BACKGROUND DISCUSSION PAPER ON CURRENT MARKET CONDITIONS
AND PROBABLE DEVELOPMENTS IN INTERNATIONAL TRADE
IN BEEF AND BOVINE ANIMALS

Note by the Secretariat

The present note is in three parts dealing respectively with importing countries (I), exporting countries (II) and with selected aspects of the general situation of international trade in the bovine sector (III). In the preparation of this document the following sources, inter alia, have been used: USDA, Livestock and Meat Situation, August 1979; USDA, Foreign Agriculture Circular, FLM 4-79, July 1979 and FLM, 3-79, August 1979; the United Kingdom Meat and Livestock Commission, International Market Survey, 1979/2; European Economy, July, August, September 1979; OECD Economic Outlook 1979; Annual Report 1979, International Monetary Fund, and the replies to the model questionnaire received by 15 October.
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PART I - IMPORTING COUNTRIES

UNITED STATES

1. The 1 July cattle inventory shows a decrease of 3.2 million head from the level a year ago, to 118.5 million head, a decrease of 3 per cent. Beef heifers being kept for herd expansion were up by 8 per cent to 5.78 million head compared to year-earlier levels and this together with a reduction in cow slaughter, indicates that herd building has started or at least will start soon. The cow inventory showed a decrease from 48,477,000 head on 1 July 1978 to 47,733,000 head a year later, a decrease of 2 per cent while that of calves showed a 1 per cent decrease to an expected 43,458,000 head (of which 31.2 per cent is expected to be born during July-December). Feeder cattle supplies outside feedlots were nearly 5 per cent below year earlier levels, with 47,624,000 head of which 33.211 thousand head were calves. The number of cattle on feed was down 6 per cent compared to a year ago or to 10,309,000 head. Of these 6,226,000 were intended for marketing in the period July-September, 5 per cent fewer than a year ago.

2. Commercial cattle slaughter decreased considerably in the first half of 1979 compared to any other year since 1974. Cow slaughter January-June this year was down to 2,922,000 head, a decrease of some 34 per cent compared to year-earlier figures. The reduction in calf slaughter was even greater with 36 per cent down on year-earlier figures. For the year as a whole calf slaughter is expected to total 2,755,000 head, compared to 4,302,000 head in 1978. As producers held more heifers for herd replacement heifer slaughter declined by 16 per cent. Steer slaughter showed the smallest decrease with 6 per cent compared to a year earlier. It is expected that the second half of this year will not see any big changes in the trends outlined above. Cattle slaughterings are forecast to total 34,050,000 head in 1979 compared to 39,970,000 in 1978.

3. In the second quarter of 1979 net placements of cattle on feed were 8 per cent below that of 1978. In the third quarter of this year they are expected to have risen seasonably, but will remain below year-earlier levels. It is considered that this lower level of placements are due in a large measure to expectations of poor profit margins at this autumn's lower prices, higher feeder cattle prices in the spring of this year and the slower movement of finished cattle out of feedlots. Fourth quarter placements may be slightly above those of a year ago as they are expected to increase in order to make up for reduced third quarter placements. Feedlot placements next year will become increasingly dependant on an expanding calf crop as the beef herd rebuilds.
4. Marketings of fed cattle in the summer and autumn of 1979 are expected to be below last year's. Compared to last year, total cattle slaughter in the last few weeks of July had decreased 17-22 per cent. Marketings may well remain slow until heavier weight cattle are taken care of in late August. However, it is expected that fed cattle marketings will be sharply below those of a year ago.

5. Production of beef totalled 4.82 million metric tons in the first half of 1979 compared to 5.61 million a year earlier. The second half of the year is forecast to see a decrease of production of some 9-11 per cent, compared to last year's 5.42 million tons, although decreased slaughter will be partly offset by increased slaughterweights. For 1979 as a whole an 11 per cent decrease is forecast with beef quantities around 9.6 million tons. Federally inspected dressed cattle weights are expected to average some 290 kgs. (640 lbs.) in the third quarter before declining to some 288 kgs. (635 lbs.) in the period October-December as feedlot inventories become more current. Production of veal remained with 97,000 tons in the first half of 1979 well below earlier years' level and it is expected that veal production will continue at low levels throughout the year.

6. Under the United States Meat Import Law, imports of fresh, chilled and frozen beef, veal, mutton and goat meat are limited by voluntary restraint agreements to 712,100 tons product weight in 1979. In the first seven months of this year the United States imported 434,000 tons of beef, an increase of 17 per cent compared with January-July 1978. Imports from Australia increased by 22 per cent compared to last year and amounted to 251,000 tons (205,000 tons in January-July 1978). Canada exported 21,000 tons to the United States during the same period, an increase of 23 per cent on year-earlier figures while New Zealand supplied 88,000 tons, a rise of 13 per cent. A total of 25,000 tons of meat has been reallocated recently under the voluntary restraint agreements because of a shortfall in beef imports expected from Mexico. In this way Australia's share of the total has been increased by 16,000 tons to 390,000 tons while New Zealand's allocation increased by 6,000 tons to 160,000 tons. Other countries benefiting from the reallocation are Costa Rica, Nicaragua, Honduras and Haiti. It is expected that the global voluntary restraint import level for 1979 will be filled. Total imports of beef and veal (carcass weight equivalent including beef imported outside the meat import law) is expected to amount to some 1,089,000 tons.

7. Cattle prices and wholesale beef prices reached record levels during April this year. The increasing prices were partially the result of declining cattle slaughter, with April having the lowest level of federally inspected cattle slaughter since February 1974. Choice steer prices averaged
$75 per hundred weight at Omaha compared to $52.50 a year earlier. Wholesale beef prices averaged $108.64 per hundred weight for choice beef carcasses and $109.26 for cow-beef carcasses compared to $81.43 and $74.13 respectively a year earlier. Retail prices were also increasing, reaching record levels during each month of the first half of 1979. The average price of retail cuts from Choice Yield Grade 3 carcass was $204.9 in January ($159.5 a year earlier) while in April it had risen to $232.8 ($176.0 a year earlier).

