1974 official slaughtered cattle and calves amounted to 3,109,000 head whereas in 1977 they were at 3,272,000 head and in 1978 at 3,355,000 head. No big changes are expected in 1979. During the period 1974-1978 average dressed carcass weights remained steady at 165.7 kgs.
73. In response to the drought and the following reduced cattle inventories, beef and veal production is expected to have remained at the same level in 1978 as in 1977, i.e. 1,040,000 metric tons. With herd building expected to be put off until later and cattle numbers even expected to show a decrease, it seems likely that production will decrease further in 1979 to around 1,020,000 metric tons.

74. In 1978 total red meat consumption is estimated to have increased by around 1 per cent compared to year earlier figures. Beef and veal consumption for 1978 is expected to amount to 1.01 million tons. A decline of beef and veal consumption is forecast for 1979 as a result of the expected drop in production, although higher pork and poultry consumption should help to offset the decline in total meat consumption.

75. Mexico exports less than 3 per cent of its beef production. In 1977 total cattle, beef and veal exports amounted to 132,500 metric tons (dressed carcass weight equivalent) where 30,500 tons consisted of beef and veal. The major part of these exports were shipped to the United States. In 1979 it is likely that exports will decline somewhat, especially to countries other than the United States, whose imports of Mexican cattle, beef and veal are expected to remain at about the same level as in 1978.

Uruguay

76. As a result of drastically changed agricultural policies in August 1978, which are expected to have a favourable effect on the livestock industry, Uruguayan cattle producers are now expected to make special efforts to increase cattle numbers in order to take advantage of the liberalized cattle and beef and veal market. Cattle numbers are expected to increase by around 1 per cent in 1979, thus stopping the last few years slow decrease.

77. Cattle slaughter in 1978 totalled nearly 2 million head, the high level of which was due to a carry-over of animals ready for slaughter but held by producers in response to low administered prices in the previous year.

78. As a result of the recent policy changes in Uruguay, beef and veal production is estimated to have increased by around 27 per cent in 1978, to approximately 400,000 metric tons carcass weight. Beef and veal production is expected to increase further in 1979.
79. Retail prices are estimated to have increased by around 45 per cent since the liberalization of the cattle/meat market last summer, as prices now are controlled only by market forces and not by government policy any longer. Prices are likely to continue rising in 1979 but possibly at a slower rate.

80. Exports of Uruguayan beef and veal are likewise expected to have increased in 1973 and are estimated to have amounted to approximately 134,000 metric tons (carcass weight equivalent). Exports of fresh and chilled beef and veal were mostly shipped to Brazil whereas frozen beef and veal were exported in greater quantities mainly to Egypt and Portugal. For 1979, forecasts indicate a slight rise in export availabilities to around 135,000 metric tons, as a large part of the expected increase in domestic meat production is likely to be consumed in the country.
PART III - GENERAL

International economic situation and outlook

81. The latest OECD report\(^1\) indicates cautious optimism for the economic development for 1979. This optimism stems from the clear improvement in economic developments since the July summit compared to the situation before that. This improvement is due mainly to changing domestic demands, falling as it is in the United States but growing in Japan and the Federal Republic of Germany, thus likely to result in a better balance in trade. Price increases have been reduced as the result of unexpectedly large terms of trade gains, bringing the OECD area's current account deficit more or less into balance. The OECD sees as particularly encouraging the greatly reduced inflation and external deficits in a number of countries brought about by firm stabilization policies advocated by the OECD's concerted action programme. Moreover, it sees the arrangements made since last October in order to defend the value of the United States dollar as in line with developments which seem to favour more stable conditions in exchange markets and better business confidence.

82. The OECD report considers that most countries have not applied themselves sufficiently to reducing the dependence on oil imports from traditional suppliers, a fact that will not incite business initiative or sustainable expansion. Another danger is seen in the probability that unemployment will remain high for at least the near future and even show some increase in the United States. OECD also suggests that inflation rates have to be still further reduced in order to have some favourable impact on employment figures. High unemployment is seen as a threat to a liberal trading system as countries faced with unemployment on a large scale are prone to protectionist movements which would only solve the problem of unemployment to a lesser degree and only in the very short term. The trend towards protectionism must be reversed if the world is to avoid the risk of getting back conditions of half a century ago.

