

Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Twenty-Second Meeting

Draft Report

Chairman: Mr. Péter Balás

1. The International Meat Council (IMC) held its twenty-second meeting on 22 June 1990. The IMC adopted the agenda set out in GATT/AIR/3002/Rev.1.

Election of Chairman and Vice-Chairman

2. In accordance with Rule 2 of the Rules of Procedure, the IMC shall elect a Chairman and a Vice-Chairman at its first regular meeting of the year, i.e. normally in June. The election shall take immediate effect. The IMC elected Mr. Péter Balás (Hungary) as Chairman and elected Mr. Richard Hochörtler (Austria) as Vice-Chairman.

Replies to the inventory parts of the questionnaire

3. Participants were reminded that according to Rule 18 of the Rules of Procedure a complete revision of the inventory of all measures affecting trade in bovine meat and live animals, including commitments resulting from bilateral, plurilateral and multilateral negotiations, was due every three years. This revision was consequently due in June 1989. The Chairman indicated that the majority of participating countries had accordingly revised their inventories and encouraged those who had not yet submitted revisions to do so at their earliest convenience.

4. The Chairman informed the Council that the secretariat had received from the Argentinian delegation the text of the Argentinian National Plan for the Eradication of Foot-and-Mouth Disease (FMD). The text is available in Spanish only and countries interested in consulting it, or receiving a copy, should contact the secretariat. A limited number of copies (bilingual Portuguese/English) of a summary of the FMD Eradication Plan in the Brazilian state of Mato Grosso do Sul was also available in the room.

Evaluation of the market situation and outlook

5. To assist the discussion under this item, the IMC had the following documents at its disposal: "Situation and Outlook in the International Meat Markets" (IMC/W/74 and IMC/W/74/Add.1) and the "Summary Tables" (IMC/W/75), as well as a paper on the "USSR situation in the meat sector in early 1990" handed to the secretariat by the ECE observer who usually attends the IMC meetings, but could not do so this time.

6. The Chairman of the MMAG, Mr. Richard Hochörtler, presented the following oral report of the discussions of the Group to the IMC:

7. "Typically, in previous MMAG meetings, a number of participants used to address the general economic conditions and only after that, went to developments regarding the meat sectors in their countries. This time, however, I noticed that little was said about the economic environment and drew a first implication from this. It was my understanding that in certain countries the economic environment is a relatively favourable one and that, even if economic growth is expected to decelerate somewhat this year, it is still supportive of a relatively strong demand for goods and thereby of a sustained demand for meats. In 1991, economic growth is expected to accelerate and we can thus expect to have another "good year". Of course, the economic situation and outlook is unhappily not as bright for all countries and we heard, for instance, the serious economic difficulties which are faced with a country like Poland while we are all aware of the continuing difficult situation in most developing countries, stressed in the secretariat's report.

8. Mr. Chairman, as you know, it is now the practice of the Meat Market Analysis Group to forward for distribution, here in the International Meat Council, the written statements submitted by participants to the MMAG. Consequently, I will only go into some of the details of our discussion to the extent that I feel they are representative of broad, general market trends. On the production side, we assisted last year to a 2 to 3 per cent drop in participating countries, a decline largely due to lower cattle slaughter related to herd rebuilding in a significant number of countries. Firm (even if in some cases levelling-off) producer prices in most of these countries are currently supportive of this cyclical herd expansion. However, we heard from at least the representative of the United States, that the rate of expansion of the cycle there was, so far, the lowest one of the historical six previous expansions. Indeed, even if we are told that the Australian cattle herd is expanding more rapidly than anticipated, available data suggest that cattle herd rebuilding is occurring at a lower pace than in the past, in a growing number of countries.

9. I referred to firm producer prices, but the Group was also informed of declining feedgrain prices and resulting lower production costs essentially for grain-fed cattle. Indeed, the importance of the production cost variations in relation to feedstuff price evolution was considered, by at least one participant, as one of the major components of the future evolution of the meat markets. In 1991, beef and veal production is foreseen to recover somewhat in a number of countries, resulting in an estimated one per cent growth for participating countries. Among factors favouring the production recovery are higher slaughter weights reflecting the expectation of continuing low feedgrain prices.