8. However, in May the price situation began to change because of a number of factors which started to take effect during the spring, some of which are the following: higher fuel prices contributed to an independent truckers' strike that disrupted cattle and meat marketing during May and June. The gasoline shortage and the resulting gasoline lines seem to have resulted in a declining volume of business at hotels and restaurants which are traditionally an important source of demand for high quality meats. Another factor seems to be that disposable personal income increased at a slower rate during the second quarter of the year, resulting in a reduction in consumer spending.

Livestock and meat prices are expected to decline from their second quarter averages during the remainder of 1979 as a result of increasing meat supplies including lamb, pork and poultry and a slow-down in the economy in general.

9. Total meat consumption declined in 1978 to 110.9 kg. per capita from 112.6 kg. in 1977. It is forecast that total meat consumption will increase slightly in 1979 to a level of 111.1 kg. per person. The decline in meat consumption in 1978 is mainly due to a 5 per cent drop in beef consumption for which an increase in pork and poultry consumption could not compensate. Beef and veal consumption was down to 55.9 kg. per person in 1978 compared to 58.8 kg. the year before. An even greater decrease is expected for 1979 where the per capita beef and veal consumption has been forecast at no more than 50.8 kg., the lowest figure since 1973 (50.6 kg.) and 1966 (50.2 kg.).

10. Exports of beef and veal from the United States totalled 23,839 tons in January-May this year, which was an increase of 15 per cent over year-earlier figures. Because of strong markets for beef in Japan and Canada the United States exports of beef are expected to continue well above last year's level and total around 65,789 tons (product weight).
11. The 1 January 1979 cattle inventory showed an expected continuation of the downward trend in cattle numbers, down 4 per cent on year-earlier figures to 12,328,000 head. Beef cow numbers and steers showed the biggest decrease with 5 per cent (to 3,739,900 and 1,416,400 head respectively) while beef heifers increased by 2 per cent to 1,087,800 head. There are indications that Canadian producers started to take steps to rebuild their cattle herd during the first quarter of 1979. A year-to-year increase in the size of the Canadian breeding herd is, however, not expected before mid-1980.

12. Heifer and cow slaughter decreased, as expected, sharply during the period January-May 1979, to 34,687 head (minus 20 per cent) and 234,785 head (minus 27 per cent) respectively. Steer slaughter fell also sharply, by 16 per cent to a level of 593,496 head, a decrease which was not expected. This is believed to represent a change in cattle feeding patterns from those of recent years. However, the level of steer slaughterings is expected to normalize during the second half of 1979. Total cattle slaughter in 1979 is forecast to be 12 per cent below year-earlier levels, but beef production should fall somewhat less as non-female slaughter accounts for a larger portion of the total, resulting in higher average carcass weights.

13. The decrease in the cattle inventory and in slaughterings resulted in a decrease in meat production. Total bovine meat production in 1978 decreased by some 58,000 metric tons compared to 1977, to 910,300 metric tons. Veal production decreased to 25,400 metric tons whereas beef declined to 884,900 metric tons. Production is expected to decline further in 1979, with higher production decreases in the second half of the year. Forecasts for total beef and veal production in 1979 amounts to some 786,000 metric tons, of which 13,400 tons would be that of veal.

14. Imports of beef and veal in 1979 are subject to a global quota 4.5 per cent higher than in 1978, or a total of 70,308 tons product weight. In establishing the 1979 quota level consideration was given to trends in consumption and beef prices. New Zealand was allocated 29,300 tons, Australia 28,600 tons and the United States 11,800 tons while 600 tons were reserved for imports from new sources. By the end of June 1979 New Zealand had filled 46 per cent (13,400 tons) of its allocation, Australia 39 per cent (11,000 tons) and the United States 22 per cent (2,600 tons).

15. Prices of all slaughter cattle rose sharply the first months of 1979 but remained steady between March and July when in the latter month demand traditionally slackens affecting the prices downward. As slaughter levels are expected to recover somewhat in the second half of 1979 compared to the
first six months of the year and as beef demand might be weakening it is believed that slaughter cattle prices will be steady but on a slight downward trend. Favourable prices for pork and poultry and ample supply thereof should also keep a downward pressure on beef prices.

16. Total consumption of bovine meat declined for the third consecutive year to a level of 1,075,100 metric tons, which is a level below that of 1975. Per capita consumption was the lowest since 1974 with 45.8 kgs. per person. Beef consumption is expected to decline further in 1979 partly as a result of reduced supply and relatively high prices of beef, and ample supply and lower prices of other meats. Per capita consumption of beef and veal in 1979 is forecast at 41.5 kgs. while total per capita consumption of red meat is forecast at 70.4 kgs., down from 72.5 kgs. (preliminary) the year before.

17. Canada's major, if not sole, export market for beef and veal is the United States. The last few years have seen decreasing amounts of beef and veal shipped from Canada and this trend may continue in 1979. The exports to the United States are subject to a voluntary restraint agreement where Canada has agreed to limit its 1979 exports of fresh, chilled or frozen beef to 92.6 million pounds, product weight.

JAPAN

18. The February 1979 cattle inventory showed that total cattle numbers had increased by 3.5 per cent compared with a year earlier or to 1,449,600 head. Dairy steer numbers increased by 11.2 per cent to 629,000 head while those for Wagyu steers increased only marginally by 0.6 per cent to 489,800 head. Dairy cows increased by 5.1 per cent to 1,447,200 head. These increases suggest that the current trend of increased production of the dairy herd will continue, although it will not be enough to increase Japan's beef self-sufficiency.

