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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Thirty First Meeting

Draft Report

Chairperson: Ms. Brid Canon

The International Meat Council (IMC) held its thirty first meeting on 15 December 1995. The IMC adopted the agenda set out in GATT/AIR/3657.

Replies to the inventory parts of the questionnaire

1. There were no replies to the inventory parts of the questionnaire for this meeting. 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, is due every third year. The next complete revision is due in June 1995. The Chairperson noted that with the implementation of the Uruguay Round many countries will presumably have to change their policies and measures and are expected to notify all the changes. She appealed in particular to those countries which have not been up-to-date with their notifications in the past. She indicated that in 1995 the meat questionnaire, and in particular its policy part, needed to be revised (see below the item "Examination of the functioning of the Arrangement").

Evaluation of the market situation and outlook

2. 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/104) and the "Summary Tables" (IMC/W/106).

Evaluation of the world market situation and outlook

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

4. "It is now a well established practice of the Arrangement Regarding Bovine Meat that oral reports delivered by the participants at the MMAG meeting be photocopied and distributed during the IMC meeting. This is, I believe, an excellent practice which allows all the participants to better assess the discussions held during the meeting, and to facilitate their own analysis of developments in the international meat markets, once back in their offices. Under these circumstances, Madame Chairperson, you will understand that my report to the Council will be shorter than usual and reduced to some general comments and trends that seemed to me have emerged from our meetings.

Production

5. I would firstly note that in 1994, *total world meat production* is estimated to have increased by approximately 2 per cent, reflecting the expansion of all types of meat and especially poultry meat. *Bovine meat production* increased by 2-3 per cent, reflecting higher production, particularly in North America. In the United States improved weather conditions resulted in sharply increased feed grain production, a development supporting herd expansion of all categories of livestock. In contrast, the meat and livestock industry in Australia is currently affected by serious drought. Cattle slaughter and beef production remained high delaying herd rebuilding, and reduced feed grain supplies and higher feed costs are seriously affecting the poultry industry and the cattle feedlot capacity.

6. In the European Communities, the adjustment of the meat industry to the CAP reform continues and is illustrated by an improved supply/demand balance in the beef sector. Beef and veal production stabilised in 1994 but, more significantly, intervention stocks were sharply reduced. In the Central and Eastern European countries the severe reduction in livestock numbers experienced by most countries in recent years continued but may have reached the bottom in some of them. In South America while beef production grew in Uruguay boosted by increased cattle inventories, it fell slightly in Argentina. Production in Brazil may have risen in recent months in response to increased demand and high prices.

7. Forecasts submitted by a number of participants point to a further meat production growth in **1995**, a development favoured, among other factors, by expected low feedgrain prices in some major meat producing regions notably, North America. This would stimulate in particular the production of pigmeat and poultry meat, but beef and veal production is also expected to rise. Australia will remain a significant exception with drought-induced grain shortages and high feed costs expected to continue to exert a negative impact on the meat industry. EC beef production is anticipated to rise somewhat, but the Group was told that future production growth in the European Communities would remain moderate as no "sudden start" factors (as in the past dairy quotas or more recently the new German Länder) should intervene.

Consumption

8. Madame Chair, as you know the Group had a separate discussion on meat consumption trends, but I will incorporate some of the main conclusions of that discussion in this part of my report. In 1994, *global world meat consumption* increased in line with higher production. However, even if the general trend towards lower consumption of red meat and increased consumption of poultry meat continued, some countries and especially the United States, reported an increase in per capita beef consumption for the first time in many years. Reasons behind the growth included improved economic conditions and in particular, lower beef prices. However, we have also heard that per capita beef consumption decreased significantly in some countries, not least in Argentina, where consumption reached an historic low of around...60 kgs (!) per person. While the negative impact of BSE on EC beef consumption seems to have faded away, in most of the Central European countries meat consumption, especially beef, has been strongly affected by sharply higher prices and lower incomes. In 1995, meat consumption trends are expected to continue to rise reflecting the anticipated production growth. Sustained economic recovery and in some cases lower beef prices, are expected to result in the United States and Canada, as well as in some European states in increased per capita beef consumption.