10. Low feedgrain prices favour the expansion of meat output in general but, of course, more the one of poultry meat. Thus, poultry meat production we heard, continued to grow in most countries (3 per cent for participants as a whole in 1989) and a further growth is expected for 1990 and 1991. Pigmeat production had a different evolution last year and decreased in some major producing countries (-1.3 per cent for the totality of participants) generally reflecting poor producers' returns. In 1990,

some recovery is expected, but output may remain below 1989 levels for participants as a whole. Sheep meat production went up in 1989 as a result of increases in the European Community and Australia, and is expected to rise further this year.

11. Turning now to the demand side, Mr. Chairman, I would note that the last few years' declining trend of beef and veal consumption persisted last year. As one participant put it, we have been faced in many countries, with on one hand the continuous fall of beef and veal intake and, in parallel, a continuous rise of poultry meat consumption. One thing which drew my attention was that in the discussion of the possible causes for such an evolution, and for the first time since this subject was discussed in the MMAG meeting, virtually no reference was made to health considerations (except for a brief comment by the Canadian representative). As if, but my interpretation may be wrong, this type of consideration was losing momentum. Indeed, we were told that major reasons for this evolution, for instance in the United States, were related to price competition and to a much more active rôle of "poultry people" in creating new products, new preparation methods, new marketing techniques, etc. However, we heard the United States representative say that poultry meat consumption growth may well level-off soon and even decline somewhat in the near future. Although I do not think that one can generalize too much (and we heard the Canadian representative commenting on a somewhat different evolution of poultry meat intake in his country as the result of the poultry meat quota allocation system in place there) it seems obvious that poultry meat consumption has increased in most industrialized countries in recent years and that this rise has often been accompanied by a decline in red meat intake, especially beef and veal. This evolution is expanding also to some countries of regions where bovine meat (South America) or pigmeat (Easter Europe) have "traditionally" been preferred meats. Current projections are for the continuing decrease of beef and veal consumption in participating countries both this year and in 1991.

12. Bovine meat trade rose in 1989 both in volume and value terms. Maybe only one figure in my report if you allow me, Mr. Chairman, to correct the

estimated volume of exports in participating countries, following revisions supplied to the MMAG by some participants. The estimated export volume rise would have been about 5 per cent, to 3.9 million tons in 1989. The rise in this export volume, compared to last December's estimate, was by and large due to a close to 50 per cent rise in export estimates by the European Community due to, we were told, delayed beef shipments of export contracts negotiated in late 1988. The Group also heard that most of these contracts were related to meat from the EC intervention stocks and that the repetition of such a situation this year (i.e. higher exports in 1990 because of delayed shipments), could not occur for the simple reason that EC stock levels currently reach no more than 100-120 thousand tons.

13. Mr. Chairman, participants will recall that in my introductory remarks, I referred that prices in international trade were up in 1989. This evolution was confirmed by our debates. With respect to the first months of 1990, we heard that export prices remained firm and, among other reasons, because of continuing strong import demand in countries like the United States, Japan, Korea and the decline in the European Community stock levels. I would also note from the secretariat situation and outlook report, that Brazil has been relatively absent from the international market this year, and that while Hungary is forecasting some decline in its export level, Poland foresees some increase. In the USSR, I understand from the ECE observer paper, that the pressure for higher meat imports is likely to increase this year, but that this might be tempered by this country's deteriorating terms of trade.

14. Despite this improved situation in the international bovine meat markets, we also heard some words of warning. I will just recall some of them. We were told, for instance, that there are, in the United States, some signs that beef prices may come down somewhat. We heard that in Australia, events in recent months have raised fears that growing supplies there may soon pressure beef farm prices and incomes. A similar signal is already being noticed in the European Community where, we heard, bovine meat market prices began to decrease. However, it seemed to me to sense a general consensus that international bovine meat markets situation this

year and outlook for 1991 was, generally speaking, still a good one. Nevertheless, we heard the word of caution that, taking into account the on-going cattle herd rebuilding in many countries on the one hand and the increased potential of cattle herds on the other (and I recall the discussion related to structural changes occurring in the European Community cattle herd, for instance, with growing beef cattle numbers) we may be met with another market crisis in the 2-3 years to come.

15. Briefly, I would recall that pigmeat exports in 1989 for the countries' members of the Arrangement decreased for the first time in the last few years, largely as a result of lower EC export levels. Expectations for the current year are for some recovery. Meanwhile, poultry meat exports rose again last year and we were told that broiler exports in the United States should rise by some 25 per cent in 1990 as the result of expected large purchases of lower-priced leg quarters by the USSR. Total participants' exports of sheep meat were somewhat down last year as the result of Australia and New Zealand's lower export levels, while we heard that an increase in lamb exports to the United States is expected to offset falls in imports by Japan and the Middle East this year.