19. Cattle slaughterings in the first half of 1979 showed a marginal increase of 0.3 per cent compared to a year earlier. The biggest increase occurred in the dairy cow slaughterings which increased by 16.3 per cent to 180,115 head, while dairy steers increased by 8.4 per cent to 169,352 head. Dairy calf slaughterings increased considerably by 40.3 per cent to 21,128 head, while that of Wagyu cows and heifers declined by 10.5 per cent to 102,350 head. Total cattle slaughtered in the period January-June 1979 amounted to 576,958 head.
20. Production of bovine meat in the first six months of 1979 increased by 3.6 per cent to 188,191 tons compared to 181,663 tons for the same period in 1978. The increased production appeared in meat from dairy cows which increased by 19.8 per cent over year-earlier level to 58,097 tons, and in meat from dairy steers which increased by 8.7 per cent to 58,257 tons. Part of the increase in tonnage is due to increased average carcass weights. Production of meat from all other varieties of cattle declined by between 3.5 per cent (Wagyu calves) and 23.6 per cent (dairy calves).

21. The general meat import quota for the first half of the 1979 Japanese fiscal year (1 April-30 September 1979) was set at 63,000 tons compared to 40,000 tons a year earlier. A special beef quota has also been announced which amounts to 6,400 tons of which 1,500 tons are for hotel beef, 1,500 tons for school lunch programmes, and 3,400 tons of cooked beef. It is expected that the general quota for the second half of the fiscal year (1 October 1979-31 March 1980) will be increased from the year-earlier level of 55,000 tons.

22. Japanese meat imports totalled 273,894 tons in the first six months of 1979, an increase of 13.1 per cent compared to the same period a year earlier. Beef imports increased by 20.5 per cent to 58,102 tons compared to 48,213 tons. The major part of this consisted of chilled boneless beef (15,793 tons) and frozen boneless beef (42,031 tons). In the first few months of 1979, imports of beef from Australia rose by around 8 per cent while the market share of Australia declined from 78 per cent in 1978 to 72 per cent during the first months of 1979 due to increased imports from the United States. It is expected, however, that Australia will supply around 75 per cent of Japanese requirements in 1979 as a whole while the United States are expected to ship 15-16 per cent.

23. Wholesale prices for second grade dairy steer on the Tokyo wholesale market have remained fairly firm throughout 1979 and have been above or close to the stabilization ceiling prices of ¥ 1,408 per kg. and this in spite of slightly higher domestic production and increased imports. Prices in Tokyo in the second week of September for wholesale second grade Wagyu steer amounted to ¥ 1,868 per kg. and for second grade dairy steer to ¥ 1,509 per kg., both prices well above ceiling prices and those of a year ago.

24. Demand for high quality red meats has been very strong, partly because of smaller supplies of fish. Consumption of beef is expected to rise further this year to 5 kgs. per person compared to 4.7 kgs. last year. Total meat consumption is forecast to rise to 30.8 kgs. per person in 1979 compared to 29.7 kgs. in 1978.
EUROPEAN COMMUNITY

25. The cattle inventory at the end of 1978 showed an increase in Community cattle numbers by around 461,000 head to 77,677,000 head. All categories of cattle increased except beef heifer numbers which decreased by around 69,000 head. The forecast for the end of this year suggests an increase in cattle numbers to approximately 78,500,000 head. It is expected that dairy cows will decrease somewhat as measures introduced to encourage changing dairy herds over to meat production take effect. Female animals one to two years old are expected to make up the major part of the forecasted increase, while calves less than one year old are expected to increase to a lesser degree.

26. Cattle slaughter levels in 1979 are forecast to be slightly lower than last year, 26,950,000 head compared to 27,070,000 head in 1978. Most of the decrease is expected in calf slaughter while slaughter of cows is forecast at higher levels than in 1978.

27. Net production of bovine meat in 1978 increased by 0.6 per cent to 6,420,000 metric tons (carcass weight) compared to 6,383,000 tons the year before. This increase is accounted for by higher average slaughter weights. For 1979 total bovine meat production is forecast to increase less than 2 per cent compared to 1978, due to higher average carcass weights, while veal production is expected to decline. Total red meat production in 1979 is forecast to increase by around 2.5 per cent compared to 1978.

28. Supply and demand of bovine meat and also other meats seem to be developing in such a way in the Community as to maintain a high degree of self-sufficiency for the various meats. Therefore, in 1979, it is expected that total imports of bovine meat will remain approximately at the same level as in 1978 or slightly above, i.e. 410,000-420,000 tons carcass weight. Of the expected imports in 1979, 60,000 tons should be imported under the Balance Sheet Arrangements, 38,500 tons of boneless frozen meat under the GATT levy-free quota (50,000 bone-in) and 27,532 tons boneless equivalent from ACP countries. In addition, it is possible to import 230,000 head of young male bovine animals intended for fattening. As from 1 October 1979, Australia will be able to export to the Community 2,250 tons of buffalo meat annually with a tariff duty of 20 per cent but exempt from the levy. This concession was negotiated in the framework of the "Tokyo Round" as well as the concession concerning 5,000 tons each of "Hilton beef" annually granted to Australia and Argentina, and 10,000 tons to the United States. Also negotiated during the "Tokyo Round" was the increase of the Community GATT levy-free quota of frozen beef for direct consumption from 50,000 tons (bone-in) to 65,000 tons annually. In addition, there is an understanding
that the Community will increase its imports of manufacturing grade beef ("the Balance Sheet Arrangements") in proportion to future increases in Community consumption. Measures are also to be taken in order to ensure the fixing of levies in advance in the case of beef imports which remain subject to levy.

29. A private storage aid scheme for beef hindquarters will operate throughout the Community between 1 and 31 October. Rates of aid will be 545 ECU per ton for a period of five months and 580 ECU for a period of six months. There is to be a minimum quantity of 20 tons per contract. The beef must be placed in store within thirty days of completion of contract.

30. Community intervention purchases were running at around 8,400 tons per week the third week in September, an increase from the week before of around 400 tons. Details of purchases quoted in the third week of September were 184 tons for Denmark, 2,000 tons for West Germany, 1,806 tons for France, 2,500 tons for the Irish Republic, 1,600 tons for Italy, 250 tons for the Netherlands and 100 tons for the United Kingdom.

