Demand for beef on the international market has strengthened considerably since the last meeting of the Group in November. Australian exporters have seen a rapid turnaround from the poor market conditions which prevailed only a year ago. Strong demand for manufacturing beef for North America has been a major influence on the sharp upward movement that has occurred in Australian cattle and beef prices.

The general consensus of the meat industry in Australia is that the outlook for 1979 is one of continuing strong export demand, a decline in domestic supplies, a firming of domestic cattle prices and a measure of profitability for most cattle producers. The improvement in returns in recent months is leading cattle producers to reassess their policies on herd reduction.

Total slaughterings in Australia in the eleven months to February 1979 were 11.2 million head, a fall of 5 per cent on the 11.8 million head slaughtered in the corresponding period a year earlier. Given this continuing high rate of slaughter, the national herd is currently estimated at around 27 million head, indicating a decrease of 19 per cent from the peak of over 33 million in 1976.

Generally good to excellent seasonal conditions have prevailed in Australia since the latter half of 1978. A continuation of these conditions during 1979 will remove much of the pressure for early slaughtering of stock, as evidenced during 1977 and into the first half of 1978. Grazing pressures are therefore lower than for some years and livestock producers, where not faced with liquidity problems, are turning off stock in good condition.

Production of beef and veal in Australia during 1979 is forecast to fall by some 16 per cent to 1.75 million tonnes, due to the smaller herd size and an expected easing in slaughter rates, particularly of female cattle, as producers' expectations about the longer term profitability of beef production improve.
To date, however, this reduction has not taken place and beef and veal production in January-February this year was 2 per cent higher than for the first two months of 1978. Unless slaughterings fall markedly over the next few months, it is possible that production could exceed the 1.75 million tonne level projected above.

There are signs that some producers are responding to the improved market situation by retaining more breeding cattle and calves, but this is limited mainly to the southern States. Adult cattle slaughterings in Victoria in the last six months were down 25 per cent on year earlier levels and beef production was 20 per cent lower. High national production levels are being maintained by heavy turn-off of cattle in the north where producers have less scope to diversify and still face severe liquidity pressures after several years of very poor returns. Continued heavy slaughter in northern regions of Australia will therefore be a major determinant of total beef availability during the year.

Cattle prices have risen rapidly in Australia since June 1978, especially during the first three months of this year. Average saleyard prices for the first quarter of 1979 were some 40 per cent above prices in the previous quarter and more than double those of a year ago. However, the magnitude of these increases can be misleading unless it is appreciated that they represent improvements over the very low level of returns experienced in the previous four years. Nevertheless, it is doubtful that prices have risen sufficiently to cover cost increases since 1973.

Domestic consumption of beef and veal is expected to fall substantially in 1979, although it should still be well above the levels of the early 1970s. Per capita consumption is tentatively forecast at 52 kgs. compared with an estimated 62.4 kgs. in 1978. This implies a 15 per cent reduction in total domestic consumption to about 750,000 tonnes carcass weight. However, with retail beef prices already some 60-100 per cent above year earlier levels, it is possible that domestic consumption could fall below this figure. The final size of this reduction will depend on consumer reaction to these price increases, the price of competitive meats and movements in consumer disposable income.

In line with expected movements in production and consumption, export availability in 1979 may indeed be higher than the forecast level of 980,000 tonnes carcass weight (672,000 tonnes shipped weight). Changes in saleyard and retail prices will continue to determine the proportion of total production that is exported and could result in exports falling by less than the 15 per cent amount projected above. Access to the United States market is also a major factor in the situation and continuing high prices there are attracting substantial quantities away from other outlets. Our major export markets should remain the United States, Japan, Korea and Canada with smaller quantities to the Middle East and the EEC.
Although the oversupply situation which characterized the world beef market over the period 1974-78 has now disappeared, beef production is traditionally cyclical in nature, so that higher prices in the next two to three years will likely be followed by a down turn, probably at some time towards the mid-1980s. Our aim, in the interests of both producers and consumers alike, should be to ensure that the circumstances which characterized the world beef market in recent years do not recur.

Members will be aware that Australia has recently finalized an exchange of letters with the United States formalizing the 1979 Voluntary Restraint Agreement. This Agreement, with recent shortfall allocations, provides for 374,000 tonnes of imports from Australia in 1979, representing an increase of 8,700 tonnes over shipments in 1978.

As well, we have recently reached agreement with the United States and Japan on the trade arrangements to apply as a result of the current MTN negotiations.

The Agreement with the United States provides for a minimum global access of 1.2 billion pounds, which is significantly below current levels of imports but will provide a basis upon which our producers can plan their production for the United States market. We remain concerned, however, at the possible introduction of counter-cyclical legislation in the United States and the potential disruptive and imbalanced effect that this type of legislation could have.

The understanding reached with Japan is of particular significance given that Japan is Australia's second largest outlet for beef. The Japanese Government has indicated that it expects imports of beef to increase steadily until the end of Japanese fiscal year 1982 when it is expected that the global import level will be at least 135,000 tonnes.

While it has not been possible to reach a satisfactory MTN understanding with either the EEC or Canada on beef, we are hopeful that this may be possible in the near future.

Australia welcomes the establishment of the International Meat Council. Although the Agreement establishing the Council falls well short of our original expectations we are prepared to participate actively and constructively in its work. We consider that the new organization, with improved consultative arrangements and information exchange, will provide a useful basis for examining the problems facing the international meat trade.