

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

IMCG/1/24
8 July 1976

Original: English

INTERNATIONAL MEAT CONSULTATIVE GROUP

Statement Made by the Representative of Australia
on 1 July 1976

I should like to begin by congratulating our new Chairman, Mr. Gifford, on his election.

In general, developments have followed very much the expectations presented to the previous meeting of the Group.

The following represents the Australian view of the future outlook for the international beef market and makes particular reference to the current Australian situation and recall that at our last meeting, the Australian delegation indicated that on the law of averages, it was likely that a major drought could occur in the near future.

That time has now arrived and a major area of Australian cattle production is now suffering the effects of little or no rain for some six months.

Perhaps the most important feature of the position in Australia at this time has been the significant increase in production and slaughterings, especially from the drought affected areas in Victoria and Southern New South Wales. In the first four months of 1976 adult cattle slaughterings were up 18 per cent and calf slaughterings up 29 per cent on the same period of 1975. Slaughter weights for cattle have been lower but total beef and veal production in 1975-76 is now estimated to be approaching 1.8 million tons with total slaughterings around 9.9 million head.

Saleyard prices for cattle generally are higher than year earlier and firm on improved levels recorded later in 1975. They reached a peak in January and February but have recently eased. This easing has been reflected for all meats and is mainly a consequence of the sharp upsurge in slaughterings.

Prices for heavy ox in mid-June 1976 were around 38.5 cents per kg. (carcass weight) cf. 46.9 cents in mid-February 1976 and 27.3 cents in July 1975. There have been substantial differences in prices between States especially Victoria where prices for good quality stock have increased e.g. heavy ox was about 55 cents per kg. in early June. This is believed to reflect the increase in yardings of drought affected stock and uncertain availability of good quality animals.

An interesting price situation has also developed consequent on forced sales due to the drought with prices for finished cattle (described above) very much higher than non-finished cattle.

The effect of the current drought, as colleagues from France will appreciate, cannot be under-estimated:

- area south of a line drawn roughly from Canberra to Perth has had almost no rain since January;
- growth of pasture has now ceased until spring and will depend on good rains at that time;
- continued forced marketing of stock likely to keep prices low;
- continued low prices will drive more producers into bankruptcy and affect future size and structure of the Australian herd.

Pressure on price is of course also being maintained by the size of the Australian herd estimated at 33.7 million head at 31 March, up 2.6 per cent over twelve months, the lowest increase for many years, but need again to remind delegates of the absolute size of cattle herds as at 1 January 1976:

- United States	128 million head
- Total North America	170.6 million
- Brazil	92.5 million
- Argentina	60 million
- Total EEC	76.2 million

Largely due to these low prices, domestic consumption in Australia has been maintained at a very high level. Exports have also expanded. United States purchases have been maintained and there have been rises in sales to many other markets - Japan, Middle East and a large number of minor markets. Total exports for 1975-76 are estimated at 550,000 tons product weight.

Prices for exports in most main markets are generally higher than the previous year although there has recently been some easing in United States cow beef prices. Sales to minor markets, however, have been characterized by intense price competition between exporters both within Australia and against other suppliers.

Outlook for coming six months

Export markets - overall expect export markets to be poor for balance of this year. Supplies from exporting countries will remain heavy and any effects of stronger trade conditions are not likely to be fully reflected in higher prices in exporting countries. However, there is a tendency towards increasing incomes and demand in all main importing regions, especially Japan and North America. Continuing high slaughter rates in importing areas are likely to lead to further falls or at least a stabilization in cattle numbers and, except in North America where slaughter weights are up and production is easing. (In all the main importing areas (except USSR) production of pig meats and poultry meat is up). Thus we would expect some improvement from the beginning of 1977.

However, the detailed picture in most export markets is still somewhat confused.

In the United States there has been a movement back into grain feeding which has limited supplies of non-fed beef. Should expectations of higher supplies of feed grains be fulfilled this trend could be maintained and with firm demand, prices of manufacturing beef could strengthen later this year. Indeed some eminent observers of the United States meat scene have estimated that imports of some 1,500 million pounds of meat will be required this year in order to contain significant price rises in the United States. However, we have noted a marked easing in the United States market in recent weeks and look forward to hearing from the United States delegation their views on the causes of this decline in price and our prospects for the future.

In Japan, with strong demand growth and continuing upward pressure on prices some further growth in imports is likely and we would expect prices to remain firm. Australia anticipates being able to export around 90,000 tons to Japan in the coming year.

In the EEC, we have welcomed recent comments by senior Commission officials that there is a prospect of some measure of increased imports later in the year. We have also noted the effect which the drought in France and the temporary restrictions on Italian imports are having on the EEC and look forward to hearing

an assessment of how these factors, as well as the recently announced increases in the intervention buying in price are likely to affect the outlook for production, consumption and imports in the Community.

Canada is expected to continue to import at recent levels although the increased slaughter of dairy cattle in response to the recent changes in Canadian dairy policy is likely to introduce some uncertainty into the market.

Sales to minor markets remain price sensitive but, with a continuing high level of supplies in Australia, are expected to at least maintain and probably increase purchases. Sales to the USSR are unpredictable.

Supplies from other exporters likely to remain heavy especially from South America. Continuing high slaughter rates, particularly of female stock likely to eventually lead to falls in herd size.

In Australia, with the herd at a record size and with continued deteriorating seasonal conditions in some areas the rate of slaughter is expected to remain high. Domestic consumption is not expected to rise significantly from its present level and thus even though exports may show some growth, supplies are likely to continue to place downward pressure on prices. Further price rises are in prospect, but unless there is a fall off in slaughterings, or a substantial lift in United States cow beef prices, or some re-opening of still closed markets, average prices for cattle in Australia are not likely to show any marked improvement until later in the year or into 1977.

Given the current uncertainty on the outlook and given the importance of the next six to twelve months in determining the structure and size of the Australian, and probably other herds, Australia would see value in having prepared a Secretariat Study of the short term outlook for consideration at the next meeting of the Group. Such a study, which would draw on country contributions and answers to the questionnaire would, in Australia's view, provide a valuable focus on which producing and importing countries alike could base our discussion. We would welcome the comments of other delegations on such a proposal.