31. Stocks of beef in the Community declined generally throughout February 1978-March 1979. At the end of March 1979 they totalled only 152,598 tons, the lowest level since 1974. However, the stocks have been increasing since April and by the beginning of September they amounted to 202,522 tons. Of these 125,021 tons were bone-in meat and 74,029 tons boneless, while 3,472 tons were canned meat.

32. Since mid-April there has been a steady increase in the EEC reference price and it moved above 90 per cent of the guide price for a short time in June. Since that time, the reference price has steadily decreased and was in the week ended 20 September 84.61 per cent of the guide price, 1 per cent lower than the week before. As from 1 October 1979, import prices for live cattle were increased to 84.50 ECU per 100 kgs. l.w. while frozen beef remains at 83 ECU per 100 kgs. d.w.

33. Total meat consumption in the Community in 1978 amounted to 75.2 kgs. taking the average for the nine countries. The leading meat consumer was France with 87.6 kgs. per person while Italy consumed the least with 61.8 kgs. For 1979 an increase in total meat consumption is forecast. The per capita consumption of beef and veal increased only slightly from 1977 to 1978 or from 25.5 kgs. to 25.7 kgs. per person. France consumes the most beef and veal at 32.1 kgs. annually and per person while Denmark only consumes 17.1 kgs. per person. A slight increase in beef and veal consumption can be expected in 1979 for the Community as a whole.

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1/ Preliminary
34. Total cattle numbers on State and collective farms in the USSR on 1 July 1979 amounted to 92.9 million head, an increase of 1.4 per cent over year-earlier figures. Of these, 29.7 million head were cows, 397,000 more than on 1 July 1978. A further increase of cattle numbers is expected.

35. Production of meat rose marginally in the first six months of 1979 compared to year-earlier figures. However, this is due to a rise in poultry production by 11.9 per cent while beef, pork, sheep and goat meat production declined by respectively 0.4 per cent, 1.0 per cent and 7.0 per cent. Beef and veal production decreased because of lower average weights. Total meat output this year is forecast at 16.6 million tons. However, this figure might be too high considering that average slaughter weights might be lower because of limited feed availabilities.

36. Imports of meat from outside the East European countries are forecast to be substantially higher this year compared to 1978. In the first half of this year USSR imported 10,000 metric tons of beef (product weight) from Australia. From New Zealand 57,000 metric tons of mutton was imported. It is believed that meat imports in 1979 will consist mainly of mutton, pork, and poultry since high world beef prices are expected to deter large beef purchases.

37. The USSR had a slight increase in total meat consumption per capita last year compared to the 1977 consumption (57.4 kgs. in 1977 and 57.9 kgs. in 1978). Meat consumption is increasing steadily and is expected to reach 60.8 kgs. per person in 1979. Consumption of beef and veal is also expected to rise in 1979, to a level slightly over that of 1977. Consumption of beef in 1978 amounted to 26.9 kgs. per capita while in 1979 it is expected to reach 27.3 kgs. per person.

EASTERN EUROPE

38. Cattle numbers in the area as a whole are continuing to recover and further increases are forecast for 1979. Cattle numbers at the beginning of this year in Poland totalled 13,162,000 head compared to 13,115,000 head a year earlier. In both Czechoslovakia and Romania cattle inventories showed an increase of 3 per cent totalling respectively 4.89 million head and 6.51 million head.

39. Although production trends are not uniform in the separate countries, forecasts for the area as a whole, given favourable weather conditions for the rest of the year, indicate production increases of beef and veal, compared to 1978 (2.07 million tons), although it is likely that other meats like pork and poultry will expand more than beef and veal.
40. In the area as a whole and due to increased domestic supplies of meat, imports declined substantially in 1978. This trend is expected to continue also throughout 1979 as meat production is still increasing in the area while prices for imports are rising, acting as a deterrent to imports from third countries. It is expected that Australia will provide part of East European meat requirements while South American countries provide the largest part from outside the area.

41. Consumption of meat and meat products is expected to continue increasing in 1979, given production rises and also given the five to ten year plans in some of the countries to increase the consumption. Poland, for instance, is planning to increase its meat consumption to around 85 kgs. per person in the course of the next ten years, compared to an average of some 70 kgs. today.
PART II - EXPORTING COUNTRIES

ARGENTINA

42. As forecast earlier in the year, the high slaughter rate in 1978 continued in the first half of 1979. Slaughterings of cattle increased by 3 per cent compared to a year earlier, to a total of 8,607,000 head. Of these, 51 per cent were female cattle, a drop by 2 per cent from the corresponding period a year earlier. For the second half of 1979 slaughterings are expected to continue at somewhat reduced levels, totalling some 15.5 million head for the year as a whole. As female cattle slaughterings are expected to decrease more than other cattle, there is a possibility that the Argentinian cattlemen will soon start rebuilding the herds.

43. Argentinian beef and veal production increased by 6 per cent in the first quarter of 1979 compared to a year earlier and totalled 819,000 tons. Second quarter production increased to 852,000 tons compared to 833,000 a year earlier. The production increases are accounted for partly by the high slaughter levels and partly by higher average carcass weights. Forecasts for beef and veal production for 1979 as a whole indicate, however, production at the same level as in 1978 (3,196,000 tons) or slightly lower.

44. Since the beginning of the year, prices of beef and veal have risen sharply. Between January and July 1979 prices rose by 67 per cent or from 717 pesos to 1,198 pesos per kg. liveweight for steers at Liniers market. This price is nearly four times as high as that in July 1978. In terms of United States dollars, however, the price increase was less substantial. It was US$0.89 per kg. in July 1979 compared to $0.70 in January 1979 and US$0.41 in July 1978. By 31 August 1979, prices for steers at Liniers had increased even further and amounted at that date to US$1.25 per kg. It is expected that prices will remain firm at least until the end of the year.

45. Domestic consumption of beef and veal in 1978 increased to a record level of 2,481,000 tons, 7.6 per cent more than in 1977 and some 95 kgs. per person. In the first half of 1979 consumption of beef and veal remained high at 1,270,000 tons. However, consumption for the year as a whole is expected to remain at the same level as in 1978 or even slightly lower, due to expected further price increases and the level of production.

