

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Thirtieth Meeting

Draft Report

Chairperson: Ms. Brid Canon

The International Meat Council (IMC) held its thirtieth meeting on 17 June 1994. The IMC adopted the agenda set out in GATT/AIR/3598/Rev.1.

Election of Chairman and Vice-Chairman

1. 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 re-elected Ms. Brid Canon (Ireland) as Chairperson and re-elected Mr. Peter May (Australia) as Vice-Chairman.

Replies to the inventory parts of the questionnaire

2. 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 1992. Like she had said in the last regular meeting of the IMC, the Chairperson noted that the majority of participants had revised their inventories accordingly. However, she once again stressed that in many cases the replies to the inventory parts of the questionnaire were unsatisfactory, being often incomplete and very general. This issue, along with the replies to the statistical questionnaire, would have to be addressed very carefully when the rules of procedure of the Arrangement will be revised.

3. Participants were reminded that according to Rule 16 of the Rules of Procedure, they are required to notify changes in their policies and measures as soon as these occur and in any case in June. The Chairperson added that with the implementation of the Uruguay Round results several countries would eventually have to change their policies and measures and it was presumed that they would notify the IMC accordingly in due course.

Evaluation of the market situation and outlook

4. 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/95) and the "Summary Tables" (IMC/W/96).

Results of the Uruguay Round

5. The Chairperson recalled that a draft note prepared by the Secretariat regarding the results of the Uruguay Round in the bovine meat sector was circulated at the MMAG meeting on 15 June and that participants were requested to make preliminary comments at the IMC meeting. She commended the Secretariat for presenting a useful note and indicated that it would be illogical if the IMC was not to look at the results of the Round. However, she noted that while waiting for the terms of reference of the Committee on Agriculture, participants should be careful not to stray into areas that might be covered by the Committee in the future.

6. The EC representative expressed his delegation's interest for the draft note, but said that the mandates of the IMC and the MMAG were the analysis of the market situation. He believed that the IMC was not competent to discuss the results of the Uruguay Round. This would be the task of the future Committee on Agriculture. It could happen that at a later stage the Committee on Agriculture give a mandate to the IMC to examine certain aspects concerning the results of the Uruguay Round. In the meantime, participants attended the MMAG and IMC meetings in their quality of market experts and not GATT experts. The Community took duly note of the draft note, but was opposed to its publication.

7. The United States representative indicated her support to the secretariat's draft note. She thought the note was an useful one because it helped to improve the understanding of the complicated discussions on meat in the Uruguay Round. She indicated two changes in the United States section - duly noted

by the Secretariat - and added that her delegation supported the publication of the draft note as an IMC/W/- series document.

8. After thanking the Secretariat for an useful paper, the Japanese delegate indicated that he had some worries regarding its publication as a GATT document. His government was preparing the ratification of the Final Act and was faced with serious opposition in the Parliament. In these conditions, he expected that comments regarding the results of the Round remain very cautious. However, his delegation thought that the draft note should remain on the table as a working document.

9. The representative of Finland indicated that some of his Nordic colleagues had given the Secretariat some corrections to the draft note. Like others, he had found the draft note a very useful one but he too questioned the IMC powers to do the analysis of the results of the Round. Furthermore, he wondered how restricted still were such results. Finally, it was his view that an analysis in only one sector could give a biased view of the overall outcome of the negotiations. Therefore, he thought the draft note should remain restricted and should not be included in the Secretariat's annual meat publication.

10. The delegate from New Zealand commended the Secretariat for its initiative although he regretted that the draft note did not cover the country schedules of all participants and observers. He agreed that the MMAG and the IMC were groups mandated to monitor the market situation and outlook, but he thought that there was no more fundamental influence on the market outlook than the results of the Uruguay Round. In his view, this influence pointed up to an issue participants needed to address, the relationship between the IMC and the Committee on Agriculture. The latter had not yet initiated its work, but the work of both groups would have to be harmonized at some point. He did not think the Committee on Agriculture would give a mandate to the IMC to do work. They were separate bodies and the IMC was not bound by the procedures or rules of the Committee on Agriculture and was not its subsidiary body. He would agree to the publication of the draft note but he could understand some of the concerns expressed by other participants related with the ratification procedures and would not oppose a consensus on the issue.

