

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Arrangement Regarding Bovine Meat

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INTERNATIONAL MEAT COUNCIL

For discussion under agenda item No. 3 of the draft agenda, the following paper has been submitted by Canada:

Discussion Paper Concerning Proposals for Improving the Functioning of the Arrangement Regarding Bovine Meat

The recent failure of the IMC's Working Party highlighted one of the basic shortcomings of the Bovine Meat Arrangement, namely the lack of objective criteria upon which to determine the existence or otherwise of "serious imbalance", or threat thereof, in world bovine meat markets. In addition to the difficulties encountered in the Working Party, the IMC has had difficulty throughout its history in arriving at a consensus on the state of the world bovine meat market. It should be noted that this activity, which derives from paragraph 2 of Article IV of the Arrangement, is one of the IMC's principal functions. In paragraph 4 of Article III the secretariat is instructed to monitor certain market variables so as to permit an early detection of market imbalance. However, the secretariat is not instructed as to what would constitute an imbalance or a threat of an imbalance.

Given the problems encountered in even identifying an imbalance in the market, the IMC has never been called upon to fulfil the second function identified in paragraph 2, namely the proposal of possible solutions to an imbalance or a threat of imbalance. It is clear, however, that the IMC would encounter similar difficulties in proposing solutions since the Arrangement provides no procedural guidance.

It is Canada's view that a more systematic approach to these two aspects of the IMC's functions is necessary. What is required is:

- (1) a set of objective criteria or indicators which would assist the IMC in identifying an imbalance in the world bovine meat market or in any particular zone of that market;
- (2) a more structured process for dealing with an imbalance in the world bovine meat market or in any particular zone of that market.

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Possible Indicators to be Used in the Identification of Imbalance
in the World Bovine Meat Market or in any Zone of that Market

1. Major changes in the ratio of bovine meat production to bovine meat consumption in any country. A change in any country's "self-sufficiency ratio" above or below pre-determined historical levels would signal the need for remedial action. These changes might derive from changes in either production or consumption or both.
2. A significant decrease in prices of bovine meat traded in any particular zone. A "normal" price, perhaps based on an historical average, for a particular type of bovine meat (for example, frozen boneless forequarter beef) could be established for each zone. Should current or expected prices fall below that level this could signal an imbalance or a threat of an imbalance.
3. A rapid rise in the proportion of female bovine animals in the total slaughter of bovine animals.
4. Rapid changes in any country's market share of world trade or of trade in a particular zone. Historical market shares could be identified in each zone with any increase of any exporter's share beyond a fixed proportion of that base indicating the possible existence of an imbalance.
5. Changes in the levels of beef stocks in any country. A rapid rise in beef-stock levels would signal the existence of both a current imbalance in the market of the country in question and the existence of a threat of imbalance for the world market generally.

It may be that no single one of these criteria would necessarily be sufficient to signal an imbalance, they would be reviewed together. It would also be desirable that forecasts of the relevant criteria be obtained so as to identify a threat of imbalance. In this way it might be possible to avoid an imbalance rather than deal with an existing one.