46. Exports of beef and veal in 1978 totalled 712,000 tons, of which a large part was sent to the European Communities. In the first half of 1979 401,000 tons of beef and veal were exported, some 55,000 tons more than in the corresponding period a year earlier. Brazil and the European Community are expected to take the largest share of Argentinian beef and veal exports in 1979. Brazil is forecast to import 65,000 tons (product weight) of fresh,
chilled and frozen beef from Argentina, an increase of 14 per cent over year-
early level. With export demand continuing strong, but with rising prices
and a production limited to somewhere around last year's, it is hazardous to
forecast beef and veal exports for the year as a whole. It would seem that
continued high exports throughout the year could only be maintained at the
expense of domestic consumption which on the other hand might decrease in any
case in the second half of 1979 because of high beef prices. Exports of
beef and veal in 1979 should total between 700,000 tons and 750,000 tons.

AUSTRALIA

47. The end of March 1979 cattle census in Australia showed a decline of
8.6 per cent in cattle numbers compared to year-earlier figures, totalling
26,854,000 head (29,330,000 head in 1978). This decline was 3.6 per cent
larger than forecast earlier in the year. The most marked decline occurred
in "other cattle one year and over" which dropped 9.6 per cent from year-
early levels to 5,840,000 head. Calves under one year decreased by
8.8 per cent to 6,386,000 head while beef cows and heifers decreased from
12,753,000 head in 1978 to 11,648,000 in 1979, a drop of 8.7 per cent. Bull
and dairy cow numbers declined by 5.5 per cent and 5.8 per cent respectively.
The decrease in production occasioned by the drop in beef cow numbers
indicates that this production decrease may well continue in the medium term.
Cattle numbers are expected to start building up in 1980.

48. Total slaughterings of cattle and calf in the year ended 30 June 1979
amounted to 11.36 million head. Adult cattle slaughterings at 9.54 million
head were 9 per cent below year-earlier's record figure. In Queensland
slaughtering increased by 14 per cent while that of Victoria and Tasmania
decreased by 27 and 22 per cent respectively. Cow and heifer slaughterings
accounted for nearly 48 per cent of total adult slaughterings compared to
almost 50 per cent a year earlier. Calf slaughterings declined by 28 per
cent to 1.82 million head compared to the previous year. In response to
higher beef prices, producers are apparently retaining their calves to allow
higher turn-off weights. Total cattle slaughterings are expected to decline
even further in 1979/80. Australia's over-large cattle herds over the past
few years have now disappeared but there are still no clear signs of
sufficient confidence among producers to stop the cattle numbers from
decreasing further.

1/ Provisional.
Total meat production in Australia July 1978-May 1979 amounted to 2,525 million tons carcass weight, a decrease of 5.2 per cent on the production for the same period a year earlier. Beef production declined by 4.1 per cent from 1,900,000 tons carcass weight in 1977/1978\(^1\) to 1,822,000 tons in 1978/1979\(^1\), while that of veal dropped by as much as 31.3 per cent from 94,000 tons level in 1977/1978\(^1\) to 65,000 tons carcass weight in 1978/1979\(^1\). It is expected that beef and veal production will decrease even further in the second half of 1979 and well into 1980. Total beef and veal production for the calendar year 1979 is expected to decline 15 per cent, compared to last year, and amount to around 1,808,000 tons carcass weight. However, it is expected that, despite considerably lower production levels in the short to medium term, Australia will produce adequate quantities of beef to service the domestic market and the traditionally higher priced export markets of the United States, Canada, Japan, Korea and South East Asia.

Between December 1978 and June 1979 beef and veal retail prices in Australia increased by some 53 per cent. The high prices paid for Australian beef exports contributed to this rise. In June 1978, the average price received for frozen Australian cow beef exported to the United States was 142.52 Australian cents per kg. (f.o.b.). In April 1979 it had risen to 246.62 when it started to decline sharply to reach 209.80 in June and 179.30 in July. It is believed that this decrease is a result of lower demand for Australian beef in the United States, connected partially to the effects of the oil price increases of the last few months. It is not expected, however, that the downturn in beef prices will continue for long as beef supplies in Australia and the United States are likely to remain restricted.

Rising domestic meat prices are now having a definite impact on beef and veal consumption. During the 1970s, annual per capita consumption increased to a peak of 68.5 kgs. mainly as a result of very favourable beef prices. As prices have risen sharply in the last year, consumption of beef is falling to levels not seen since 1974. Consumption for July 1978-June 1979 amounted to only 56.9 kgs. per person, while a year earlier the per capita beef and veal consumption was 65.7 kgs. Forecasts for beef and veal consumption in 1979 as a whole go as low as 50 kgs. per capita, suggesting a considerable drop in the second half of the year.

\(^1\)July-May.
52. Some 25 per cent of Australian beef production is shipped to the United States with Japan being the second largest outlet for Australian beef exports. Despite declines in beef and veal production, total beef and veal exports in the twelve months ended June 1979 amounted to 813,695 tons, 7.4 per cent more than the year earlier. The increased export availabilities are due to decreased domestic consumption. For 1979 as a whole, however, a slight fall in exports is expected, compared to last year. Total shipped weight in 1979 is forecast at 725,000 tons.

