

# GENERAL AGREEMENT ON

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## TARIFFS AND TRADE

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International Meat Council  
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18 and 19 June 1987

### SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

#### Note by the Secretariat

The present note has been drawn up by the secretariat of the Arrangement in accordance with the terms of Article IV, paragraph 1(a), of the Arrangement. The note presents summaries of the international situation and outlook for bovine meat, pigmeat, poultry meat and sheepmeat, and specific elements of the world beef economy on a country-by-country basis. In the preparation of this document, the following sources, inter alia, have been used: World Economic Outlook, IMF, April 1987; Livestock and Poultry, Situation and Outlook Report, February 1987; United States Department of Agriculture; In Brief, Australian Meat and Livestock Corporation, various issues for 1987; European Weekly Market Survey, Meat and Livestock Commission, various issues for 1987; Weekly Information Bulletin, Junta Nacional de Carnes, various issues for 1987; Informe Ganadero, Buenos Aires, 1987; and responses to the questionnaire submitted by 13 May 1987.

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Note: "Tons" in the text means "metric tons, carcass weight", when not otherwise stated.

I. INTERNATIONAL SITUATION AND OUTLOOK IN THE BOVINE MEAT SECTOR

Economic situation and outlook

1. According to recent projections by the IMF\*, growth in industrial countries is likely to be slowing down and the forecast is for a 2.3 per cent growth rate in 1987 for industrial economies, compared to 2.4 per cent in 1986. This is less than earlier predicted on the strength of the drop in petroleum prices which was believed to lead to strong growth in domestic demand in industrial countries. The explanation, it appears, is that a "considerable part of the terms of trade gain did not reach final consumers but went instead into profit margins or government revenues ...".<sup>1/</sup> Inflation rates are expected to fall further in industrial countries averaging 2.9 per cent this year, down from 3.4 per cent in 1986, whereas an increase from 28.6 per cent to 30.1 per cent is forecast for developing countries. It is further projected that employment will continue to rise in 1987 (+1.4 per cent) in industrial countries as unemployment levels decrease somewhat (from 8 per cent of the workforce in 1986 to 7.9 per cent in 1987). As concerns trade, it is forecast that industrial countries' exports of goods will expand by 3.4 per cent this year (volume) while developing countries' export growth will slow down considerably from 8.2 per cent in 1986 to 2.8 per cent in the current year.

Bovine meat situation

2. Although world production of beef and veal seems to have changed little from year earlier, the bovine meat sector was affected in 1986 by large availabilities of all types of meat, mainly as a result of abundant supplies of low-priced feedgrains. Nevertheless, this did not prevent prices on some of the major international markets for bovine meat and for certain types of this meat, from starting to recover from their very depressed levels in recent years. This price recovery seems to be in response to a strengthening import demand, to which the abnormal situation in Brazil largely contributed. Last year, this country not only imported about 15 per cent of total world imports of beef and veal (not even 2 per cent in 1985), but also saw its export level fall by about 30 per cent.<sup>2/</sup> In 1986 there was an increase in both the volume and value of the beef and veal traded in the world.

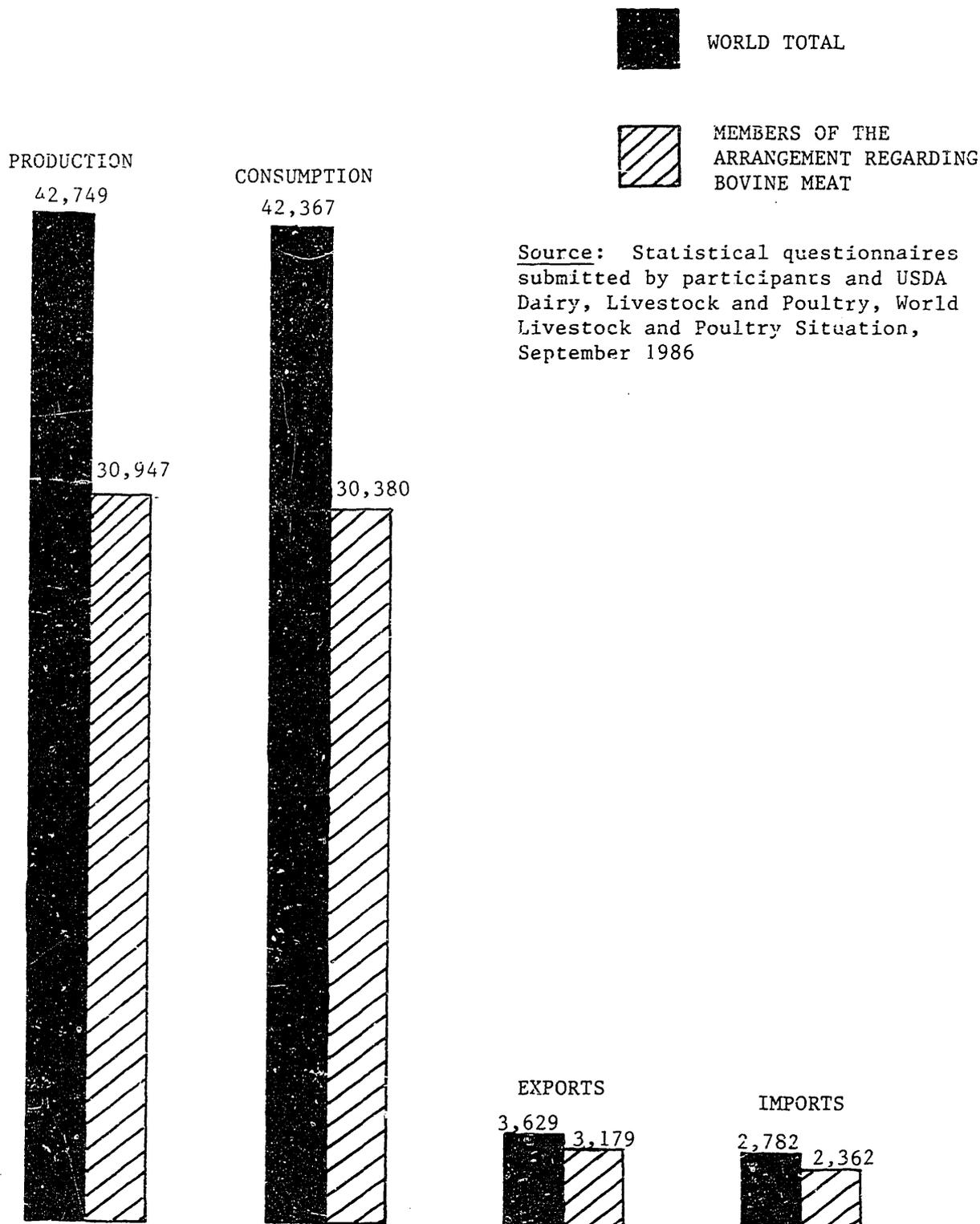
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\* World Economic Outlook, April 1987

<sup>1/</sup> Op. Cit., page 2

<sup>2/</sup> See "The international markets for meat 1986/87", published by the secretariat in January 1987.