11. The Polish representative indicated that, without prejudice of what could be the final form of the draft note, his delegation could go along with any consensus. He had forwarded to the Secretariat some corrections to the Polish section and expected them to appear in a revised form of the draft note.

12. The Swiss delegate shared most of the reservations expressed by his predecessors regarding in particular the ratification of the Final Act. He agreed with the New Zealand representative in that

because it covered only the participants to the Arrangement Regarding Bovine Meat and some observers, the draft note did not cover the totality of the results of the Round in the meat sector. The note could be used as a working document, but should not be published.

13. The representative from Argentina recalled that the market situation and outlook was definitely the mandate of the MMAG. However, he noted that the IMC also had a clear mandate to discuss policies. Furthermore, he indicated that in drafting its note the Secretariat had done nothing more than complying with the Note to Article III-4 of the Arrangement. In these conditions, and subject to possible corrections and enlargement of the note, his delegation could support the publication of the note.

14. The delegate from Canada expressed his concern about comments regarding the relationship between the Arrangement Regarding Bovine Meat and the WTO. In his view there was no direct relation. The Committee on Agriculture would be set up to monitor the implementation of the Agriculture Agreement. The MMAG and the IMC were not subsidiary bodies of the Committee of Agriculture and they had their own mandates as a result of the already existing Arrangement Regarding Bovine Meat. It seemed logical that the results of the UR for the meat and livestock sector were an important factor for the analysis of the outlook of the world market situation in the sector. The draft note contained factual information and the schedules were now public. There should be no concern at the IMC looking at that information in order to carry on analysis on whatever forecasts can be made on the likely situation of the markets a year or further ahead. He could understand some countries' concerns related with ratification and how premature discussion or analysis might complicate the ratification process. However, he had trouble believing that just reporting factual information should do that. Perhaps the publication of a completed analysis should be held until the WTO entered into force or until commitments became final after having been ratified. But the Secretariat should carry on the exercise with the idea of having it published at some point as a very relevant part of the analysis of the world market situation.

15. The South African representative said that his delegation had no problem regarding the publication of the draft note as an IMC/W/- document. Although he shared the concern of the legal nature of the note, he thought it might easily be met by inserting a sentence to say that certain of the obligations had not yet been ratified.

16. The delegate from Australia noted that the information contained in the draft note had already been published and analysed by numerous sources. He had no problems with the publication of the note, but could understand the sensitivities expressed by a number of participants.

17. The observer from the Republic of Korea said that his authorities were going through the ratification procedures of the Final Act and indicated his strong reservation regarding the publication of the draft note. The observer from Mexico reserved the position of his delegation for a later stage.

18. Following a New Zealand suggestion, the IMC agreed to keep the draft note prepared by the Secretariat as a rolling draft without symbol, to be improved and updated if and where necessary. The note would be revisited at the next IMC regular meeting with a view to publication once the WTO enters into force.

Evaluation of the world market situation and outlook

19. The Chairman of the MMAG, Mr. Peter May, presented the following oral report of the discussions of the Group to the IMC:

20. "Let me first note that, in addition to the usual status report and statistical summary tables, the Secretariat has prepared two draft notes to assist the work of the Group. One was a questionnaire regarding meat consumption trends and, as we all know and just finished discussing, the other relates to the results of the Uruguay Round in the bovine meat sector. The meat consumption questionnaire was prepared following informal consultations by myself in response to interest expressed in recent meetings by several participants to initiate more detailed discussions on the subject. The questionnaire was generally seen as an useful tool to serve as the basis for a more detailed discussion on consumption trends, possibly at the next December meeting. It is a voluntary exercise, a one time exercise, and I encourage participants to lodge replies to the questionnaire with the Secretariat by 30 September 1994.

Production

21. Turning to the discussions of the Group on the situation and outlook in the international meat markets, I note that *total world meat production* is forecast to increase in 1994 following the expansion of all types of meats and especially poultry meat. *Bovine meat* output is expected to increase in the European Community, United States, Canada, Brazil and Uruguay. While production in Africa could stagnate, strong increases particularly in China and the Republic of Korea, will result in significant production growth in the Far East. In contrast, beef and veal production is expected to decline slightly

in Australia, New Zealand as well as in Argentina. In most Eastern and Central European countries, including Russia, the production downward trend observed in recent years is expected to continue although in some cases at a slower pace. The meat industry in most of these countries continues to be faced with a serious financial situation and we have heard that in Poland, for instance, almost half of the meat plants are facing financial difficulties.

