

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

IMCG/W/63

6 December 1978

Original: English

## INTERNATIONAL MEAT CONSULTATIVE GROUP

### Eleventh Meeting - 10 November 1978

#### Statement Made by the Representative of New Zealand

The secretariat document IMCG/W/60 sets out details of current and forecast beef and veal production. I shall therefore limit myself to comments on the marketing of export production.

#### Export production

Export production of beef and veal for the 1977/78 season is estimated to be about 227,000 tonnes, that is 10,000 tonnes lower than in the 1976/77 season.

The level of export slaughterings on a per head basis was higher than last year but average carcass weights were 12 kgs. lower.

The increased per head kill reflects the tight feed situation experienced over most of the country earlier in the season, and the continuation of the move by farmers to increase sheep numbers at the expense of cattle.

#### Prices

Beef prices have improved steadily this season, largely as a result of the supply and demand conditions in the United States market. United States beef prices increased significantly during the early part of this year in response to reduced cattle numbers and domestic output of manufacturing beef, coupled with a strong demand which reflects some recovery in employment levels and rising personal income.

#### Markets

##### United States and Canada

New Zealand exports of beef and veal to the United States and Canada are governed by "voluntary restraint" type arrangements. The New Zealand quota allocation to the United States was increased by 19,000 tonnes in June of this year, lifting the total quota to about 142,000 tonnes.

Provisional export shipments of beef and veal to the United States mainland and to Canada for the year ended 30 September 1978 amounted to 138,500 tonnes and 28,500 respectively. The North American market, therefore, accounted for about 74 per cent of total beef and veal exports shipped from New Zealand this year.

Due to the announcement of the increased beef import quota and the heavy level of domestic slaughtering of both fed and non-fed cattle, United States prices for manufacturing beef dropped from around US\$1 per lb. to nearer 80 cents per lb. Since then prices have partially recovered and are expected to continue to firm until 1980 as a result of reduced United States domestic production as the rate of slaughter declines.

#### USSR

Provisional export shipments to the USSR amounted to 9,443 tonnes. This has been New Zealand's third largest export market for beef and veal but future purchases for the USSR and for other Eastern European markets remain uncertain.

#### Japan

Provisional export shipments of beef and veal to Japan amounted to 8,233 tonnes, including 1,644 tonnes shipped directly to Okinawa. The LIPC quota for beef imports for the second half of the 1978/79 fiscal year has been set at 50,000 tonnes, an increase of 5,000 tonnes over the same period last year. Total Japanese imports for the fiscal year 1978/79 are expected to exceed 100,000 tonnes for the first time since 1973, but this total includes the special import categories for hotels, schools and boiled beef, as well as LIPC and Okinawa imports.

#### Europe

Some signs of recovery are apparent in the European beef markets. Prices are generally higher than a year earlier and intervention stocks have declined about 20 per cent from last year's record levels. Nevertheless market forecasts are being particularly circumspect in their predictions for next year. For the ten months ended July 1978 New Zealand exports of beef to the EEC were considerably lower, at 4,500 tonnes, than for the same period last year.

#### Forecast

Export production of beef and veal is estimated to be lower in the 1978/79 season as the level of slaughter declines. A limited recovery in prices is likely to result from the continued diversion of exports to the United States market. It is expected that North America will remain New Zealand's largest market for beef and veal.

Prices for New Zealand beef in the 1978/79 season are expected to continue at the current levels of about US\$0.90/lb. as the market adjusts to the lower supplies of domestic beef that will be available next year.

The stability of the United States market for New Zealand beef and veal remains uncertain in the future with the proposed adoption of a "counter-cyclical" formula for the calculation of beef quota levels. It has been suggested that if this legislation comes into effect it would have severe consequences for beef exporting countries and would seriously undermine the stability of their beef industries.

### Conclusion

In conclusion, it would appear that, for the short-term at least, the prospects for exporters are reasonable, to the extent that reduced production in principal exporting and importing countries, combined with generally higher price and demand levels may assist in restoring some degree of viability to the beef industry. However, the general coincidence of beef cycles in major producing countries and the continued existence of restrictive border measures cast some clouds on the longer-term outlook.