

GENERAL AGREEMENT ON TARIFFS AND TRADE

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INTERNATIONAL MEAT CONSULTATIVE GROUP

Statement made by the Representative of Australia
on 5 February 1976

The following represents the Australian view of the future outlook for the international beef market with particular reference to the Australian situation.

In the coming year we see a gradual strengthening of opportunities for the expansion of beef exports towards more normal conditions.

This however may be offset in the case of Australia and other producing countries by the pressure of supplies from present record size herds. In Australia at least we do not expect our prices to rise above the average prices of the ten years up to 1972-73.

Nevertheless, due to somewhat higher prices than last year and production increases we expect the gross value of beef production in 1975-76 to be some 30 per cent above the low level of 1974-75.

We see a trend towards a better balance between supply and demands.

We are watching with interest the present high slaughter rates particularly of cows and calves in the major markets - indicating an inevitable slackening in the rate of growth. However, slaughter weights are likely to increase should there be an easing of grain prices, and thus, resort to increased grain feeding in the United States.

Nevertheless the timing of any substantial and sustained recovery in the world beef trade generally remains very uncertain and depends upon market access permitted by the main importing countries. The world beef market will remain critically sensitive to relatively minor changes in supply/demand balances in importing countries.

Given the uncertainties in the timing of a recovery and the very low profitability of cattle raising, the Australian beef industry is likely to curtail growth over the next few years. Furthermore the current high stocking rates are being maintained on well above average quality pastures. It is unlikely that a period of drought can, on the law of averages, be much longer postponed.

Since the beef crisis began Australia has greatly increased its shipments to a large number of minor markets, but overall prospects for Australia will continue to depend upon the major markets in the United States, the EEC and Japan and this in turn depends on general recovery of economic activity.

A factor strengthening demand for beef is also likely to come from the lower supplies and expected higher prices for pigmeat in all beef importing regions. Demand in certain markets such as Japan and the EEC may, of course, be otherwise affected by changes in government policies which aim at maintaining domestic prices at levels well above world market prices.

It now appears to us that cattle herds in all importing regions are entering a static or downward phase in their respective cattle-cycles. For 1976 this implies a continuation of the high level of cattle slaughterings in the past year except in Japan where we expect a significant downturn.

We note that 1976 will open with herd sizes slightly lower than the record levels of a year ago. In Europe and Japan cow numbers admittedly will be only marginally lower than a year ago but in the United States total cattle numbers in January 1976 are expected to be down by 1-2 million head and reductions in the United States beef cow herd seem probable for the first time since 1958.

It may be worth just reminding delegates of the absolute size of cattle herds according to the figures as of 1 January 1975

United States	131.8	million	
Total North America	190	"	
Brazil	88	"	
Argentina	57	"	
Total South America	205	"	head
Total EEC	78	"	
Total Eastern Europe	38	"	
USSR	106	"	
Japan	4	"	

The Australian figure which you may have heard was revised during the year is believed to be 33 million head. Total Oceania including New Zealand about 42 million head.

Looking at the supply picture in the United States we see the situation as follows:

Rising feed costs and falling beef prices have reduced the proportion of lot fed beef in total slaughter from 77 per cent in 1973 to 50 per cent in 1975. This has reduced slaughter weights by about 22 kgs. per head. Total cattle inventories on feed are now still little different from a year ago.

United States choice beef prices are firm and likely to remain so and we expect gradual expansion in cattle feeding activity. As greater numbers of feeder cattle move into feed lots there is likely to be an easing of supply pressures on the market for lower grades of beef.

At worst we expect the United States beef market to remain firm at late 1975 values and more probably to strengthen throughout the year. We expect actual United States beef production in 1976 not to show much increase over 1975.

Beef market developments in Canada in 1976 are expected to be similar in trend to those in the United States and beef production to depend largely on developments in the feeding sector.

In our view, in Japan the heavy calf slaughterings in late 1974 and the first part of 1975 will adversely affect the output of dairy steer beef in 1976. We should be interested to hear Japanese views but we think that domestic Japanese beef production in 1976 could be some 10 per cent down on last year's figure.

Even in the EEC we have heard forecasts that beef production will fall by 2 per cent from the 1975 level. In the United Kingdom where cow slaughterings were particularly heavy beef production in 1976 could be as much as 10 per cent down. We understand that the EEC Commission estimates that self sufficiency could fall by 5 per cent to 95 per cent, suggesting a shortfall requirement for imports of at least 350,000 tons (carass weight). Though we note that intervention stocks are reported to be at not much less than this level while internal prices remain below guide prices.

In assessing prospects for any marked relaxation of restrictions in the EEC it is necessary to make some judgement upon the trend of production costs.

Despite the picture in all these major markets the likely expansion in volume of imports from importing countries is almost certain to be less than the potential increase in beef supplies at least in the short term but we note that in some importing countries beef prices are an important component of consumer price indexes and should retail beef prices start moving significantly upwards either as a result of actual costs or market forces THEN the effects on inflation rates could well influence decisions regarding import quota levels. This could be a factor in Australia also as far as exports are concerned.

As for the situation in Australia itself we expect local consumption of beef and veal for 1974-75 will be around 870,000 tons carcass weight. Some 63 per cent above estimated consumption in 1973-74. Any significant upturn in prices could, of course, mean some increase in availability of beef for export.

Actual beef and veal production in Australia is forecast to rise substantially in the coming year and for 1975-76 is likely to reach 1.7 million tons, some 13 per cent above the record production of 1.5 million tons in 1974-75. This is an estimated production below that which could flow from a herd size of 33 million. While saleyard prices should rise somewhat above the average levels of the latter part of 1975 they are likely to remain unattractive to producers.

Cattle numbers in the year to March 1976 are forecast to rise only marginally to about 33 million head. There are of course many unpredictable factors, the matter of climate and rainfall, future purchases by the USSR but there is little incentive seen for producers in Australia to expand their herds over the next few years.

This leaves the situation in New Zealand and also in Latin America. No doubt we will be hearing about this from our colleagues.

In terms of longer-term outlook beyond the next year we find ourselves able to take some comfort from the findings of the OECD study of trends in world supply and demand of major agricultural commodities. In particular with their assessment which I would like to quote.

"It must be emphasized that the problems involved in the international beef trade should be considered more as a whole, as on the one hand, trade is dominated by a few big importers, and on the other the cycles are more and more closely synchronized. Action taken by one country, for example, to limit its exports will provoke more and more chain reactions."

We similarly also attach significance to the reported findings of the GIRA Company, Geneva, sponsored we understand by several governments and a number of large companies, about the root causes of instability in the world beef trade.