Consumption

22. In 1994, and for the first time in the last few years, per capita beef consumption is forecast to increase significantly in North America, particularly in the United States, reflecting lower retail prices and improved general economic conditions. Consumption is also expected to expand further in China, Japan and Korea and we heard that there are signs of some recovery in some smaller markets such as Switzerland. Consumption remains relatively stable in the European Community or New Zealand and continues to slide down in the Central and Eastern European countries. While in Australia stable or only slightly reduced export levels and lower production are expected to result in somewhat reduced consumption, in Argentina beef consumption is falling partly as the result of continued competition from cheaper poultry meat.

Trade

23. Despite lower bovine meat exports, *world meat trade* is projected to expand slightly this year due to increased exports of pigmeat, poultry meat and sheepmeat. An expected 17 per cent reduction in EC beef export levels would be largely responsible for the reduction of global beef trade this year. While the United States beef and live cattle exports are projected to grow about 12 per cent mainly due to stronger exports to Japan, Korea and Mexico, export sales by Australia are believed to be stagnating. Now that the (extended) first-come-first-served import tariff quota imposed by Canada is fulfilled, Australian and New Zealand exports to the United States, again limited by VERs, should gain momentum.

24. In 1994, exports are expected to increase substantially in Uruguay and grew by 2 per cent during the first quarter of the year in Argentina. Brazilian export performance in the short to medium term is difficult to predict largely as a result of new economic policies to be implemented soon. The plan includes a dollar parity feature which could overrate the new currency, thus hindering beef exports. In the first quarter of 1994, Japanese beef imports rose by 70 per cent. However, last April imports

were 18 per cent lower than in April 1993. For the year as a whole, Japan forecasts somewhat lower imports, while increased Korean beef import quotas will result in higher shipments to that market. Preliminary information suggests that beef import demand is growing in some Middle East and North African markets.

Prices

25. Even if several participants reported relatively firm cattle prices in domestic markets, diverging trends could be observed in recent months. In the European Community lower production resulted in strengthened cattle prices since last year, while falling prices for other meats were recorded. In 1993, pig prices were particularly hit, falling by 50 per cent. In Australia, despite a recent level-off, the estimated saleyard indicator price for cattle increased by 16 per cent in 1993-94, while the schedule price for manufacturing beef in New Zealand is forecast to decline by 12 per cent. Brazilian producer prices rose by 16 per cent last year, the first increase in the present decade.

26. In North America, prices have begun to level-off after running at record levels in recent years. However, reduced feed costs may result in improved profitability. In Argentina, despite higher export returns due to the changing composition of exports, domestic prices are depressed. In Japan, beef prices continued the downward trend initiated in 1989, largely related to increased imports. Generally speaking, international beef prices seem to be weakening in the "Pacific markets" reflecting lower cattle prices in North America and more recently, slowing import demand in Japan. In the "Atlantic markets" the European Community seems to be experiencing firming export prices, while Argentina reported lower prices. Nonetheless, conditions seem to be set for a price recovery in this region. Indeed, sharply reduced EC beef stocks and expected marginal production increase this year in the European Community and in Argentina should result in strengthened international prices in the "Atlantic markets".

27. Madame Chair, the sharp reduction in the EC beef intervention stocks may have been the major development in the bovine meat markets in recent months. If as expected stocks total only 200,000 tons by the end of 1994, this will represent a reduction of about 80 per cent since 1992. Let us all hope that this will become a permanent feature of the international beef market now that, with the conclusion of the Uruguay Round, a new era for the international meat trade is about to begin.

28. Finally, with regard to other meats, global *pigmeat production* is expected to increase in 1994 led by strong growth in China, the world's number one producer. Among other major producers, production is expected to decline slightly in the European Community and the United States, while significant reductions are expected in Russia and Poland. Although rising in several countries, per

capita consumption is forecast to stagnate in the European Community and fall noticeably in Poland. World exports are likely to increase due to expansion in several developing countries, particularly Chinese Taipei and China and despite expected reductions in the European Community and the United States. Imports by Japan will be affected by continued weakness in the Japanese economy and large supplies of beef.