BOVINE MEAT SITUATION IN 1986  
( '000 tons)



Source: Statistical questionnaires submitted by participants and USDA Dairy, Livestock and Poultry, World Livestock and Poultry Situation, September 1986

Notes:

- For World Total:
  - Consumption/Production ratio - 99.1%
  - Export/Production ratio - 8.5%
  - Import/Consumption ratio - 6.6%
- Ratio Members/World:
  - Production - 72.4%
  - Consumption - 71.7%
  - Exports - 87.6%
  - Imports - 84.9%
- Export and import figures are for fresh, chilled, frozen and processed beef and veal

3. As expected, most of the factors which affected the bovine meat sector in 1986 continued to exert their influence during the first months of 1987. This seems to be particularly true for the abundant supplies of competing meats and especially, of course, poultry meat. Its production continued to be stimulated by low feedgrain prices and a strong demand sustained by low retail prices. In spite of the continuously increased competition, bovine meat prices seem to have pursued the recovery initiated last year, both on international markets and maybe also on an increasing number of national markets. On the former, clear examples are; the Argentinian average export price which, at close to US\$1,500 per ton f.o.b. was, from January to March 1987, 20 per cent higher than year earlier; the Uruguayan average export price, which at US\$1,547 almost doubled; and the export price for boneless cow meat from Australia to the United States which averaged A\$/kg. 273.4 f.a.s., up by around 13 per cent from year earlier (or by 6-7 per cent if exchange rate effects are excluded). In national markets, price increases can be seen in major South American countries (Argentina, Brazil and Uruguay), in North America, in a number of European countries and the European Community (at least cow prices) and in Oceania. Generally speaking, this price recovery is the result of a decline in the beef and veal supply. In fact, an increasing number of countries which in recent years have gone through a phase of cattle herd liquidation, such as the United States, Canada, Argentina and Uruguay - to name but a few of the major producers - are arriving more or less simultaneously at the beginning of a herd rebuilding phase, in which they join others such as Australia and New Zealand. The result is a decline in these countries' output, already initiated in a number of them, and which will furthermore be accentuated this year by an expected drop in European Community production.

4. Recalling the situation in Brazil last year, it is interesting to note that during the first months of 1987 the Brazilian beef and veal market seems to have regained a certain supply/demand balance, largely due to the price liberalization implemented at the beginning of the year. Prices increased sharply and domestic demand consequently fell. Brazil has been relatively absent from international trade with only some bovine meat sales abroad (the most important one being a recent sale of 15,000 tons to Irak) which seems to have benefited some other major exporters, in particular Argentina. Negotiations aiming to import some 100,000 tons of beef and veal are currently under way, but so far this year, Brazilian imports have been rather low.

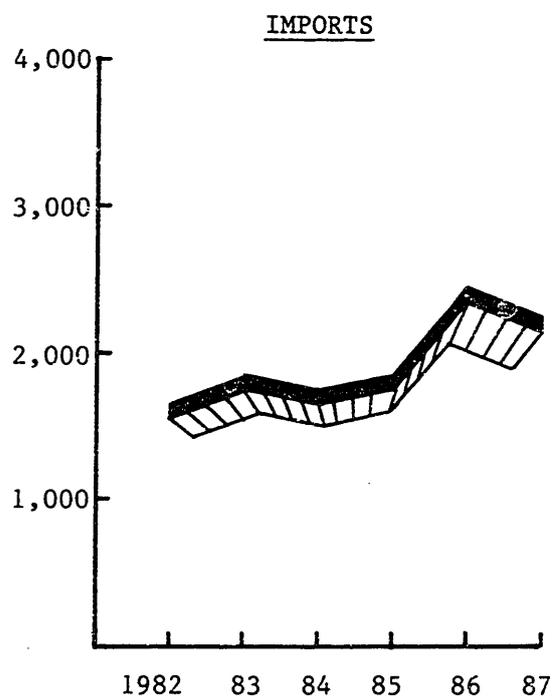
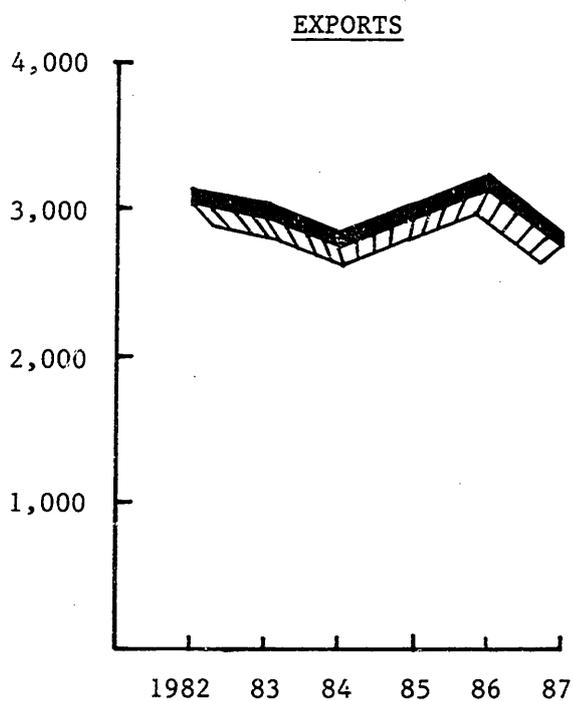
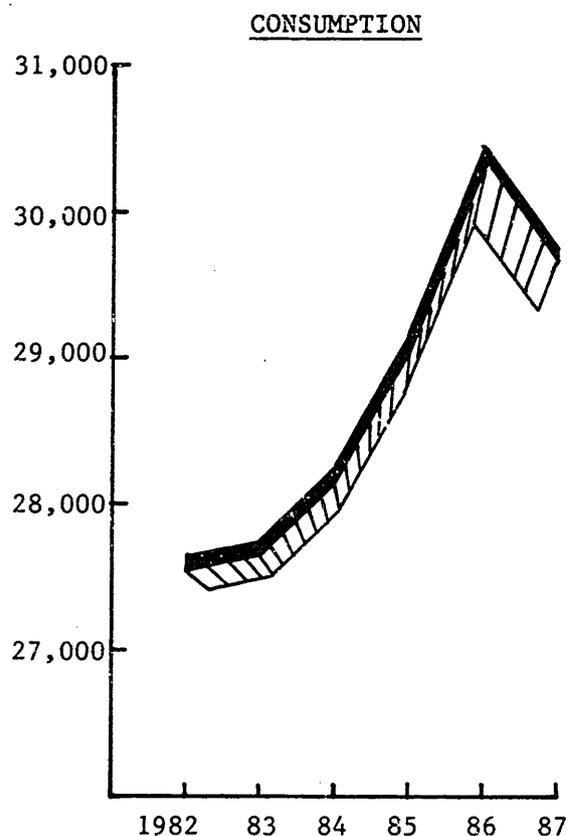
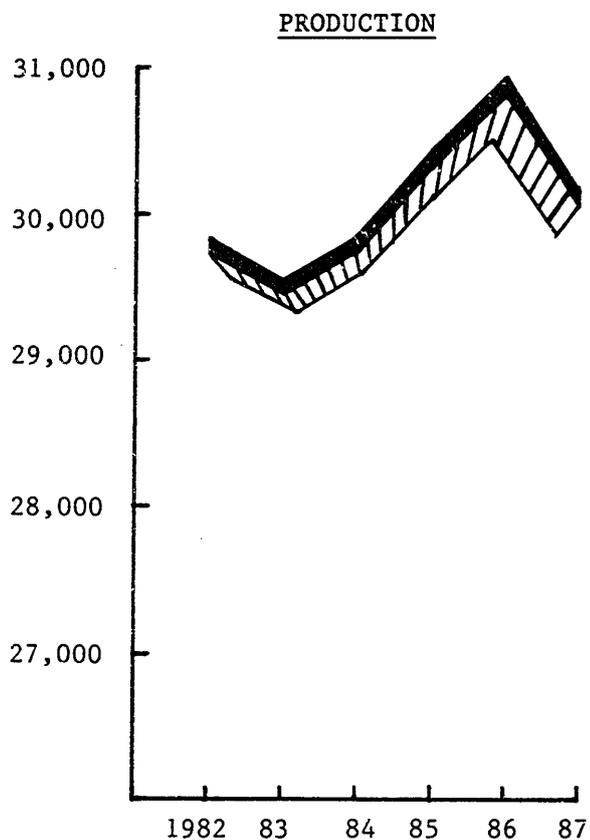
#### Bovine meat outlook