16. In conclusion, Mr. Chairman, it seems to me that we can expect some reasonably good prospects for the near future of the bovine meat markets. Although production is expected to begin to recover in some countries, often as a result of improved cattle weight reflecting relatively lower production costs (due to declining feed prices), in other countries cattle herd rebuilding continues to be responsible for lower production levels. Thus, import demand remains strong and it can be expected that international prices will remain firm. However, as one participant put it, we have to be aware of the medium to longer term and there, for the reasons I enumerated, there are some clouds in the sky."

17. One participant regretted that, notwithstanding GATT rules, the Danish representative had no possibility of addressing the meeting on the situation and outlook of the pigmeat industry in her country (the major pigmeat exporter in the world). He expressed the hope that, in the future,

a solution for this type of problems may be found, and that experts from all countries present at the MMAG meetings be given an opportunity to participate in the discussions.

Examination of national policies linked to trade in bovine meat and live animals

18. One set of written questions was received by the secretariat in advance of the meeting (IMC/W/76). The questions were submitted by Brazil and addressed to the European Community.

19. In response to a question concerning the forum and procedures of negotiation for Brazil to obtain an EC import quota of at least 10,000 tons of "Hilton beef", the European Community representative said that he would transmit the Brazilian question to his authorities who, taking into account possible effects of the Uruguay Round negotiations on such import quotas, would contact the Brazilian authorities bilaterally or multilaterally. Referring to a question regarding the 2,250-ton frozen buffalo meat import quota, he indicated that he was not in a position to indicate whether the quota was entirely fulfilled or not but, so far, Australia was the only country to utilize it. His authorities were examining the issue and would contact the Brazilian authorities bilaterally or multilaterally, according to the interest of both parties.

20. The Australian representative indicated that the 2,250-ton import quota of frozen buffalo to the EC was one of the specific concessions negotiated with Australia in the Tokyo Round. Australia's intention certainly was to fulfil this quota, but he had no information regarding the current situation on this issue. He added that his delegation, and probably others, were genuinely interested in the increase of the EC Hilton beef import quota but that, taking into account the Uruguay Round negotiations, it seemed to him premature to proceed further on this matter.

21. In reply to a question related to the first signs of sheepmeat overproduction in the European Community and its implications in terms of

market conditions and possible changes in EC policy in this sector, the EC representative said that his authorities had initiated a policy of agricultural production control and that a regulation system which should lead to the supply/demand balance had been set up. Although time was needed to reach market stabilization, references to an oversupply situation in the sheepmeat sector, at a moment when EC import engagements amounted to 280 thousand tons and exports close to nil, were exaggerated. In the framework of the stabilization system in the sheepmeat sector (and reflecting rising sheep numbers in recent years) support levels had decreased by 5 per cent in 1989. Because sheep numbers continued to rise, another support reduction would occur this year.

22. In relation to this point and addressing an issue raised in the Meat Market Analysis Group, one participant noted that a reduction in the bovine meat intervention purchase prices in the EC did not necessarily mean a reduction in overall levels of support in that sector. Indeed, he said, at the same time that intervention prices were restrained, other measures had been implemented (such as some special premiums) which provided for increased assistance. In this respect, another representative of the European Community indicated that the intervention purchase price in the EC had been reduced by 20 per cent in 1989. However, a considerable number of elements was necessary to establish what this reduction meant in terms of support levels. Indeed, establishing ways to measure support was one of the working elements of the agricultural negotiations. Furthermore, discussions regarding PSEs raised a number of technical problems and were taking place in other fora such as the OECD. In these conditions, he believed that the IMC was not the ideal place to discuss it. In reply one question related to information contained in IMC/W/74, the secretariat indicated that the autonomous quota of one thousand tons per country of high-quality beef allocated to Argentina, Brazil and Uruguay referred to in paragraph 16 of the document had indeed only been proposed by the Commission to the EC Council, but had not yet been agreed to.