53. Australia is to export a total of 390,000 tons of meat to the United States this year and it is expected that it will fulfil the allocation entirely. This is a rise of some 5 per cent from last year's 365,000 tons. In the twelve months ended June 1979, Australia exported to Japan roughly 39,000 tons of frozen and chilled beef, an increase of 19 per cent over year earlier levels. Australia expects to increase even further its beef exports to Japan in the years to come, especially in view of the global import levels that the Japanese Government has agreed upon in the recent "Tokyo Round" negotiations, i.e. to increase Japanese beef imports to a level of at least 135,000 tons by the end of fiscal year 1982. Korean meat imports have taken on some importance for Australian beef exporters. Imports from Australia have almost tripled over the last year, going from some 26,000 tons in 1977/78 (July-June) to more than 70,000 tons in 1978/79. However, because of domestic factors, the Korean Government is forced to restrict meat imports for the latter part of 1979, predicting that large-scale imports of beef will resume as soon as these difficulties have been resolved. Another market of increasing importance to Australian beef exports is Saudi Arabia. That country's imports of chilled and frozen beef and veal from Australia have indeed increased quite considerably in the last few years. In 1976 imports of Australian beef and veal totalled 1,665 tons shipped weight (mutton 1,959 tons). The next year it had more than doubled and in 1979 (July-June) it amounted to 9,889 tons shipped weight (mutton 5,508 tons). Saudi Arabian meat imports originate for about 70 per cent in Australia, while other suppliers are Denmark, the United States and Argentina. Australia expects to further expand its exports to this market in the long term.

NEW ZEALAND

54. Favourable weather in the late summer and autumn has been followed by a relatively good winter over virtually the whole country. Both beef and dairy cattle have come through the winter in good condition and initially milk fat production has been running well ahead of the corresponding period last year. Lambing percentages have improved markedly since the previous year. Pasture growth has come away well in the early spring and the outlook for the 1979/80 production season appears very favourable.
55. Cattle numbers at 30 June 1979 totalled 8,090,000 head, a decrease of 328,000 head compared to year earlier figures. Most of this decrease took place amongst beef cattle which declined from 5,507,000 in June 1978 to 5,190,000 in June 1979. A further decrease is forecast for 30 June 1980 where beef cattle is expected to decline another 60,000 and where total cattle numbers are forecast at 8,030,000 head. Farmers appear to be building up breeding ewe numbers so that further increases in total sheep numbers can be expected to compensate for the recent rundown in cattle numbers.

56. Slaughterings of most classes of stock for the 1978-79 season up to the end of August 1979 were slightly below those for the same period last season. Adult cattle slaughterings were down by about 11 per cent, with the cow kill down 26 per cent and the heifer kill down 0.6 per cent. The comparatively small drop in the heifer kill reflects the slaughter of excess female dairy calves retained for beef production under the Government's dairy beef market guarantee scheme rather than a continuing rundown in breeding cow numbers. The female cattle kill comprised about 52 per cent of the total adult cattle kill to the end of August 1979, compared with about 56 per cent for the 1977-78 season. The drop in adult cattle slaughterings indicates an end to the rundown in cattle numbers which has occurred since 1976. The lamb kill was only marginally down at the end of August while the mutton kill was down 4 per cent with the hogget kill in particular down 18 per cent indicating a further building in breeding ewe numbers.

57. Beef and veal production in the season ended September 1979 is expected to total 502,000 tons, 10.6 per cent down on the previous season, with heavier carcass weights offsetting a slightly lower kill. Beef and veal production in the 1979-80 season is forecast to decline by a further 6 per cent to 472,000 tons carcass weight due to a further drop in cattle slaughterings. This reflects both the decreased numbers of cattle on farms and the increased retention of female stock necessary to stabilize cattle numbers.

58. Total beef and veal export production (excluding stock changes) during the year ended 30 September 1979 is estimated at 213,000 tons shipping weight.

59. Lamb production in 1979-80 is forecast to increase by 4 per cent to 362,000 tons carcass weight due to the increased breeding ewe numbers and a higher lambing percentage resulting in a larger lamb kill. Mutton production in 1979-80 is forecast to increase by 3.7 per cent to 169,000 tons carcass weight due to a larger kill resulting from increased total sheep numbers.
60. Domestic consumption of beef and veal totalled 188,000 metric tons in 1977/78 or 60.4 kgs. per capita. Estimates for 1978/79 show a considerable drop in consumption with 55.3 kgs. per person or 174,000 metric tons totally. A further drop is forecast for 1979/80. Consumption of mutton is increasing due to higher domestic beef prices.

61. For the season to 11 August (the most recent date for which figures are available) 193,535 tons of beef and veal had been exported. Of this 144,387 tons was destined for the United States and 23,353 tons for Canada. There remains, therefore, an estimated 19,000 tons of this season's production available for export before the end of the season. Assuming that end-of-season stocks will be lower by 10,000 tons than last year, approximately 29,000 tons is therefore likely to be exported between 11 August and the end of the season. Stocks of beef and veal held in New Zealand at 11 August 1979 were about 5,000 tons less than those at the same time last year. Some difficulty is encountered in comparing estimates based on the New Zealand meat production year ended 30 September with the United States beef import quota based on a calendar year. The time lag involved in transport does however enable a reasonable approximation of the two years.

62. It is felt that, provided United States price levels remain firm, New Zealand should still be able to meet the additional 1979 beef quota allocation from this season's production and stocks, once basic commitments to other markets have been met. Any further re-allocation of quotas to New Zealand would, however, need to be met from stocks rather than current production. Estimated end-of-seasons stocks are expected to be low in comparison with recent years, so that continued market price improvements would be required to encourage further stock withdrawals. Exports of beef in the 1979/80 season are likely to drop to about 210,000 tons shipping weight.

63. Mutton exports are expected to total 120,000 tons in 1978/79, a substantial increase on recent years due to large withdrawals from stocks in response to favourable world prices. In 1979/80, however, mutton exports are expected to decline in response to increases in domestic consumption of mutton. Lower stock levels will also limit stock withdrawals for export. Exports of lamb in 1979/80 are expected to show an increase of around 4 per cent compared to year earlier figures.

MEXICO

64. As expected earlier in the year, the January 1979 inventory showed a decrease of 2 per cent compared to 1978, totalling 29,177,540 1/ head. This decrease is mainly accounted for by the severe drought in Mexico in 1978.

1/ Estimate
65. As a result of the reduced cattle inventory level, and higher than usual feeder cattle exports in 1978, it is expected that beef and veal production in 1979 will drop to around 1,020,000 metric tons.

