Trends in the bovine meat market of the European Economic Community

We propose to present to you an analysis of the present situation in the Community meat market and our forecasts for future trends in regard to market supplies.

Present market situation

As you know, some 2.7 million farms are engaged in beef and veal production in the European Economic Community. Over the past four years their number has been declining at the rate of 4.5 per cent each year and the meat market, in particular the beef and veal market, has continued to suffer the effects of slower economic growth and an increase in the unemployment rate to about 5.5 per cent of the active population.

Beef and veal production (6,383 thousand tons) declined by 2.5 per cent in 1977, thus confirming the cyclical slowdown of 1976. In the first six months of 1978, and despite a decline by nearly 2 per cent in the cattle herd, beef and veal production was only very slightly below the level recorded in the corresponding period of 1977, because of an appreciable increase in average slaughter weight.

Following the decline in available household income, expressed in terms of constant currency, beef and veal consumption developed less favourably from 1973 to 1976. There was some recovery in beef and veal consumption in 1977 and, still more, in consumption of pork and poultry because of very abundant supplies. Similarly, during the first six months of 1978 consumption increased appreciably in certain member States such as Germany, Denmark, France and the United Kingdom.
Total imports from third countries came close to 380 thousand tons in carcass weight in 1977, while exports were in the vicinity of 150 thousand tons so that the net import surplus was in the region of 225-230 thousand tons.

It should be noted that each year the Community imports approximately 192 thousand tons of beef and veal (carcass weight equivalent) under special import régimes (GATT, ACP, balance sheets) either free of levy or subject to a reduced levy.

In addition, in recent years there has been an appreciable increase in imports of preserves and other preparations which have reached a tonnage of nearly 150 thousand tons in carcass weight equivalent.

In 1977, average Community market prices for adult bovine animals increased by 4.8 per cent (approximately 9.4 per cent in national currencies), and average prices for such cattle were equivalent to approximately 87 per cent of the guide price, i.e. below the Community intervention price. In spring 1978 the guide price and the intervention price for adult bovine animals were raised by 2.5 per cent for the 1978/1979 season.

In the first six months of 1978, market prices for adult bovine animals increased by 3.2 per cent on average, while at the present time (the autumn marketing of livestock), market prices are below the level recorded a year ago.

**Short-term prospects**

After a continuing decline in the cattle herd in recent years, enquiries made in December 1977 (and in May-June 1978) have indicated relative stability in the cattle herd (+ 0.1 per cent in comparison with 1976), though still 2 to 3 per cent below the level reached in 1973-1974.

Another characteristic feature that these enquiries have revealed is a decline by more than 2 per cent in the number of beef cows.

Market supplies of adult bovine animals in 1978 are expected to come close to the 1977 level. Slaughterings of bullocks will be somewhat lower, while those of heifers will show a slight increase. Slaughterings of calves are expected to decline by 2 to 3 per cent.

As a result of a substantial increase in average slaughter weight, beef and veal production in 1978 is likely to be slightly above the 1977 level. Similarly, a very slight increase in production is expected in 1979.
Although beef and veal consumption will no doubt rise appreciably in 1978, it should be noted that demand for beef and veal will be influenced in the short term not only by less sustained economic growth, the serious employment situation and likewise slow demographic growth, but also by abundant supplies of other meats: consequently, between now and 1980 a moderate increase in consumption of beef and veal is to be expected.

Given these prospects for production and consumption trends and the existing intervention meat stocks to be disposed of in coming months, the net import surplus can be estimated at approximately 200,000 tons for 1978. A surplus of a comparable amount is expected for 1979. Relatively low prices of high-protein products used in animal feed have encouraged increased production of meat derived from cereals, i.e. pork and poultry.

The abundance of these meats on the Community market no doubt contributed to the seasonal decline in beef and veal prices in the autumn of 1978.

For 1979, an upward trend in market prices might be expected from the relatively low current level in respect of adult bovine animals, as has already occurred in respect of calves.

**Market management measures**

In order to support the market, the following measures have been taken on the supply side:

- since the beginning of the year, the intervention agencies have made direct purchases of more than 160,000 tons, particularly in Germany and Ireland;

- during the summer, aids for private storage were granted in respect of 36,000 tons of fore-quarters, and since 6 November such aids have been opened in respect of hindquarters of male and female adult bovine animals.

On the demand side, certain incentive measures have been taken such as the sale of intervention beef and veal at reduced prices to welfare bodies, while in Italy 40,000 tons of beef and veal have been made available to the Italian intervention agency by the intervention agencies of other member States.

Thus, since the beginning of 1978 the initial stocks of 425,000 tons (carcass weight equivalent) have been steadily declining, reaching some 270,000 tons (carcass weight equivalent) by mid-October, of which:

- approximately 50,000 tons of preserves
- 110,000 tons of bone-in meat
- and 110,000 tons of boneless meat.
In the context of the balance-sheet estimates for 1978, import possibilities have been opened for the fourth quarter of the year as follows:

- 12,000 tons (annual balance sheet: 50,000 tons) of frozen beef and veal intended for processing, and

- 65,000 head (annual balance sheet: 230,000 head) of young male bovine animals intended for fattening.