83. According to a preliminary assessment by the GATT secretariat\(^2\) the dollar value of world trade increased by 14 per cent in 1978, amounting to a value of roughly $1.280 billion, while, expressed in volume, the increase amounted to about 5 per cent. Inflation of domestic prices of goods entering world trade was less marked than in 1977 but depreciation of the United States dollar was much more marked. As for the outlook for trade in

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\(^1\)Economic Outlook, December 1978.
\(^2\)International Trade in 1978 and Present Prospects, GATT/1231.
1979, the assessment states that it is hazardous to pronounce upon prospects of trade for the coming year because of the uncertainties regarding the economic policies in the industrial countries facing renewed acceleration of inflation. However, if the economy of the United States slows down as expected and is kept within the officially forecast limits, the effects could be offset by some acceleration in Western Europe, in which case industrial countries' import demand might possibly increase in 1979 at a similar rate to that of 1978. As a preliminary conclusion, the assessment states that it seems "unlikely that in 1979 the volume of growth of world trade could substantially exceed that of 1978".

84. In the United States the expansion rate (GNP) in 1978 as a whole was 3.9 per cent compared with 4.9 per cent in 1977. The strong growth at the end of 1978 makes a recession during the first half of 1979 unlikely. Consumer prices rose by 9 per cent during 1978. With the exception of 1977 when inflation was 12.2 per cent the inflation rate for 1978 was the highest since an identical 9 per cent increase in 1947. The balance of trade showed a record deficit of $28.45 billion, compared to $26.53 billion in 1977. Imports reached $172.3 billion ($147.7 billion in 1977), a 16 per cent rise over the previous year while exports grew around 19 per cent to $143.6 billion ($121.1 billion in 1977). During 1979 the real growth of GNP is projected to average about 2.25 per cent while consumer prices should slow down to about 7 per cent. The trade deficit is expected to be significantly reduced in 1979, a $9 billion reduction having been advanced as not unlikely. Exports are expected to grow further in 1979 while import growth is likely to slow down.

85. In the European Community the increase in the real GDP for 1978 has been estimated at 2.6 per cent compared with 2.3 per cent between 1976 and 1977. Consumer prices are estimated to have increased by around 7.3 per cent in 1978. The balance of trade for the European Community as a whole improved in 1978 showing a deficit of roughly 4 billion units of account (EUA) compared to 7.1 billion EUA in 1977. Imports were increased by 5 per cent to 179 billion EUA compared to 7 per cent for exports which increased to 175 billion EUA. Unemployment reached 6.1 million persons at the end of 1978, an increase of 1.5 per cent compared to December 1977 (6 millions). It is believed that unemployment now has reached a peak and measures are being taken to gradually reduce it. On the whole, the improvement in the European Community economy has continued at a moderate rhythm, with a slight improvement in the domestic product and industrial production in most member States. For 1979 the EEC Commission has forecast a stronger rate of economic growth with an increase in GDP of around 3.5 per cent for the Community as a whole. This growth is partially a result of the measures decided at the Bonn summit in July 1978, in order to stimulate economic growth.
86. During 1978 the Japanese economy experienced stable growth in domestic demand for the first time since the 1973 energy crisis, due to price stability and a large increase in public investment. It is expected that the economy will enjoy a continued smooth expansion. The GNP growth target for the current fiscal year (ending 31 March) has been reset at around 6 per cent in real terms, down from 7 per cent forecast earlier. The target for fiscal year 1979 (beginning 1 April) is set at 6.3 per cent in real terms. In 1978 Japan's trade surplus nearly doubled at $18,300 million, compared to 1977 when it reached $9,700 million. Imports amounted to $79,300 million (c.i.f.) up 12 per cent, and exports totalled $97,600 million, an increase of 21.2 per cent. Imports are expected to show a rise of 7 per cent in fiscal year 1979 due to an increase in manufactured goods, while exports will maintain the same level as in 1978, the result being a substantial reduction of the trade surplus. The consumer price index is expected to show an increase of 4 per cent in fiscal year 1978 while the expectation for fiscal year 1979 is an average of 4.9 per cent. Unemployment is expected to show the same rate for both fiscal years 1978 and 1979, i.e. 2.3 per cent of the work force.