Trade

9. *World meat trade* expanded in 1994 due to increased exports of pigmeat, poultry meat and sheepmeat. While *beef* export showed a steep growth in the United States and increased in some other major exporting countries, particularly in South America, the rise does not seem to have been sufficient to offset the export drop in the two largest world beef exporters, the European Communities and Australia. The expansion of beef exports in the United States were due to substantial sales to Korea, Mexico and Japan. In Japan, beef import demand was nonetheless weaker this year, despite a strong yen, partly due to relatively high stock levels of imported beef. While US imports of live cattle

decreased, exports of live cattle from the United States to its neighbour NAFTA countries also grew sharply The substantial reduction of EC exports was a reflection of lower production but the European Communities still exported large quantities of intervention beef to traditional markets in the Middle East, North Africa and Russia. In Russia, where the meat industry, as described in the ECE observer paper, is going through serious difficulties, red meat imports during the first half of 1994 are believed to have increased fivefold, while poultry meat imports grew 16-fold. The Group heard an interesting presentation on the possible impact that joining the European Communities may have on the Swedish meat markets. Briefly, it is possible that Sweden benefits from increased export subsidies, but trade with third countries could diminish while increasing with other EC member states. The recognition of disease free-areas will be an important element in the continuation of Sweden's trade flows, particularly with North America.

10. Australia and New Zealand beef exports were affected by voluntary restraint agreements with the United States and the imposition of a tariff quota (on countries other than NAFTA) by Canada. Despite lower exports, Australia recovered its place as world's major beef exporter as the decline in EC exports was steeper. Sales to Japan grew strongly and Japan became Australia's single largest market for beef displacing the United States for the first time. Argentinian beef exports increased for the first time in four years, mostly reflecting higher sales to Brazil, Chile and Israel, while the strong growth in Uruguayan exports was due to sharply higher sales to Israel and the EC, but also to Brazil. Brazilian exports have probably decreased somewhat and imports increased steadily in recent months. In **1995**, world beef trade is expected to shrink again largely as a result of lower beef exports by the European Communities but possibly also by Australia where drought effects could put temporarily at risk Australia's capacity to take immediate advantage of increased market access opportunities as the result of the Uruguay Round negotiations. Exports by Canada should remain stable and Brazilian exports can (presumably) be expected to decrease. In contrast, beef exports of the United States are expected to expand further.

Prices

11. In the Pacific-rim markets, international beef prices were lower in 1994 largely due to sharply reduced cattle prices in the United States, unfavourable exchange rates and less buoyant import demand from Japan. In the Atlantic markets, export trends diverged and, while the European Communities reported strengthened export prices, Argentina, while adding a word of caution on the average nature of reported prices, referred to a decrease. Uruguay seems to be experiencing better export prices

than its neighbouring country and it seems that increased exports to Brazil in recent weeks may have a beneficial effect on prices. While beef export prices may be expected to slow down further in the Pacific-rim markets in **1995**, it is foreseeable that in the Atlantic markets prices will strengthen.

12. Finally, Madame Chair, a last word on other meats. World pigmeat production is estimated to have increased only marginally in 1994, partly as a result of lower growth in China. For 1995, world production and exports of pigmeat are forecast to show robust growth of about 3 per cent. World poultry meat production continued to expand strongly in 1994 and this trend is forecast to continue in 1995. US exports of poultry meat continued to increase at double-digit growth rates in 1994 and are expected to increase further in 1995. Sheepmeat exports are forecast to decline in both New Zealand and Australia, resulting in lower world sheepmeat trade in 1995".

13. Commenting on the report by the Chairman of the MMAG, the representative from Argentina indicated that Argentina beef exports in 1994 had been revised upwards to 352,000 tons, a 25.7 per cent rise on 1993. In 1995, beef exports were forecast to reach 400,000 tons. He added that sanitary agreements had been signed with some asian countries, such as Malaysia and the Philippines, while sanitary negotiations with the United States were progressing. As a result, beef exports were expected to rise in the medium term. As far as beef production was concerned, he indicated that a recent increase in cattle slaughter suggested that, in 1994, production might have stabilised when compared to its 1993 level.

14. Referring to the consumption trends in his country in 1994, as they were described in the report of the Chairman of the MMAG, the Polish delegate introduced a word of caution noting that even if domestic bovine meat prices had increased by about 13 per cent, thus possibly affecting beef consumption, the rise was smaller than the 21 per cent increase of overall meat prices.

<u>Examination of national policies linked to trade in bovine meat and live animals</u>

15. There were no written questions submitted in advance. In reply to an oral question, the representative of the European Communities said that the usual EC beef quotas were not going to be opened for the year as a whole, but only for six months. As a result, the quota volumes would be reduced by half. On 1 July 1995, the quotas negotiated during the Uruguay Round would be opened, to his knowledge on an annual basis, presumably from July 1995 to June 1996. However, it could also be that the quotas be opened just for the remaining six months of 1995 for the same tonnages and, from than onwards annually, on a calendar year basis. Whatever the case, this would not, in his view, change the substance of the problem.

