

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

IMCG/W/71
8 May 1979

Original: Spanish

INTERNATIONAL MEAT CONSULTATIVE GROUP

Twelfth Meeting - 24 April 1979

Statement Made by the Representative of Uruguay

1. GENERAL POLICIES ON LIVESTOCK AND MEAT

In August 1978 the Government made some substantial changes in policy for the agricultural and livestock sector.

The new policy to be applied in this sector is designed to promote effective use of its comparative advantages through more efficient production, as an essential instrument of national economic policy.

The general objectives of the policy are:

- To encourage activity in the sector in accordance with the priority established under State policy.
- To reduce prices of inputs and capital goods to international levels.
- To promote investment in the sector for optimum use of comparative advantages.

For the attainment of these objectives, policies are being established that are designed:

- Gradually to withdraw transfers of earnings to other sectors of the economy.
- To foster transfer of technology and training of rural manpower.
- To establish a marketing policy that corrects conjunctural disorder, simplifies marketing channels and rationalizes storage of products of this sector.
- To implement the functioning of commodity buffer reserves, with a view to alleviating fluctuations in prices and in the economy in general.

- Gradually to promote increased profitability as the surest incentive for investment expansion.
- To continue the policy of removing price controls so as eventually to reach international levels.

These policies are designed to allow the producer to operate at international prices in respect of capital goods, agricultural inputs and the sale of his production, all of which will be supplemented by technical assistance to the producer, training of rural manpower, adequate financial assistance and sufficiently clear marketing rules, without any State control.

(a) Policies on production - marketing and domestic inputs

In accordance with the policy already described, fundamental changes are being made in respect of the marketing of livestock and meat.

The State is withdrawing definitively from marketing and the fixing of prices at the producer and consumer levels.

Assurance for the producer of receiving a fair price for his products will in general be conditioned by the removal of export and import restrictions which is being fostered.

Measures that do not affect prices

No substantial changes have been made in the policies previously in force in regard to special credit facilities, promotion of technical development and livestock health, and special incentives for small agricultural producers and those policies are being maintained.

As regards inputs, changes have been made to the earlier policy in that measures are to be adopted to allow the producer to obtain them at international prices. In support of this decision, the State is to reduce the taxes at present charged on import of such goods into the country, and in addition lower the incidence of excessive intervention by intermediaries.

As regards the policies currently in force on dairy products, there have been no substantial changes as compared with those previously in effect.

Animal feedingstuffs do not have any incidence on meat production in Uruguay, since this production is based on the use of natural and improved pastures with direct pasturing throughout the year.

(b) Policies and measures that affect the marketing of livestock and meat

As regards domestic marketing of meat, the new policy orientation encourages elimination of the traditional internal frontiers for meat. To this end the basic principle that has been applied is that complete marketing freedom, resulting from the possibility of supply by all slaughterhouses that are adequate in regard to conditions of hygiene, health and recovery of by-products, will allow competition best suited to consumer interests, at a price determined by supply and demand.

As regards domestic marketing of livestock, as already indicated price controls have been lifted in respect of animals slaughtered in meat processing establishments which had been under State administration since 1971. Furthermore, the slaughter of bullocks is now permitted for consumption in the inland departments of the Republic which had hitherto been supplied solely with cows.

In summary, as regards the domestic marketing of livestock and meat, the new provisions present the following characteristics:

- livestock prices fixed by the free interaction of market forces;
- prices of meat for domestic consumption are likewise fixed in accordance with the operation of free market laws;
- unrestricted slaughtering of all categories throughout the Republic;
- participation in supply of all slaughterhouses that meet acceptable hygienic and sanitary standards;
- unrestricted distribution of meat, from the slaughterhouse to the butcher.

(c) Policies and measures affecting consumption and consumer prices

As in the case of the general policy of producer prices, the State is withdrawing definitively from marketing and the fixing of consumer prices.

The basic principle applied is that full marketing freedom will allow a greater degree of competition that will be beneficial to consumer interests.

As regards consumer prices, these will be determined on the basis of supply and demand.

Meat supplies for the population will be furnished without restriction by all slaughterhouses approved on the basis of their hygienic and sanitary conditions.

Given that shortage is the consumer's worst enemy, provision has been made in case of need, and in particular during the post-seasonal period, for:

- the establishment of buffer stocks for consumption;
- the import of livestock, meat or substitutes.

3. POLICIES AND MEASURES AFFECTING INTERNATIONAL POLICY

The measures taken under the new policy in the livestock and meat sector ensure efficient allocation of resources by means of prices, in such a way that the producer receives the international price for his output. The fact that the domestic price of meat is free of restriction also designed to achieve the same objective.

As a result of the foregoing, it is hoped that the policy will have a favourable effect on the country's export capacity, particularly in the medium term, on the one hand because of better production that will be generated through the incentive of prices, and on the other hand by maintaining domestic consumption at relatively lower levels as a result of higher prices.

In addition, the fact that the price of livestock will be determined by the free operation of supply and demand will have another favourable consequence, namely that of evening out seasonal production peaks that have traditionally been reflected in fewer slaughterings in the winter months. With the easing of this situation, furthermore, the industrial sector will benefit from increased utilization of installed capacity, with a resulting improvement in its international competitiveness.