66. Total meat consumption increased in 1978 to 28.61 kgs. per capita from 27.9 in 1977. However, the forecast for total meat consumption in Mexico in 1979 indicates a drop back to the level of 1977. The drop in total meat consumption could partly be accounted for by the expected lower beef output resulting in reduced domestic supply availabilities and a drop in beef and veal consumption from 15.31 kgs. in 1978 to 14.52 kgs. per capita in 1979.

67. Most of Mexico's beef and veal exports are shipped to the United States. In 1978 Mexico exported 30,500 tons of beef and veal. In 1979 Mexico was expected to ship 34,746 metric tons (product weight) to the United States under a voluntary restraint agreement. However, by the end of July, Mexico had only shipped 2,403 tons out of its negotiated restraint level and the rest of the allocation was then distributed among other suppliers. The inability of Mexico to export the agreed amounts of beef was due to a shortage of supplies, particularly in the capital, and a concern over rapidly increasing prices which together prompted the Government to temporarily restrict exports. Moreover, it was announced that meat exports to the United States would not resume until the Mexican Government had an established national biological residue programme, as excessive levels of chlorinated hydrocarbons had been detected in Mexican beef during 1978. It is expected that the export ban will be lifted during the second half of 1979.

URUGUAY

68. Cattle numbers in Uruguay are forecast to increase by 2 per cent this year compared to 1978, i.e. to rise from 9,427,000 head in 1978 to 9,613,000 head in 1979, indicating a stop to the last few years of decreases and eventually possibly a start to a rebuild of the cattle herd, in response to rising beef prices which have encouraged Uruguayan beef producers to retain cattle for breeding purposes.

69. Cattle slaughterings in January-July 1979 totalled 765,000 head, 10 per cent less than year earlier levels. For the year as a whole, a drop of around 11 per cent in the slaughterings is forecast compared to the 1,700,000 head in 1978. It would mean the third consecutive year in slaughter level decreases.

1/ Preliminary
2/ Forecast
70. As a result of decreased slaughter levels, beef and veal production in 1979 is expected to decline by around 12 per cent to some 350,000 tons. This drop in production might however be over estimated.

71. Since August 1978 livestock prices and prices of meat for domestic consumption are no longer controlled by the Government but by the free intercession of market forces. For the last year prices have steadily increased with for instance cattle prices at US$0.56 per kg. liveweight in January this year and US$0.85 in April. Prices are expected to continue to rise throughout the year.

72. Total meat consumption increased in 1978 to 102.7 kgs.\textsuperscript{1} per capita from 96.9 kgs. in 1977. For 1979 total meat production is forecast to drop to 100.5 kgs. per capita. Beef and veal consumption, the second highest in the world, increased by 2.4 kgs. in 1973 to 86.4 kgs. per capita. However, as a result of declining supplies and higher prices, it is expected that beef and veal consumption will decline by around 1 kg. per person in 1979, little less than 50 per cent of the expected decline in total meat consumption.

73. Total meat exports from Uruguay during January-July 1979 totalled 65,000 tons compared with 102,000 tons a year earlier. Beef and veal exports amounted to 62,000 tons (carcass weight equivalent) during the same period compared to 97,000 tons a year earlier. It is expected that exports of beef and veal for the year as a whole will be well below year earlier levels.

\textsuperscript{1}Preliminary
PART III - GENERAL

International economic situation and outlook

74. The annual report of the IMF\(^1\) states that a mixture of gains and disappointments characterized the world economy during the first half of 1979. The policy strategy agreed upon in various international fora was broadly followed resulting in a positive evolution of domestic demand in several of the larger countries, a development beneficial to the distribution of external current account balances among individual countries within the industrial group. A substantial improvement in the pattern of the current account balances of principal industrial countries, due largely to changes in exchange rates for major currencies during 1978, emerged during the first six months of 1979. In the view of the IMF the internationally co-ordinated measures taken, in combination with adjustments of domestic policy, in the latter part of 1978, had a calming impact, resulting in more orderly conditions that have since prevailed in foreign exchange markets.

75. However, the IMF considers that little progress has been made with respect to several of the most fundamental economic problems. Inflation and unemployment have remained much too high despite efforts to deal with them. A rather general renewal of upward momentum in rates of inflation was apparent during the first half of 1979 and since. Recent oil price increases introduced at mid-year will bring further upward pressures on prices. Since 1978 most industrial countries have had insufficient growth rates, resulting in an incapability of absorbing any significant degree of slack in the labour force, keeping unemployment figures high. In a number of countries a combination of unsatisfactory growth rates, rising labour costs and high inflation have obstructed the restoration of satisfactory levels of profitability and cash flow of business firms and depressed incentives for additions to the capital stock. In recent years the pattern of economic growth has shifted within the industrial world, featuring a progressive slowing down in the United States while Europe and Japan saw some increase, the average rate of output expansion for all industrial countries remaining more or less at the same level of 4 per cent in 1977 and 1978. However, in the first half of 1979 the rate decreased to less than 3 per cent. It is considered that the tendency toward increasing sluggishness should become somewhat more pronounced during the remainder of 1979 as the adverse effects on real demand expected to emerge from the current rise in oil prices and from inflation begin to be felt more generally.

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\(^1\) Annual Report 1979, International Monetary Fund, September 1979
76. In the United States, the growth of the GNP in the first half of 1979 was 2.5 per cent. In the second half of 1979 tight monetary policy and a further acceleration in inflation are expected to affect both expenditure on consumer durables and private investment in a negative way. Together with a negative contribution from stock building, this is expected to reduce GNP growth to around 1 per cent (annual rate). The consumer price index over twelve months to July 1979 increased by 11.1 per cent. Unemployment rose to 6.1 million in August 1979, 6 per cent of the working population. It is possible that this rate will increase to 7.5 or 8 per cent within the next year. In general, economists expect a gradual decline in the United States' economy during the remainder of this year followed by a slow upturn during 1980.