5. It appears that the short-term outlook in the bovine meat sector will not differ fundamentally from the first months of 1987, and will be influenced by two major issues: the decline in beef and veal output, and the continuously rising production of both pigmeat and poultry meat. International trade in bovine meat will be characterized by lower export availabilities in a number of major exporting countries where production is declining. Import demand will strengthen in certain major importing

regions, not so much as the result of an increase in consumption, which in fact is expected to decline further in many countries, but more as the consequence of decreasing output. In these conditions, and in spite of the large availabilities and competition of other meats, there is scope for the continuation of the beef and veal export price recovery initiated last year. However, apart from other more or less "constant factors", which have affected the bovine meat sector in recent years and which continue to do so this year (such as exchange rate problems, changing oil prices, policy measures in the beef and veal, dairy or cereals sectors), the situation in Brazil in the short term and the bovine meat supply in the longer term are factors which deserve a special reference.

6. Although, as mentioned above, it would seem that Brazil reached a better supply/demand balance in the first months of the year, it should also be noted that this is the cattle slaughtering season there. If Brazil wants to keep its important export industry alive and keep the domestic market in balance during the off-season (roughly the second half of the year), it may still have to import significant quantities of meat this year. As concerns the world bovine meat supply in the longer term, herd rebuilding is taking place simultaneously in an increasing number of both exporting and importing countries. This conjunction of cattle cycles may result, in the short to medium term, in a period of low supply, higher import demand, and consequent higher prices (and we seem to be on the threshold of this situation); in the longer term, when herd liquidation begins, it will result in the reverse situation. It would thus seem that there is scope for increased international co-operation in order to avoid such extreme situations in the future.

Total Production, Consumption and Trade in Bovine Meat  
of Countries Participating in the  
Arrangement Regarding Bovine Meat  
( '000 metric tons, c.w.e.)



## II. COUNTRY-BY-COUNTRY ANALYSIS

### European Community

7. The December 1986 census result in the Community (ten member states) indicates that cattle numbers are dropping for the third consecutive year, totalling 75,620,000 head (the lowest level in fourteen years), 2.4 per cent less than year earlier and 5.2 per cent less than in December 1983. Most categories of cattle experienced reductions but the most important one occurred in heifer replacements (heifers for breeding) which dropped by some 9 per cent. The contraction of the dairy herd was in response to milk quotas imposed to get rid of dairy surpluses. It is to be expected that the cattle herd will continue to shrink as a result of the new dairy quotas. Cattle slaughter is anticipated to total 31,205,000 head in 1987, 1.3 per cent below the 1986 level (EC(12)). Forecasts for bovine meat production in 1987 indicate a 1.4 per cent decline compared to last year: 8,065,000 tons in 1986 and 7,950,000 tons in 1987). In 1987, total consumption is expected to increase by 1.6 per cent to 7,685,000 tons, while at 23.8 kg. per capita consumption should rise by about 1.3 per cent. Intervention stocks, on the other hand, are expected to drop significantly in 1987 (by 41 per cent to 400,000 tons by the end of the year). Stocks in March 1987 stood at 533,000 tons, 11.5 per cent less than year earlier. The fall in the stocks kept by the intervention agencies is due mainly to the record high level of exports in 1986, many of which originated from intervention stocks. Exports of bovine meat in 1986 totalled 1,117,000 tons, most of which was exported in frozen form. Major destinations were Brazil (253,000 tons), Egypt (192,000 tons) and the USSR (145,000 tons). In view of lower stock levels in 1987 and a decrease in production, while domestic consumption should rise, it is expected that EC exports will drop in 1987 to about 950,000 tons. Imports of bovine meat increased by 0.5 per cent (EC(12) in 1986 compared to year earlier (EC(10))). Comparing imports by ten member countries for both years, there was a fall of 13.6 per cent. The decrease was mostly due to abundant domestic supplies. With fewer domestic availabilities in 1987, imports may increase somewhat.

8. Since 4 May 1987, intervention buying-in prices have been established in accordance with the decisions of 16 December 1987. This means that for each eligible quality, the buying-in price is now the weighted average of the market prices in those EC member countries where intervention buying-in takes place, increased by 2.5 per cent of the intervention price. To open intervention buying, the average market price in the EC for the quality in question has to be less than 91 per cent of the intervention price; and the national average market price should be less than 87 per cent of the intervention price.