87. Economic growth in Eastern Europe and the Soviet Union fell short of planned targets in 1978 and prospects for 1979 are little changed. Economic output in the area rose by 4.1 per cent against 4.8 in 1977 while for 1979 growth has been projected at 4.4 per cent. The area's trade deficit with the West has been estimated at the equivalent of US$5.5 billion compared to US$4.9 billion in 1977 and US$7.4 billion in 1976.

International cattle and meat situation

88. World cattle numbers are estimated to have declined further in 1978, due to continued liquidation of cattle herds in most major trading countries. However, an improved market outlook and better weather conditions in major producing areas resulted in a reduced slaughter rate in 1978 compared to 1977. United States cattle herd was 5 per cent smaller in January 1979 than a year earlier, that of Australia is expected to be 5 per cent smaller in March 1979 than a year earlier, whereas in the USSR and certain East European countries herd numbers continue to increase and in the European Community as a whole the inventory at the end of 1978 indicated a small increase in total cattle numbers compared to 1977.

89. Beef and veal production in the world as a whole decreased further in 1978, while total meat production continued to increase slowly. However the production situation and trends are not uniform in all countries. The United States beef production decreased by 5 per cent in 1978 and a further decrease of 4-6 per cent in 1979 is expected whereas beef and veal production is estimated to have risen by around 1 per cent in 1978 in the European Communities with no substantial changes foreseen in 1979. In Australia
beef and veal production declined by slightly more than 1 per cent in 1978 compared to 1977 and a further production decline of around 8 per cent is possible in 1979 compared to 1978, whereas in East European countries as a whole, production of beef and veal is estimated to have increased by around 2 per cent in 1978 compared to 1977 and is expected to increase further in 1979. In New Zealand production decreased by around an estimated 8 per cent and is forecast to decline further in 1979 whereas Argentina, Uruguay and Japan increased beef and veal production in 1978, a trend which is believed to continue in 1979 as far as Japan is concerned. For the world as a whole production of beef and veal is expected to be about 4 per cent inferior to the one in 1978, a decrease which should be compensated by a sensible increase in the production of other meats. The expected lower production in 1979 would be due to smaller herd numbers and a decrease in slaughter rates as expectations by producers concerning longer term profitability of beef production improve.

90. As a result mainly of declining production in Oceania, marginally less beef and veal is estimated to have been traded internationally in 1978 compared to 1977. Comparatively less beef and veal were shipped towards low price countries, whereas trade flows increased towards the higher price markets, mainly the industrialized Northern hemisphere countries. United States, Canada, Japan and the European Community all increased their imports of beef and veal in 1978 although net imports by the EC are estimated to have decreased by maybe as much as 5 per cent compared to 1977. The Republic of Korea increased their beef and veal imports most considerably during 1978, whereas Middle East countries continued to expand their meat imports but at a slower rate than during previous years. Forecasts for beef and veal imports in 1979 indicate much the same development as in 1978.

91. In most of the major beef importing and exporting countries, beef prices increased considerably during 1978. Prices in importing countries rose as a result of a reduction in supplies and strong consumer demand while major exporting countries' prices increased in response to a strengthening import demand from high price markets. In view of the expected decrease in world beef production during 1978, it is expected that beef prices will increase further in the months to come.

92. Strengthening retail prices and reduced supplies of beef and veal in some major markets in 1978 resulted in decreased beef and veal consumption in major areas, while in others, such as Japan, European Communities and some South American meat exporting countries, supplies were ample, giving rise to increased consumption in those countries. In United States and Canada, among other countries, consumption of beef and veal were reduced by 6.5 per cent and 5 per cent respectively, while the European Community increased consumption by about 2.3 per cent. Beef and veal consumption in New Zealand remained at approximately the same level in 1978 as in 1977, but is expected to decrease considerably this year. The beef and veal consumption trends for 1979 are believed to be similar to those of 1978.
93. Total export estimates for 1978 indicate an increase in beef and veal exports from major exporting countries. Australian beef and cattle exports to all sources increased some 45,974 metric tons in 1978 compared to 1977, the major markets being United States, Japan and Canada. Argentinian exports rose significantly in 1978, especially in the first half of the year while in New Zealand exports are estimated to have decreased by around 7 per cent. Forecasts for beef exports in 1979 indicate a decrease of world exports as a whole due to a reduction in output. However, earnings from total exports will likely rise as major exporters will ship more of their available supplies to high price markets while low price markets in general will get fewer shipments.