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SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

Note by the Secretariat

Addendum

This addendum includes the summary of the bovine meat situation and outlook in countries not signatories of the Arrangement Regarding Bovine Meat, but which provided data to the secretariat and summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat.

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I. SUMMARY OF THE BOVINE MEAT SITUATION AND OUTLOOK IN CERTAIN COUNTRIES NOT SIGNATORIES OF THE ARRANGEMENT REGARDING BOVINE MEAT

Chile

Revised cattle numbers indicating a 5.2 per cent drop for 1986, showed that the herd liquidation initiated in 1983 continued during 1986. Nevertheless, data for the beginning of 1987 suggest an upturn of 1.1 per cent to 3,257,000 head. A similar increase is expected in 1988. Beef production is projected at 187,200 tons in 1987, up by 1.6 per cent, and a further rise is expected for 1988. Veal production, which declined in 1985 and 1986, recovered somewhat in 1987. All the meat produced is consumed domestically and per capita consumption (around 15.4 kg. in 1987) having declined since 1984, is anticipated to recover as from 1988. Imports of fresh, chilled and frozen beef and veal, largely from Argentina, continued to fall in 1987, down by some 37.4 per cent on year earlier (and by 70 per cent on the 1985 level) and are expected to drop further in 1988.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers:[1/]	3,222	3,257	+1.1	3,300	+1.3
Bovine meat:[2/]					
Production	184	187	+1.6	194	+3.9
Consumption	187	189	+1.0	196	+3.7
Imports[3/]	2.9	1.8	-37.4	1.5	-16.7

[1/] '000 head [2/] '000 tons [3/] Product weight

Morocco

After five years of herd liquidation, cattle numbers in Morocco amounted to 2,851,000 head in 1986 (+14 per cent), continuing the herd expansion initiated in 1985. Beef and veal production, which fell along with cattle numbers, reached 513,241 tons [illegible] 36, up by 14 per cent from year earlier. Morocco imports certain quantities of beef regularly. In 1986 these imports totalled close to 5,500 tons, up by 32 per cent on year earlier. Morocco also imports significant quantities of live cattle and calves which, in 1986, reached the record level of 20,770 head, almost four times higher than in 1985. Available data for the first five months of the year suggest that imports of both bovine meat and live cattle could rise further in 1987.

	1984	1985	%Change 1984/85	1986	%Change 1986/85
Cattle and calf numbers:[1/]	2,363	2,501	+5.8	2,851	+14.0
Beef and veal:[2/]					
Production	425	480	+12.9	513	+6.9
Imports	5.2	4.4	-15.4	6.0	+36.4

[1/] '000 head [2/] '000 tons

Papua New Guinea

Beef and veal production in 1987 is expected to increase by 11 per cent to 2,950 tons. There has also been a rise, albeit slower, in total beef and veal consumption (+5.9 per cent), while per capita intake increased by 5.3 per cent. Papua New Guinea is far from being self-sufficient in bovine meat (in 1987 only some 37 per cent of the meat consumed was domestically produced) and has been importing on average 10 to 12 thousand tons of beef and veal per year over the last decade. It is estimated that in 1987, imports dropped by some 7.2 per cent on year earlier, reaching 10,950 tons.

	1985	1986	%Change 1986/85	Estimates 1987	%Change 1987/86
Cattle and calf numbers:	...	...	...	...	...
Beef and veal:[1/]					
Production	2.2	2.7	+22.7	3.0	+11.1
Consumption	6.9	7.5	+8.7	7.9	+5.3
Imports	16.0	11.8	-26.3	11.0	-6.8

[1/] '000 tons

Venezuela

Cattle numbers in Venezuela amounted to 12,908,000 head in 1987, 3 per cent more than year earlier, continuing the herd expansion of the last several years (+19.6 per cent compared to 1980). Beef production fell for the fourth year in a row and, with a 19.1 per cent drop to around 72,000 tons, probably reached an historical low. According to revised data, Venezuela, which was self-sufficient in beef until 1985, shows a production deficit in both 1986 and 1987. In the current year consumption (in spite of a per capita decline of more than 20 per cent) exceeded production by almost 30,000 tons. Although no data are available, this suggests increased imports of bovine meat, or live cattle. Unofficial reports suggest that cattle smuggled from Colombia could amount to as much as 300,000 head per year. Furthermore, in order to stop the erosion of beef and veal consumption, reportedly due to strong speculation, the Government should have imported some 25,000 tons of bovine meat during 1987.