Yugoslavia

11. Provisional data from the January 1987 cattle census suggest that cattle numbers decreased only very slightly (-0.1 per cent) during 1986 to 5,030,000 head, the fifth consecutive year of herd liquidation. It is likely that last year was the final year in the cattle cycle and that by the end of this year recovery will be on its way. Slaughterings (inspected) fell by some 13.3 per cent in 1986 resulting probably in a 14-15 per cent drop in production due to a fall in average slaughter weights. With lower production and the price increases introduced in mid-1985, decreased consumption of beef and veal in 1986 is to be expected, as well as a decline in exports which, in the first half of the year, amounted to 15,400 tons, 62.1 per cent less than year earlier. For the year as a whole, exports remained, at 29,000 tons (preliminary figure), well below year earlier while imports increased (by 67.4 per cent to 30,300 tons). In 1987 an improvement is forecast for the sector.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	5,199	5,034	-3.2	5,030 <sup>3/</sup>	-0.1
Beef and veal <sup>2/</sup> :					
Production	352	302 <sup>4/</sup>	-14.2	310 <sup>4/</sup>	+2.6
Consumption	315	295 <sup>4/</sup>	-6.3	300 <sup>4/</sup>	+1.7
Exports	54.7	29.0	-47.0	..	..

<sup>1/</sup>,000 head<sup>2/</sup>,000 tons<sup>3/</sup>Provisional<sup>4/</sup>Secretariat estimateBulgaria

12. Final figures for 1986 confirm that herd liquidation continued unabated in 1986. Cattle numbers totalled 1,706,000 head, 2.6 per cent less than year earlier. All categories of cattle except beef cows declined, while the latter expanded by another 15 per cent in 1986, the accumulated growth since 1982 totalling 475 per cent. It seems likely that liquidation will continue in 1987. The sustained herd liquidation is believed to have resulted in a rise in bovine meat production of around 4 per cent in 1986, i.e., 122,000 tons (11.8 per cent since 1982). Most of the bovine meat produced was veal. If liquidation continues at about the current level, another increase in production levels will occur in 1987. Consumption of bovine meat in 1986 is estimated by the secretariat at around 115,000 tons, suggesting an increase of 21.1 per cent since 1981.

This trend should continue in the current year. Bulgaria imported 10,000 tons of bovine meat (fresh and chilled) in 1986, six times more than the year before. A major part of the meat originated in France. Bulgaria, a traditional exporter of "baby-beef", exported some 15,800 tons of frozen bovine meat last year, 68.1 per cent more than in 1985. Major customers were Middle Eastern countries.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	1,751	1,706	-2.6	..	
Beef and veal <sup>2/</sup> :					
Production	117	122	+4.3	125 <sup>3/</sup>	+2.5
Consumption	108 <sup>3/</sup>	115 <sup>3/</sup>	+6.5	116 <sup>3/</sup>	+0.9
Exports	9.4	15.8	+68.08	15.0 <sup>3/</sup>	-5.1
	<sup>1/</sup> '000 head, 21 April	<sup>2/</sup> '000 tons		<sup>3/</sup> Secretariat estimate	

#### Poland

13. It is expected that cattle herd liquidation in Poland, induced by low profitability in the sector, is coming to an end this year after four years of contracting inventories. Indeed, it is forecast that the June 1987 census will show a 0.7 per cent rise in cattle numbers while dairy cow numbers continue to decrease (-4 per cent) in spite of higher milk prices paid since 1 July 1986. A further rise in cattle numbers is anticipated for 1988. Total cattle and calves slaughtered in 1986 increased by 1.8 per cent to 4,603,000 head while production expanded by some 3.8 per cent to 706,000 tons due to higher average slaughter weights. Production of veal continued to decline (33,000 tons in 1986, 5.7 per cent less than in 1985 and 49.2 per cent less than in 1974). Consumption grew yet again in 1986, increasing by 4.5 per cent to 631,000 tons (16.9 kg. per capita) the fourth consecutive year of growth. Imports of bovine meat fell last year to 1,400 tons (-67.4 per cent) as a result of higher domestic production levels whereas exports of bovine meat expanded by some 242.2 per cent to 52,700 tons. Following expected lower production this year, it is forecast that bovine meat exports will drop by some 24.1 per cent to 40,000 tons.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	11,055	10,919	-1.2	11,000	+0.7
Beef and veal <sup>2/</sup> :					
Production	680	706	+3.8	700 <sup>3/</sup>	-0.8
Consumption	604	631	+4.5	635	+0.6
Exports	15.4	52.7	+242.2	40	-24.1
	<sup>1/</sup> '000 head, 21 April	<sup>2/</sup> '000 tons		<sup>3/</sup> Secretariat estimate	

#### South Africa

14. After a few years of herd liquidation due to persistent drought conditions, cattle numbers stabilized in 1986 and are expected to expand this year for the first time since 1982. The August 1987 census is forecast to show a 3.5 per cent increase in numbers to 8,100,000 head. Further increases are anticipated in the coming years, weather permitting. A slight drop in beef and veal production to 635,000 tons (-0.1 per cent) is forecast for 1987, the third year of consecutive declines. However, it is forecast that rises will take place both in 1988 (+3.1 per cent) and in 1989 (+3 per cent). After the high stock levels in the last couple of years, due to drought-induced slaughter, stocks decreased considerably in the second half of 1986, totalling 500 metric tons at the end of the year, compared to 20,300 tons a year earlier. Stock levels should remain at rather low levels through the next couple of years. Consumption declined somewhat in 1986, totalling 697,600 tons (-0.4 per cent), and it is expected that it will continue to do so this year before increasing in 1988. The reason for the fall in beef and veal consumption is mainly one of increasing prices. Indeed, the average retail price for beef increased by some 27 per cent from the last quarter of 1985 to the last quarter of 1986. Instead, pig and poultry meat consumption increased on a per capita basis, poultry consumption expanding by more than 22 per cent in 1986. Further expansion is expected in the future. In 1986, South Africa imported 21,600 tons of beef and veal, the same volume as in the previous year, most of which was in frozen form, and all of which was from neighbouring countries. A small increase in imports is forecast for 1987.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	7,827	7,828	+0.0	8,100	+3.5
Beef and veal <sup>2/</sup> :					
Production	644	636	-1.2	635	-0.1
Consumption	701	698	-0.4	680	-2.5
Imports	21.6	21.6	0.0	22.5	+4.1
	<sup>1/</sup> '000 head, 31 August	<sup>2/</sup> '000 tons			

### Brazil

15. According to the 1986 census, cattle and calf numbers in Brazil rose over the last five years at an annual average rate of about 1.4 per cent, to total last year some 129,000,000 head. In 1987 the increase is expected to be of some 2 per cent, putting numbers at 131,500,000 head. In 1986, cattle and calf slaughter fell by some 18 per cent, to 8,700,000 head. The market situation in Brazil last year was largely dominated by the implementation of the "Economic Stabilization Programme". In accordance with this Programme, prices were frozen and bovine meat demand increased dramatically as the result of a rise in real wages. Simultaneously, farmers, considering that the frozen prices were not remunerative, held back their cattle. This caused the drop in slaughter levels and in production which fell by some 16 per cent, to 1,870,000 tons. Per capita consumption rose by some 8 per cent, to 13.5 kg., and it can be assumed that the increase would have been stronger if it were not for the lack of beef and veal on the market.