16. The Australian delegate indicated that if from 1 January 1995 her country would only benefit from a six month quota allocation up to June, this would make the marketing of the Australian product extremely difficult. If in fact it made no difference to the European Communities wether there would be one twelve month quota or two six month quotas, the first alternative would assist the marketing of the Australian product.

Summary of the results of the Uruguay Round in the meat sector

17. The Secretariat tabled a revised version of the draft note regarding the results of the Uruguay Round at the MMAG meeting. The Chairperson indicated that it was the Secretariat's intention to publish the note, corrected as necessary, as a Special Annex to its annual publication "The international Markets for Meat, 1994-1995". Participants were requested to make preliminary comments at the IMC meeting and further comments, corrections and complementary information should be forwarded to the Secretary by 16 January 1995, at the latest.

18. One participant suggested that data referring to the three countries which would join the European Communities as from 1 January 1995 (Austria, Finland and Sweden) should be included in the EC section, with tariff data translated into ECUs. This would be an useful information in the light of the enlargement negotiations to be initiated between the European Communities and third countries. Another argument in favour of such approach was that the Secretariat's note would be published after the EC enlargement took place. Another participant wondered how the European Communities intended to accommodate the access commitments made by the three countries that would become part of the European Communities. Countries like Australia, Argentina and Uruguay, were among those benefiting from access opportunities to those markets and the situation would clearly change as from 1 January 1995.

19. The representative of the European Communities said that the two issues were separate. One issue was the impact of the Uruguay Round and the other, entirely different issue, was the accession of new members states to the European Communities. The two issues should not be mixed up in the Secretariat's note. The note should be published as it stood and the impact of accession on concessions could be discussed at a later stage if participants so desired.

20. After a technical discussion on the contents of the note, it was agreed that the Secretariat would as far as possible avoid rounding the data included in the Appendix, publishing it as presented in the

schedules. It was also agreed that the Appendix would contain an additional note including the exchange rates for the currencies at, for example, the date of publication of the summary of the results of the Uruguay Round. Finally, it was agreed that the Secretariat's note could be published taking full account of possible corrections and complementary information forwarded by participants until 16 January 1995, at the latest.

Examination of the functioning of the Arrangement

21. The Chairperson indicated that preliminary consultations on the issue of the necessity of transitional arrangements with respect to the termination of the Arrangement Regarding Bovine Meat and the entry into force of the new International Bovine Meat Agreement, suggested that no such special arrangements were necessary. The main reason being that the new IMC could decide to meet at any time and adopt the Rules of Procedure it considered necessary at its first meeting, even before its first regular meeting of the year. Participants agreed with this approach and the IMC decided that no transitional arrangements were necessary.

22. The Chairperson recalled that in its last few meetings the IMC had postponed the discussion on the functioning of the Arrangement based on the non-conclusion of the Uruguay Round or the absence of a mandate for the Committee on Agriculture. Discussions on issues such as the revision of the Rules of Procedure or the format of the questionnaires, as well as the deadlines for the submission of replies had also been postponed for similar reasons. Now that negotiations were over, the WTO would enter into force in January 1995 and the mandate of the Committee on Agriculture had been agreed, the moment to re-visit these issues was very near. A close contact with the Committee on Agriculture would be necessary in 1995 on issues such as the format of notifications, how much of the items notified to the IMC would be captured, or not, by the notifications to the Committee on Agriculture, etc. Early in the new year, the IMC might have to meet even informally to look and focus on requirements on procedures, submission of information and documentation under the new Agreement and perhaps consult with the Committee on Agriculture when it starts its work.

23. One participant noted that the notification requirements under the Committee of Agriculture had little to do with the statistical parts of the meat (or even dairy) questionnaires. Notifications under the Committee on Agriculture were about commitments on market access, domestic support and export subsidies. The mandate of the International Meat Council "examination of national policies related to trade in bovine meat and live animals" was something that the Committee on Agriculture could undertake under Article 18-6 of the Agreement on Agriculture, at the request of a member or agreement by the Committee. However, in his view, the primary responsibilities of the Committee on Agriculture

did not cover the work of the MMAG per se, but would cover de facto, some of the responsibilities of the IMC, bearing in mind that the same responsibilities on all commodities were covered by the Agreement on Agriculture.

Date of the next meeting

24. The IMC decided to hold its next meeting, under the new International Meat Agreement on Friday 23 June 1995, preceded by the meeting of the MMAG on Wednesday, 21 June and Thursday, 22 June 1995. However, following the Chairperson's suggestion that the June IMC meeting should immediately follow the MMAG meeting, as was the case of the present meeting, it should be noted that the date of the IMC meeting could be anticipated on short notice (probably to 22 June).