I. PRESENT MARKET SITUATION

1. As from 9 April 1979 a new unit of account termed the "Ecu", defined in the context of the European monetary system, has been introduced in the Community agricultural policy and common prices will henceforth be expressed in that currency unit.

In the European Economic Community, stock breeding has been encouraged in recent months by satisfactory fodder supplies and relatively low prices of animal feed; as a result, the meat market has been characterized by:

- stability of production, prices and trade in bovine meat;
- a pronounced increase in production of pig and poultry meat, and
- an appreciable increase in consumption of meat in general, in particular pig and poultry meat.

(a) Production

2. The cyclical slowdown in bovine meat production was less pronounced than had been expected and seems to have come to an end in 1978. Indeed, in that year slaughterings of adult bovine animals totalled approximately 20.1 million head and slaughterings of calves reached 6.9 million head, representing a decline by -1.1 per cent for adult bovine animals and cows, and by -0.9 per cent for calves.

3. Net production of bovine meat, which reached 6,425 thousand tons in 1978 as against 6,383 thousand tons in 1977, increased slightly by approximately 0.6 per cent by reason of an appreciable increase in average slaughter weight in respect of adult bovine animals and calves.
(b) Demand

4. It is estimated that in 1978 beef and veal consumption reached 6,750 thousand tons, i.e. approximately 2.4 per cent above the 1977 level. Per capita consumption is estimated to have risen from 25.4 kgs. in 1977 to 26.0 kgs. in 1978. Once again, therefore, the trend was to some extent parallel as between consumption and production.

5. Furthermore, because of the relatively high standard of living, the income elasticity of demand for beef and veal, although generally positive, is tending to diminish.

(c) Prices

6. In spring 1978, the guide price and the intervention price for adult bovine animals were raised by 2.5 per cent for the 1978-1979 marketing season, which has been extended until 30 June 1979.

   Average Community prices for all qualities of adult bovine animals reached 108 u.a./100 kgs. live weight in the period April 1978-March 1979, representing an increase by 0.6 per cent over the corresponding period of the preceding season.

   At the time of the autumn 1978 marketing of livestock, the average for the Community was below the level recorded a year earlier.

   This Community average of market prices currently stands at approximately 129 Ecu/100 kgs. live weight, i.e. below the intervention price level which is equivalent to 90 per cent of the guide price.

7. In order to support the market:
   - aids for private storage have been granted:
     + for 35,000 tons of fore-quarters during the summer,
     + 40,000 tons of hind-quarters of male and female adult bovine animals in autumn 1978;
   - the intervention agencies have made direct purchases (in particular in Germany and Ireland) of approximately 46,000 tons since the beginning of 1979, i.e. at a rate of 3,200 tons per week.

8. Public intervention purchases in 1978 totalled some 227,000 tons, and since the beginning of 1979 initial stocks amounting to 255,000 tons (carcass weight equivalent) have declined, reaching some 188,000 tons at the end of March of which:

   approximately 73,000 tons of bone-in meat (carcass weight equivalent)
   104,000 tons of boneless meat (carcass weight equivalent)
   11,000 tons of preserves.
(d) **Trade**

9. In 1978, total imports from third countries reached approximately 420,000 tons (carcass weight equivalent) while exports reached 167,000 tons, so that the net import surplus was in the region of 240,000 tons.

   Whereas imports of live animals, fresh meat and preparations increased substantially, there was a decline in imports of frozen meat.

10. It should be noted that each year the Community imports approximately 200,000 tons of beef and veal (carcass weight equivalent) under special import régimes (GATT, ACP, balance sheets).

11. In addition, in recent years there has been an appreciable increase in imports of preserves and other preparations which have reached a tonnage in the vicinity of 164,000 in carcass weight equivalent.

**II. SHORT AND MEDIUM-TERM PROSPECTS**

(a) **Cattle herd**

12. In December 1978, the cattle herd of the European Economic Community comprised 77.7 million head, i.e. as in 1977, slightly above the preceding year's level (+0.6 per cent). The total number of bovine animals was nevertheless still 2-3 per cent below the 1974 level.

13. The number of milch cows was still at a relatively high level, despite measures designed to restore equilibrium in the dairy market and prophylactic measures taken against contagious disease (brucellosis).

   The number of young bovine animals aged 1-2 years has remained relatively stable, with a slight decrease for females and a slight increase for males. The number of calves (aged under one year) increased by approximately 1.3 per cent.

(b) **Foreseeable supply**

14. In 1979, market supplies of adult bovine animals are expected to be slightly above the 1978 level. Slaughtering of cows will be higher, in particular culled cows or animals with brucellosis, and those of male bovine animals (bullocks and steers) will be somewhat lower.

   Market supplies of calves are expected to decline by 2 to 3 per cent.

15. As a result of a slight increase in average slaughter weight, beef production is likely to be slightly higher in 1979. On the other hand, veal production is expected to decline.
Thus, in 1979 overall production of beef and veal is expected to be only 1 to 2 per cent above the preceding year's level in terms of volume. A slight increase in beef and veal production is expected for 1980.

(c) Demand

16. As in the recent past, it is probable that in 1979 demand for beef and veal will again be influenced not only by the serious unemployment situation (more than six million unemployed, representing more than 6 per cent of the active population) and the slow population growth rate but also by abundant supply of other meat.

It should be noted that the Community continues to take action to encourage beef and veal consumption, for example:

- sales of intervention beef and veal at reduced prices to welfare bodies;
- offering for sale in Italy of 15,000 tons of intervention meat intended for direct consumption.

17. On the basis of trends recorded in the Community in regard to per capita consumption of beef and veal and also population growth, a moderate increase in beef and veal consumption is to be expected in the short and medium term.

18. The Community market will therefore be assured of supplies in 1979, in particular by stable domestic production, reduction of intervention stocks of beef and veal, and imports of beef and veal under special régimes (GATT, ACP, balance sheets).

(d) Prices

19. In the beef and veal sector as well as in the pig meat sector, market prices at the production stage continue at a relatively low level; market prices can be expected to increase as from summer 1979.

20. In view of the fact in recent months there has been an appreciable increase in free-at-frontier offer prices in respect of live bovine animals, fresh meat and frozen meat, this price increase in the world market has naturally caused a reduction in the amount of import levies in respect of products of the bovine meat sector.

(e) Trade

21. In the short term, it is unlikely that the relation between meat availabilities and moderate demand within the European Economic Community will result in an appreciable increase in beef and veal imports.
In the context of the balance-sheet estimates for 1979, import possibilities have been opened for:

60,000 tons of frozen beef and veal intended for processing and
230,000 head of young male bovine animals intended for fattening.

22. In summary, it is to be expected that in the next few years Community imports of beef and veal will remain at levels close to that recorded in 1978, i.e. between 410,000 and 420,000 tons (carcass weight equivalent), the difference between imports and exports amounting probably to some 240,000 tons (net imports).