16. All this had the effect, well-known by now, of exports of Brazilian bovine meat falling by about 30 per cent to just above 300,000 tons and of imports increasing by more than 900 per cent, to around 500,000 tons. Furthermore, the Government was forced to regulate exports of all meat, to import both pigmeat and sheepmeat, and to suspend all import restrictions on bovine meat, pigmeat and fish until the end of 1987. There was also a return to the public stock system to avoid shortages during the off-season.

17. As a result of the price liberalization implemented at the beginning of the year, meat prices, like those of many other products, increased sharply. Farmers began to deliver their cattle, and bovine meat production started to recover. So did pigmeat and poultry meat production. Simultaneously, retail prices also rose markedly and demand for meat began to fall. In these conditions, Brazil has managed so far this year to achieve a relatively balanced meat supply/demand situation. In order to

keep this balance during the off-season, the Government is continuing to rebuild the buffer stock with the remaining surpluses of last year's imports, and is negotiating the importation of 100,000 tons of beef and veal as well as studying the possibility of importing 20,000 tons of pigmeat. The fattening of 600,000 oxen is being financed by the Bank of Brazil, for slaughter between August and November of the current year.

18. Brazil is expected to continue exporting bovine meat this year, but the authorities have, reportedly, recently limited sales by exporters to 40 per cent of the average exported in 1984 and 1985. This would mean a maximum of 180,000-190,000 tons. Nevertheless, it may well be that exports will not surpass last December's forecast of 150,000 tons, even if this forecast has now been revised upwards to 250,000 tons. Imports should be at a lower level than last year, but the figure of 100,000 tons currently estimated seems to be on the low side.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	126,392	128,920	+2.0	131,498	+2.0
Beef and veal <sup>2/</sup> :					
Production	2,223	1,871	-15.8	2,200	+17.6
Consumption	1,702	1,871	+10.0	2,100	+12.2
Imports	48	500 <sup>3/</sup>	+941.7	100	-80.0
Exports	438	306	-30.1	250	-18.3
<sup>1/</sup> '000 head	<sup>2/</sup> '000 tons		<sup>3/</sup> Secretariat estimate		

### Argentina

19. In 1987, Argentinian cattle and calf numbers are expected to reach their lowest level since 1971. At 51,000,000 head by June, numbers are forecast to drop by almost 3 per cent compared to year earlier. However, slaughter rates are expected to show a 7 per cent decline by the end of the year, to some 13,000,000 head, even if during the first quarter they seem to have remained relatively unchanged compared to last year. The decline in slaughter rates would be the logical consequence of increasing cattle prices, both in nominal and real terms, since the suspension of ceiling prices for slaughter cattle in February 1986 (in March 1987, the index price at Liniers reached 114 (1960 = 100), its highest level since September 1984). As pointed out in the previous report, the reason why slaughter levels did not decline in 1986 (indeed it appears now that they

increased by about 2 per cent) was the rise in domestic demand for beef. This rise, which had slowed down by the end of the year, strengthened again at the beginning of 1987 and, added to the serious floods, especially last February, kept slaughter at high levels during the first three months of the year. An analysis of the slaughter mix also shows that the herd liquidation initiated in 1978, and only interrupted in 1983 and 1984, continued during the first quarter of 1987. As a result, and although expected to drop by some 6 per cent to 2,700,000 tons for the year as a whole, production of beef and veal grew from January to March. This increase should not only have satisfied the rising domestic demand, but also enabled an important export recovery.

20. During the first three months of 1987, Argentinian bovine meat exports increased by some 34 per cent compared to year earlier. Exports of fresh, chilled and frozen beef and veal rose by some 6 per cent, to 25,700 tons, largely as a result of higher exports to Brazil (5,800 tons, compared to 1,100 tons in 1986), while exports to the European Community, the Argentinians' largest market for frozen meat, fell by some 23 per cent to 11,800 tons. Exports of canned and cooked beef and veal rose by 55 per cent, reflecting increased exports to the United States, 30,300 tons (+44 per cent) and to the EC, 15,300 tons (+115 per cent). The average f.o.b. export price from January to March 1987 was close to US\$1,500 per ton, c.w.e., about 20 per cent higher than year earlier, as a result of rising prices on international markets. For the year as a whole, Argentina projects to export some 300,000 tons, about 20 per cent more than in 1986.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	54,000	52,500	-2.8	51,000	-2.9
Beef and veal <sup>2/</sup> :					
Production	2,750	2,870	+4.4	2,700	-5.9
Consumption	2,490	2,620	+5.2	2,400	-8.4
Exports	260	251	-3.5	300	+19.5

<sup>1/</sup> '000 head, 30 June      <sup>2/</sup> '000 tons

Uruguay

21. With a projected 1.3 per cent increase in cattle and calf numbers to 9,423,000 head in June 1987, herd rebuilding in Uruguay appears to be under way. This seems to be confirmed by slaughter levels which at 1,532,000 head are forecast to fall by 5.4 per cent in the current year. Bovine meat production should fall by about 7 per cent because of lower slaughter levels and declining slaughter weights. In 1986, and contrary to a preliminary estimate of stability, beef and veal consumption fell by about 9 per cent (both total and per capita consumption). This drop reflects a 20 per cent increase in real retail prices compared to 1985 (nominal prices rose by 112 per cent), and also reflects last year's export efforts, largely due to sales to Brazil. Indeed, while bovine meat production increased by only 14,000 tons, exports were 52,000 tons higher, while stocks were reduced by only 10,000 tons. Poultry meat, and especially sheepmeat, benefited from this decline in bovine meat intake, their per capita consumption rising by 10 and 14 per cent respectively.