23. In answer to a question, the Japanese representative indicated that the Livestock Industry Promotion and Corporation (LIPC) estimated stock

levels monthly. Estimated imported frozen beef stocks at the end of March 1990 amounted to about 96,000 thousand tons. About 70 per cent of these stocks were private, the rest being LIPC stocks. The significant stock rise which had occurred from April to October 1989 was related to the rapid expansion of beef imports which had outpaced consumption growth. Import beef consumption in Fiscal Year 1989 had reached 330 thousand tons, a 50 per cent growth compared to the previous Fiscal Year. Should this consumption growth continue in 1990 and 1991, stock levels of frozen beef will not increase significantly. Another Japanese representative informed the Council that after March 1991 the rôle of the LIPC would change. From then onwards, the LIPC would deliver information related to beef trade and production to the private companies and selected producers and it is also expected to play some rôle in facilitating the stabilization of prices of beef. He had no information on the expected rôle of the import allocation system, but would address this question to his authorities and would reply to it bilaterally to the interested country or in the context of the IMC.

24. The Swedish representative informed the Council of important policy changes which had occurred recently in his country and would continue to occur in the near future. These changes had direct implications for the agricultural sector as a whole and more specifically for the meat sector. Thus, agricultural prices had been frozen in 1989 as a result of the GATT April 1989 agreement and on 1 July 1989 the two-price system for milk had been abandoned (independently of these reforms, there had been significant decreases of milk and butter consumption due to changing consumers' attitudes). Despite the impact that these measures had on the meat sector, the Swedish agricultural and food policy reform of 1990 was expected to have a more significant one, especially in the long term. The guidelines for such reform were laid down by the Swedish Parliament in June 1990. The new policy which will start to apply on 1 July 1991 and will be fully implemented after a five-year transitional period, is based on the principle that agriculture should be subject to the same conditions as other sectors. Producers should only be paid for goods and services for which there is a demand. When farmers' services are required in the national interest, they should be paid for out of the budget. The primary

goal of the food policy was that it should be consistent with the general objective of sound management of the country's total resources.

25. The main elements of the new Swedish policy, he continued, were the following: border protection, mainly variable import levies, will remain unchanged pending the outcome of the ongoing GATT negotiations on international trade, and internal market regulations will be phased out starting on 1 July 1991. As a result, collective financing of agricultural exports will, by and large, be discontinued. This will mean that neither the farmers, who at present are obliged to pay charges to finance surplus costs, nor the consumers, will have to pay for surplus production in the future. With regard to the dairy sector, it has been decided to abandon the remaining consumer subsidies for milk on 1 January 1991. This decision was part of of the 1989 tax reform. As from 1 July 1991, collective and export financing for dairy products will be abolished. The present system of profitability equalization will remain temporarily but in a simplified form. The system will be stepped down by 50 per cent on 1 July 1994 and will be completely abolished as from 1 July 1995.

26. Turning to the meat sector, he said that internal market controls, including collective export financing, will be abolished on 1 July 1991. Due to parallel adjustment measures in the dairy sector - a reduction of the dairy herd by 60 to 100 thousand dairy cows was expected - and due to the expected difficulties in reducing pigmeat production, which so far has exceeded consumption, it has been decided to grant public means to assist exports temporarily during three transitional years (1991/1992 - SEK 200 million; 1992/93 - SEK 150 million; 1993/94 - SEK 100 million). It should be underlined, he added, that the above-mentioned grants are relatively limited compared to present export financing.

27. Finally, regarding mutton and lamb, the Swedish representative said that the new policy will mean, among other things, the gradual removal over three years of the present producer subsidies, starting on 1 July 1991. In order to reduce the negative effects that the adjustment process in the grain sector may have from a landscape conservation point of view

(agricultural land, presently 3 million hectares, will be reduced), the new policy also provides certain grants for the purpose of preserving environments of natural or cultural interest in forested and mixed areas. Such landscape conservation can, inter alia, be achieved by grazing animals, mainly cattle and sheep.

28. In reply to one question, the representative from Poland indicated that he would give detailed information regarding the new system of support measures for agriculture in his country at the next meeting of the IMC.

Examination of the functioning of the Arrangement

29. The Chairman recalled that at the last meeting, participants had agreed that in view of the Uruguay Round Negotiations it might be premature to change the Arrangement's machinery. The secretariat had been entrusted to organize the work of this meeting in such a way that a minimum possible time be lost between the MMAG and IMC meetings, and had done so. No special comments were raised under this agenda item.

Date of the next meeting

30. Subject to changes as necessitated by the Multilateral Trade Negotiations, the IMC decided to hold its next meeting on Friday 14 December 1990, preceded by the meeting of the MMAG on Wednesday 12 and Thursday 13 December 1990.