77. Consumer price inflation accelerated sharply in June and July in the European Community as a whole. The increase over six months earlier (seasonally adjusted and annually) was up from 9.4 per cent in May to 10.3 per cent in June and 12.2 per cent in July. The upturn in economic activity in 1978 slowed down somewhat at the beinning of this year. Growth of real gross domestic product in the first quarter of 1979 was very modest at approximately a quarter of a percentage point. However, the first few months of the year are traditionally a period of weak growth of overall activity. Moreover, this year economic expansion was seriously hindered by particularly severe weather in January and February. The first half of 1979 should show a rate of growth of gross domestic product at 3 per cent (annual rate) compared to more than 4 per cent six months earlier. The estimate for the year as a whole is at 3.2 per cent. Unemployment rates have been the same, at 5.5 per cent, since April 1979 and it is expected to remain at the same level throughout the remainder of the year. In the second quarter of 1979, the Community's balance of trade deficit increased further to 3,200 million EUA from some 2,000 million EUA in the quarter before, the largest deficit since 1977. The deterioration is primarily attributable to the worsening in the terms of trade (oil price rises) but a major factor in many cases has also been the appreciable increase in the volume of imports.

78. GNP growth in Japan in the first half of 1979 amounted to 6.5 percentage points compared to the previous half year. The second half of the year's GNP growth is forecast at 5 per cent and for the year as a whole at 5.5 per cent compared to 5.6 in 1978. Consumer incomes and expenditures have been growing quickly since the beginning of the year. Income rose by 6.8 per cent in July-September compared with year earlier levels while expenditure for the same period is expected to have increased by 9.7 per cent. Japan's overall trade surplus during the first half of this year was reduced to

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1 Provisional
2 F.o.b./c.i.f. basis
3 Estimate
US$3 billion compared to a record US$24.5 billion for the whole of 1978. Exports in the first six months of 1979 grew with 5.7 per cent to US$47.4 billion while imports increased sharply by 33.3 per cent to US$44 billion.

79. Soviet Union has suffered a substantial drop in economic growth in the first half of this year. Unless there is a significant turn for the better during the second half of 1979, the USSR may well be faced with only a 2 per cent increase in net material product instead of the planned 4.3 per cent. The planned average for increase in the net material product is 4.7 per cent for the period 1976-1980 but estimates have it that this target will not be reached, putting the probable real increase at 3.7 per cent. The current five-year plan (1976-1980) in Romania calls for an increase of gross industrial output of 11.5 per cent annually, a target which has not been met as the increase so far has averaged little more than 10 per cent. It is estimated that increase for the last two years of the plan will hardly surpass 9 per cent. Agriculture supplies to food industry in 1978 were low resulting in an increased output of only 0.7 per cent compared with the nearly 8 per cent growth planned and more than 11 per cent growth achieved in 1977.

International cattle and meat situation

80. World cattle numbers decreased further in 1978 and in the first half of 1979 but it seems that cattle liquidation is now slowing down in most if not all major beef producing countries. The cattle situation is not uniform, showing decreases in such countries as the United States, Australia, New Zealand and Canada, while for instance Japan, the European Community and countries in East Europe had increases in their herds. Herd rebuilding is expected to start for some major producing countries in 1980. Slaughter of cattle decreased in most major producing countries in the first half of 1979, a trend which is expected to continue for the rest of the year and for at least part of next year.

81. Total world beef and veal production have decreased further in the first half of 1979 while total meat production in major producing countries have increased. Production of beef and veal for the whole of 1979 in major producing countries is forecast to decrease by some 6.5 per cent while decreases in 1980 will be smaller. World production is expected to pick up again in 1982. The United States is expecting an 11 per cent decrease in beef production this year while beef production in Japan, despite an increase in the six months of 1979, is forecast to drop some 4 per cent compared to 1978. Beef production in the European Community is expected to increase by less than 2 per cent in 1979 while veal production will decline. Australia and New Zealand experienced substantial
decreases in beef and veal production in the first half of 1979 and it is expected that these decreases will continue in the short to medium term. However, total meat production in both countries is expected to decrease to a much lesser extent.

82. World trade in beef and veal remained at high levels in the first half of 1979 in spite of sharply increased export prices. In the first six months of this year Argentina exported 13.7 per cent more of beef than in the year earlier period, but for the year as a whole exports as high as last year or only slightly higher are expected. Australia will export slightly less in 1979 than last year, expecting however to increase shipments to some destinations like the United States and Japan while low priced markets will get less. New Zealand is also expecting a drop of beef exports in its 1979/80 year to around 210,000 tons shipping weight. Imports of beef and veal by major importing countries have increased in the first half of 1979 and are expected on the whole to be somewhat higher in 1979 than in 1978. The United States, for instance, imported 17 per cent more beef and veal in January-July this year than last year. However, the increase in imports for the whole year is expected to be much less than that.

83. The first few months of 1979 saw a sharp increase in beef prices in major exporting countries, continuing the trend from last year. However, in real terms, prices did not rise uniformly in different countries. In Argentina, for instance, the export price of beef between 1977 and 1978 declined in real terms by ¼ per cent whereas the Australian price rose by 37 per cent in the same period. By March 1979, the Argentinian price had risen 48 per cent in real terms, compared to September 1978 when prices started to increase, while the Australian price increased by 11½ per cent between late 1977 and March 1979. Prices in Australia started however to decrease in May 1979 and continued decreasing throughout the summer. It is expected, however, that Australian prices will pick up in the autumn. Argentinian prices have continued to increase during the summer and are expected to remain firm to the end of the year.

84. Increased prices and reduced supplies have resulted in reduced per capita consumption where beef consumption is traditionally high. Australia's beef consumption has dropped drastically in the last financial year (July-June) from 65.7 kgs. per person in 1977/78 to only 56.9 kgs. in 1978/79. New Zealand's beef and veal consumption is expected to decrease from 60.4 kgs. per person in 1977/78 to 55.3 kgs. in 1978/79. Also the United States has experienced a drop in beef and veal consumption in 1978 and a further drop is expected in 1979. In the European Community and Japan small increases in beef consumption are expected however.