22. During the first quarter of the year, exports totalled only 19,000 tons, 69 per cent less than year earlier. This sharp decline was the result of practically no sales to the European Community and Brazil since January. Export prices during this period averaged US\$1,547 against US\$780 year earlier. The Uruguayan export performance this year depends largely on Brazilian imports. Indeed, Brazil seems to have agreed to buy 30,000 tons of Uruguayan beef for its domestic market and 40,000 tons for re-exportation under the "drawback" system. If these sales take place, then for the year as a whole, total exports by Uruguay could total some 148,000 tons, down by 20 per cent from last year.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	9,370	9,303	-0.7	9,423	+1.3
Beef and veal <sup>2/</sup> :					
Production	340	354	+4.1	330	-6.8
Consumption	196	179	-8.7	182	+1.7
Exports	134	186	+38.8	148	-20.4
	<sup>1/</sup> '000 head, 1 June	<sup>2/</sup> '000 tons			

United States

23. According to the 1 January 1987 cattle inventory, herd liquidation is slowing down. Numbers totalled 102,031,000 head, 3.3 per cent below year earlier, and the lowest level since 1962. Mainly as a result of the Dairy Termination Programme (DTP), dairy cow numbers fell by some 6 per cent, while beef cows increased by 1 per cent. It is expected that rebuilding of the herd will start in 1987, resulting in the withholding of cows, in particular beef cows. Cattle slaughter grew by some 2.6 per cent in 1986 to 41,080,000 head. Dairy cow slaughter rose by 25 per cent due to the DTP while beef cow slaughter declined by 4 per cent. Average slaughter weights remained stable resulting in a 2.7 per cent increase in production to 11,296,000 tons. Forecasts for 1987 bovine meat production predict a 7.4 per cent drop, the sharpest reductions being in the second and third quarters with in particular non-fed bovine meat supplies falling off. Meat consumption amounted to a record level of 215 pounds per capita in 1986, with bovine meat consumption accounting for 50 kg. (+3.1 per cent). In 1987, it is expected that per capita beef supplies will decline by 7.8 per cent to 46.1 kg. In 1986 cattle prices, although on average lower in the first half of the year, strengthened during the second half. They increased markedly in the first half of 1987 and it is forecast that they will continue to do so to the end of the year as herd rebuilding starts and slaughter drops off. Imports of beef and veal increased by 2.7 per cent to 964,000 tons in 1986, 311,000 tons of which originated in Australia, by far the largest supplier. Other major suppliers were New Zealand and Canada. A modest increase in imports is forecast for 1987, while the meat import trigger level remains unchanged from year earlier (1,440 million pounds, product weight, or 653,000 tons). Exports expanded by some 51.7 per cent in 1986 to 229,000 tons. The increase was largely due to sales of 90,000 tons of bovine meat to Brazil, only about half of which was actually shipped in 1986, and to a 35.8 per cent rise in exports to Japan. It is possible that not all the beef contracted for by Brazil and not yet shipped will actually be imported by Brazil, since there are reportedly some difficulties which may result in actual United States shipments being reduced by around 20,000 tons. The United States biggest customer in 1986 was Japan, which purchased some 307 million pounds (139,200 tons) of bovine meat. It is expected that United States exports will remain at a relatively high level in 1987 with sales to Japan increasing modestly.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	109,749	105,468	-3.9	102,031 <sup>3/</sup>	-3.3
Beef and veal <sup>2/</sup> :					
Production	10,997	11,296	+2.7	10,465	-7.4
Consumption	11,736	11,958	+1.9	11,143	-6.8
Imports	939	964	+2.7	975	+1.1
Exports	151	229	+51.7	200	-12.7

<sup>1/</sup>'000 head, 1 January

<sup>2/</sup>'000 tons

<sup>3/</sup>Actual

#### Canada

24. Cattle liquidation continued in Canada in 1986, the fifth consecutive year of herd reduction. The 1 January 1987 inventory indicated that herd numbers had declined by 0.9 per cent, less than in previous years, totalling 10,492,700 head, the lowest level since before 1961 and 26.5 per cent below the peak in 1975. All categories were down on year earlier except beef cows which increased by 0.9 per cent, suggesting that beef herd rebuilding has started. Slaughter fell by some 1.1 per cent in 1986 and a further drop of 5.0 per cent (to 4,040,000 head) is forecast in 1987, giving a total of production of 998,700 tons, 4.0 per cent less than in 1986. A further (-2.0 per cent) drop in production is projected for 1988. Consumption of bovine meat in 1987 could be expected to decrease somewhat as prices firm up with falling domestic production. Consumption levels of around 1,040,000 tons, 1.1 per cent less than in 1986, are forecast. With falling domestic production this year, it is projected that import levels will increase substantially to 128,000 tons (+1.7 per cent), after a drop in 1986, while exports are likely to drop by around 14.6 per cent to 88,000 tons. A major part of the bovine meat imported in frozen form originated in Australia and New Zealand. Imports of live animals, mostly from the United States, are also anticipated to rise while exports will be reduced. A further import rise, although smaller than this year, is forecast for 1988.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	10,980	10,590	-3.6	10,493	-0.9
Beef and veal <sup>2/</sup> :					
Production <sup>3/</sup>	1,035	1,040	+0.5	999	-3.9
Consumption	1,031	1,052	+2.0	1,040	-1.1
Imports	116	112	-3.4	128	+14.3
Exports	117	103	-12.0	88	-14.6

<sup>1/</sup>'000 head, 1 January

<sup>2/</sup>'000 tons

<sup>3/</sup> Inspected production

#### Australia

25. According to preliminary figures, cattle numbers at 31 March 1987 were, at 23,290,000 head, practically unchanged (+0.1 per cent) compared to year earlier. The lack of growth in numbers in 1986 was due to poor seasonal conditions, pressure on producers to maintain cash flows, and very good international prices (United States and Japan). However, it is expected that herd rebuilding will resume relatively strongly in 1987 and 1988. Cattle and calf slaughterings increased in 1986 to 7,870,700 head (+10.1 per cent) while a cutback in slaughter levels of 7.3 per cent is forecast for the current year, in line with the expected resumption of herd rebuilding. Due to higher average slaughter weights, production in 1986 grew somewhat more than slaughter, or by 10.5 per cent to 1,478,700 tons. In the current year, as producers re-stock, a drop in production to 1,365,000 tons (-7.7 per cent) is forecast, followed by a marginal rise next year, as cattle numbers increase. Consumption of beef and veal (excluding canned) totalled 652,000 tons in 1986 (41.0 kg./capita), 2 per cent more than year earlier. Reportedly, much of the consumption rise occurred in the first half of the year when bad weather increased slaughterings, forcing product onto the local markets. A fall in domestic consumption is forecast for 1987, however, as beef and veal production is reduced and prices go up. Exports of beef and veal progressed well beyond earlier anticipated levels, totalling 829,000 tons (+20.1 per cent) in 1986. More than 57 per cent of the total was sold to the United States and around 24 per cent to Japan. Other purchasers of Australian bovine meat include Canada and Taiwan. The 1986 export growth was due essentially to the fall in the value of the Australian dollar, vis-à-vis other currencies, in particular the United States dollar, and very good United States dollar prices late in the year in the United States. Exports are forecast to decline in 1987 as a result of lower levels of supplies.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	22,784	23,258	+2.1	23,290 <sup>3/</sup>	+0.1
Beef and veal <sup>2/</sup> :					
Production	1,338	1,479	+10.5	1,365	-7.7
Consumption	639	652	+2.0	642	-1.5
Exports	690	829	+20.1	718	-13.4