29. *Poultry meat* output will continue to expand in 1994, boosted not only by rises in all the major producing countries, United States, European Community, China and Brazil, but also in other countries all over Asia, the Far East and Africa. World consumption and exports are also expected to expand in 1994. While EC poultry meat exports are forecast to be somewhat reduced, Brazilian exports are forecast to rise despite expected lower imports by Japan and increased competition from China.

30. World *sheepmeat* production is expected to increase somewhat in 1994, largely do to increased output in China. Whilst New Zealand sheepmeat export opportunities are anticipated to be good as import demand in the European Community is strengthening, Australian lamb exports, especially to the Middle East, are likely to increase largely due to lower lamb production in New Zealand.

31. In conclusion, Madame Chair, I would like to thank all participants and observers for an interesting meeting."

32. Reacting to the report of the Chairman of the MMAG, the delegate from Argentina said that he had not reported lower export prices. Indeed, as an example, he noted that export prices of chilled beef had gone up significantly since December 1993. However, it was correct that internal prices remained depressed.

33. The delegate from Poland said that with regard to pigmeat production the situation was slightly different in Russia (where significant reductions seemed to be occurring) than in Poland. He had indicated in his presentation to the MMAG that in Poland, despite projections for a 17 per cent production drop for the year as a all, in June 1994 the number of hogs had remained unchanged compared to one year earlier.

34. Referring to the cattle prices evolution in North America, the Canadian representative indicated that prices in his country had not only begin to level-off, but had even declined this year. He added that reduced feed costs, particularly in the US might indeed result in improved profitability, but provided

that final market price for slaughter cattle recovered to somewhat higher levels than those in effect in the current time.

35. Reporting on the meat market situation in his country, the representative of Austria indicated that his country produces between 200-230,000 tons of beef. It is a traditional surplus producer because of its large alpine grassland region. The self-sufficiency ratio is between 140-150 per cent. More than 90 per cent of the Austrian exports go to the EC, in particular to Italy. In 1993, the production cycle was at its lowest level. Beef output decreased by nearly 10 per cent. The production cycle was now moving upwards and in 1994 production was expected to rise by 2-3 per cent. After a nearly 10 per cent decrease between 1989 to 1993, prices had stabilised at this lower level. In the pigmeat sector, Austria was faced with a surplus production in 1993 through 1994, reflecting low prices (even if above levels in other European countries). On an average year, Austria produced 100 per cent of its consumption depending on the production cycle. Poultry meat consumption was rising steadily along with the rise in production. Austria produced only 18 per cent of its poultry meat consumption and prices were stable.

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

36. There were no written questions submitted in advance. Because no oral questions were raised, there was no discussion under this item.

Examination of the functioning of the Arrangement

37. The Chairperson recalled that according to Article IV, paragraph 1(b), the IMC was supposed to have at its meetings a procedural comprehensive examination of the functioning of the Arrangement. She draw the participants attention to a draft decision prepared by the Secretariat and distributed in the room regarding the Termination of the Arrangement. The purpose of the draft decision was to provide a legal basis for the continuation of the Arrangement Regarding Bovine Meat only until the entry into force of the Agreement Establishing the WTO, when the new International Meat Agreement would also come into force.

38. In reply to a question raised by the Australian representative regarding the termination of the arrangement, the Chairperson gave lecture of the following excerpt of paragraph 3 of the mandate of the Sub-Committee on Institutional Procedures and Legal Matters (document PC/IPL/M/1): "at its second meeting on 31 May, the Preparatory Committee had agreed that the Sub-Committee be given the task of making specific proposals concerning transitional arrangements to deal with ongoing activities

under the GATT 1947, including the Tokyo Round Agreements, after the entry into force of the WTO Agreement, for consideration by the Committee".

39. The IMC agreed with the text of the draft decision (which was subsequently published as document IMC/36).

40. The Chairperson said that the IMC needed to discuss a number of issues regarding the functioning of the Arrangement, in particular its relationship with the future Committee on Agriculture. There was a clear need to revisit the Rules of Procedure, the questionnaires and to discuss other matters related to the functioning of the Arrangement. However, she thought it was premature to start such discussion at the present meeting, but suggested that it be initiated in a near future.

Date of the next meeting

41. The IMC decided to hold its next meeting on Friday 16 December 1994, preceded by the meeting of the MMAG on Wednesday, 14 December, and Thursday, 15 December 1994.