<sup>1/</sup>'000 head, 31 March      <sup>2/</sup>'000 tons      <sup>3/</sup>Estimate

#### Japan

26. At 4,742,000 head in the February 1986 census, cattle and calf numbers in Japan showed an increase of 0.9 per cent compared to year earlier. Although the February 1987 census results are not yet available, it is expected that this, more than decade-long growth, is continuing. In spite of declining slaughter levels in 1986, down by 1.4 per cent, higher slaughter weights allowed production to pursue the almost uninterrupted rising trend initiated ten years ago. However, the 0.7 per cent increase in production was also the most modest one of the decade. Contrary to earlier estimates, consumption of beef and veal increased considerably both in total terms, +6.1 per cent to 829,000 tons, and per capita, +4.6 per cent, to 6.8 kg. This increase took place especially in the second half of the year and was due mainly to a cut in retail prices following a number of measures introduced by the Japanese authorities in May, July and November 1986.<sup>1/</sup>

27. The relatively small rise in production and the increase of demand caused wholesale prices to rise to above the maximum stabilization price level. The LIPC was consequently pushed to release part of its stocks onto the market, in an effort to bring prices back to the price band again. As a result, Japanese imports increased markedly by 18.6 per cent, to 268,000 tons, the strongest year-to-year increase since 1979. Although Australia remained Japan's major supplier of chilled and frozen beef and veal and saw its exports to this country increase by some 13 per cent in 1986, the United States, with exports to Japan of this type of meat

<sup>1/</sup> See "The International Markets for Meat - 1986/87", paragraph 53.

increasing from 46,000 tons (product weight) in 1985 to 62,000 tons (+35 per cent) in 1986, was the major beneficiary of the overall rise in Japanese imports. Japan's fiscal year 1987/88 beef import quota should total at least 177,000 tons as a consequence of the 9,000-ton annual increase which resulted from understandings with some exporting countries. These expire in March 1988, and it can be assumed that new ones will replace them. Last March, the Japanese authorities announced that the global import quota of beef for the first half of the 1987/88 fiscal year (1 April 1987-30 September 1987) would total 93,000 tons, an 8,000-ton increase compared to year earlier. This, added to a reportedly reduced domestic supply and continuing high wholesale prices, suggests that imports for the year as a whole could again rise strongly. Unofficial data for last January indicate that imports were as high as 24,400 tons (inside and outside quota), compared to 17,500 tons in January 1986 and the first beef tenders under the quota for the first half of 1987/88 fiscal year were announced much earlier than usual.

28. For the first time since the "Livestock Products Price Stabilization Law" was implemented, the lower and upper stabilization prices for second-grade Wagyu steer carcasses have been reduced by 2.1 per cent (1,370 yen/kg.) and 2.2 per cent (1780 yen/kg.) respectively for fiscal year 1987/88. The lower and upper stabilization prices for dairy steer carcasses, second grade, have been reduced for the second consecutive year, by 6.4 per cent (1,020 yen/kg.) and 6.7 per cent (1,325 yen/kg.). Stabilization prices for pork have also been reduced.

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Cattle and calf numbers <sup>1/</sup> :	4,698	4,742	+0.9	4,760 <sup>3/</sup>	+0.4
Beef and veal <sup>2/</sup> :					
Production	555	559	+0.7	562 <sup>3/</sup>	+0.5
Consumption	781	829	+6.1	870 <sup>3/</sup>	+4.9
Imports	226	268	+18.6	308 <sup>3/</sup>	+14.9
	<sup>1/</sup> '000 head, 1 February	<sup>2/</sup> '000 tons		<sup>3/</sup> Secretariat estimate	

### III. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT SECTOR

29. World production of pigmeat in 1986 increased by some 1-1.5 per cent, totalling around 55,000,000-60,000,000 tons. Regardless of the absolute figures, which change according to the source, it appears that the rate of increase slowed down compared to recent years, essentially as the result of a lower rise in Chinese output because of feed shortages and more or less important falls in a number of other major producing countries. In the current year no fundamental changes should occur. Low feed prices should also continue to favour pigmeat production, but a continuing lower rate of increase in China could offset any possible larger rise of world production. This should not surpass 1-2 per cent. However, contrary to earlier expectations, commercial production of pigmeat in the United States, which has been declining during the first six months of the year, is now expected to recover in the second half and could show, for the year as a whole, a 1 per cent increase.

30. It is believed that in 1986 there was a decline in the international trade of pigmeat, largely due to a decline in both imports and exports of the United States and the European Community. In 1987, imports by both these participants are expected to rise, while exports should continue to decline in the EC and remain unchanged in the United States. Hog prices in North America are projected to be lower than in 1986 and although this is expected to be partially offset by continuing low feed costs, profitability seems to be shrinking.

SELECTED COUNTRIES' TRADE IN PIGMEAT

A. IMPORTS<sup>1/</sup>

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
United States	512	490	-4.3	499	+1.8
Japan	270	295	+9.3	265	-10.2
USSR <sup>2/</sup>	246	250	+1.6	250	0.0
Hong Kong <sup>2/</sup>	217	225	+3.7	235	+4.4
EC	161	157	-2.5	167	+6.4
Poland	38	16	-57.9	16	0.0
Others	39	44	+12.8	59	+34.1
<b>Total</b>	<b>1,483</b>	<b>1,477</b>	<b>-0.4</b>	<b>1,491</b>	<b>+0.9</b>

B. EXPORTS<sup>1/</sup>

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
EC	416	350	-15.9	400	-14.3
China <sup>2/</sup>	263	292	+11.0	292	0.0
Canada	197	208	+5.6	200	-3.8
Germany, Dem. Rep. <sup>2/</sup>	210	210	0.0	230	+9.5
Hungary	143	114	-20.3	105	-7.9
Romania <sup>2/</sup>	100	100	0.0	125	+25.0
Poland	99	106	+7.1	106	0.0
Sweden	76	66	-13.2	48	-27.3
United States	58	54	-6.9	54	0.0
Others	220	216	-1.8	197	-8.8
<b>Total</b>	<b>1,782</b>	<b>1,716</b>	<b>-3.7</b>	<b>1,757</b>	<b>+2.4</b>

<sup>1/</sup>'000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals. Unless otherwise indicated, data are taken from replies to the questionnaire, or are estimates by the GATT secretariat.

<sup>2/</sup>Source: USDA, Dairy, Livestock and Poultry, World Livestock and Poultry Situation, September 1986

#### IV. SITUATION AND OUTLOOK IN THE INTERNATIONAL POULTRY MEAT SECTOR

31. More than any other meat, poultry meat continues to benefit from large supplies of low-priced feedgrains and world production reaches new records every year. In 1986, the increase was of some 3-4 per cent and total output may have surpassed 30,000,000 tons. This rise, which corresponds with increased demand for white meat, keeps poultry meat prices at relatively low levels and thus demand continues to be encouraged to the detriment of other meats. In the current year, it is expected that world production will rise at an even faster rate than last year, maybe 5-6 per cent. In the United States, a 7 per cent rise in poultry meat output to 8,900,000 tons is expected for 1987, following a 6 per cent expansion last year. Total consumption of poultry meat in this country is also expected to rise by 7 per cent, but at 8,600,000 tons will still remain well below bovine meat consumption, 11,100,000 tons, which in turn will fall by the same percentage, suggesting that substitution is taking place. Per capita consumption of poultry meat is expected to be around 35.5 kg. (while that of beef and veal should total 46.1 kg.).

32. As production is also rising in a number of major importing areas or countries, the level of poultry meat trade seems to be shrinking. This was the case in 1986. The decline in the Middle East region, where self-sufficiency has been rising steadily, was notable, although partly offset by an increase in some Asian countries such as Hong Kong and especially Japan (which imported 174,000 tons against 100,000 tons, year earlier). It is not possible at this stage to have a clear idea of the evolution of the international poultry meat trade in the current year. Although the United States forecast a relatively unchanged export level compared to 1986 and the European Community is projecting a decline, the situation in Brazil does not allow a reasonably correct projection of this country's export levels. However, it is generally accepted that the world's import demand will continue to decline.

SELECTED COUNTRIES' TRADE IN POULTRY MEAT

A. IMPORTS<sup>1/</sup>

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
Middle East <sup>2/</sup>	343	239	-30.3	217	-9.2
USSR <sup>2/</sup>	141	140	-0.7	142	+1.4
Hong Kong <sup>2/</sup>	114	131	+14.9	138	+5.3
Japan	100	174	+74.0	180	+3.4
Egypt <sup>2/</sup>	99	105	+6.1	100	-4.8
EC	85	80	-5.9	80	0.0
Others	114	115	+0.9	125	+8.7
Total	996	984	-1.2	982	-0.2

B. EXPORTS<sup>1/</sup>

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
EC	340	290	-14.7	280	-3.4
Brazil <sup>2/</sup>	274	251	-8.4	251	0.0
United States <sup>2/</sup>	211	257	+21.8	256	-0.4
Hungary	159	180 <sup>2/</sup>	+13.2	200 <sup>2/</sup>	+11.1
Romania <sup>2/</sup>	48	50	+4.2	50	0.0
Yugoslavia <sup>2/</sup>	30	31	+3.3	33	+6.5
Others	117	124	+6.0	128	+3.2
Total	1,179	1,183	+0.3	1,198	+1.3

<sup>1/</sup>'000 tons, ready-to-cook basis. Unless otherwise indicated, data are taken from replies to the questionnaire, or are estimates by the GATT secretariat.

<sup>2/</sup>Source: USDA, Dairy, Livestock and Poultry, World Livestock and Poultry Situation, September 1986

V. SITUATION AND OUTLOOK IN THE INTERNATIONAL SHEEPMEEAT SECTOR

33. World production of sheepmeat is believed to have fallen by some 0.5 per cent, to some 4,700,000 tons, as a result of the output decline in some major producing countries. For by now well-known reasons the drop was particularly important in New Zealand (15 per cent during the 1985/86 season, or some 5 per cent on a calendar year basis), the world's second largest producer after the European Community. In New Zealand, although lamb production could continue to fall in the 1986/87 season, mutton output is expected to recover as a consequence of rising mutton prices. This same evolution is expected in Australia for the current calendar year. Lamb production might continue to decline as it did last year, while that of mutton is projected to rise further. However, projections in the sheep area are also dependent on other factors and especially on the evolution of wool prices. In recent years demand for wool has been strong and consequently prices have been kept at very profitable levels for producers. If wool prices begin to fall, the production of lamb is likely to rise sharply. In the European Community (10) production of sheepmeat may have risen by 2 per cent in 1986, and this rising trend should continue this year. Taking into account the "normalization" of the situation in New Zealand, world output of sheepmeat may rise by 1-2 per cent in the current year.

34. In 1986, Australia benefited from the difficult supply situation in New Zealand and, according to recently published data<sup>1/</sup>, exported 168,000 tons of mutton, 34.4 per cent more than year earlier. According to this same source, New Zealand mutton exports fell by 17 per cent to 73,000 tons. Lamb exports rose in both countries. In 1987, Australia is forecasting an export level of some 240,000 tons (including both lamb and mutton, up by 8.6 per cent from last year), while exports from New Zealand will decline to 465,000 tons, or minus 2.7 per cent. This would be due to declining exports of lamb, even if mutton exports begin to recover.

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<sup>1/</sup> AMLC - Market Analysis and Policy Division, "In Brief", March 1987

SELECTED COUNTRIES' TRADE IN SHEEPMEATA. IMPORTS<sup>1/</sup>

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
EC	253	242	-1.2	240	-0.8
Japan	159	159	0.0	160	+0.6
USSR	21	20	-4.8	20	0.0
Egypt <sup>2/</sup>	5	6	+20.0	7	+16.7
Others	50	33	-34.0	35	+6.1
<b>Total</b>	<b>488</b>	<b>460</b>	<b>-5.7</b>	<b>462</b>	<b>+0.4</b>

B. EXPORTS<sup>1/</sup>

	1985	1986	%Change 1986/85	Forecast 1987	%Change 1987/86
New Zealand <sup>3/</sup>	479	478	-0.2	465	-2.7
Australia <sup>3/</sup>	168	221	+31.5	240	+8.6
Romania <sup>2/</sup>	45	45	0.0	40	-11.1
Turkey <sup>2/</sup>	35	40	+14.3	40	0.0
Bulgaria <sup>2/</sup>	30	30	0.0	30	0.0
India <sup>2/</sup>	21	27	+28.6	32	+18.5
Korea, Rep. of	15	14	-6.7	14	0.0
Others	44	43	-2.3	40	-7.0
<b>Total</b>	<b>837</b>	<b>898</b>	<b>+7.3</b>	<b>901</b>	<b>+0.3</b>

<sup>1/</sup>'000 tons carcass weight, includes fresh, frozen and canned product, but excludes live animals. Unless otherwise indicated, data are taken from replies to the questionnaire, or are estimates by the GATT secretariat.

<sup>2/</sup>Source: USDA, Dairy, Livestock and Poultry, World Livestock and Poultry Situation, September 1986

<sup>3/</sup>Source: AMLC - Market Analysis and Policy Division, "In Brief", March 1987