	1985	1986	%Change 1986/85	Estimates 1987	%Change 1987/86
Cattle and calf numbers:[1/]	12,167.0	12,532.0	+3.0	12,908.0	+3.0
Beef and veal:[2/]					
Production[3/]	101.1	88.9	-12.1	71.9	-19.1
Consumption[3/]	101.1	96.6	-4.5	99.5	+3.0
Exports[4/]	0.0	3,380.0	-	3,380.0	0.0

[1/] '000 head [2/] '000 tons [3/] Cows [4/] Live cattle, head

Ghana

After a slight decline in 1985, probably due to droughts, cattle herds in Ghana rose by 1.3 per cent, to 1,554,000 head in 1986. Cattle numbers have risen sharply in the last few years, and since the beginning of the decade, have more than doubled. Apparently reflecting lower cattle slaughters, production of beef and veal fell by 4.2 per cent in 1986, to close to 15,000 tons. Since 1980 and in spite of important variations from year to year, beef and veal output has risen by an annual average of almost 12 per cent. Virtually all the meat produced is consumed locally. Consequently, it can not only be assumed that total consumption has risen annually by the same percentage, but also that, like in many other African countries, the potential for strongly increased consumption is there.

Indeed, it can be estimated that per capita consumption of beef and veal scarcely exceeds 1 kg. Ghana has imported 1,000 to 1,600 live animals per year over the last four to five years, and declining quantities of bovine meat (around 5,000 tons in 1982 and no more than some 90 tons in 1984). In 1986 there were no imports at all. (Ghana reports surprisingly high bovine meat stock levels which would have averaged more than 200,000 tons in the last few years and would be as high as 248,000 tons in 1986. Taking into account production, consumption and trade levels, this appears to be a statistical error).

	1984	1985	%Change 1985/84	1986	%Change 1986/85
Cattle and calf numbers:[1/]	1,543.0	1,533.6	-0.6	1,554.0	1.3
Beef and veal:[2/]					
Production	14,344.0	15,300.0	6.7	14,663.0	-4.2
Consumption	14,344.0	15,300.0	6.7	14,663.0	-4.2
Imports	88.7	0.0	-100.0	0.0	0.0

[1/] '000 head [2/] '000 tons

II. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT SECTOR

Estimates by the secretariat suggest that world production of pigmeat, after rising by more than earlier expected last year (+3 per cent), has fallen by around 1 per cent in 1987 to some 56,200 tons. This was by and large due to an estimated 6 per cent drop in the production of the world's largest producer of pigmeat: China. At close to 17 million tons, roughly 30 per cent of the world's total output, Chinese production was about 1 million tons below last year's level. The reasons for this decline were basically feedgrain shortages (partly provoked by strong corn exports) and consequently strongly increased prices (reportedly, 70 per cent of feedgrains are now sold on the free market, at higher prices than those offered by the Government). As a result, an increasing number of farmers would be shifting from pig to more profitable cattle or sheep raising. Pig numbers fell and sow slaughter increased markedly from the end of last year up to, and during, recent months. However, official reports indicate that sow slaughter is easing and measures introduced by the Government are expected to alleviate the pressure on feedgrain prices. Chinese output of pigmeat is thus projected to recover as from next year.

In 1987, and with the possible exception of the USSR (fourth world producer with an estimated 5,850 million tons, or 10 per cent of the world total), production has increased in virtually all other major producing countries or areas. In the European Community, the world's second producer with a 22 per cent share, it should show a 1.4 per cent rise, to 12,320,000 tons. In the United States (third world producer with an 11 per cent share) it grew to 6,420,000 tons (+0.7 per cent) and in Japan by an estimated 1.6 per cent, to 1,575 million tons. The reason for these increases has generally been lower production costs provoked by low feedgrain prices. With practically all these countries projecting higher production levels and the above-mentioned increase in China, the world's pigmeat output should rise by 4-5 per cent, to some 58,600 million tons in 1988.

World trade of pigmeat, which represents only some 3 per cent of production, seems to have risen by some 7-8 per cent in 1987. World exports would have totalled slightly more than 1,800 million tons and the rise was essentially due to higher exports by a number of eastern European countries (Democratic Republic of Germany, Poland and Romania), Yugoslavia and Taiwan. Exports were also up in Canada, while the EC, which introduced storage aid last January, and is faced with increasing stocks, should have exported roughly the same quantities as last year. Stimulated by higher consumption, especially in Japan, imports are estimated to have risen in the United States, Japan and Hong Kong by 4-5 per cent, while they should have remained stable in the USSR. The projected production rise for 1988 should occur not only in some major exporting countries, but also in some major importing ones. Consequently, it can be expected that next year, international trade in pigmeat will shrink and will be faced with strongly increased competition.

TABLE I

SELECTED COUNTRIES' TRADE IN PIGMEAT[1]

IMPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
UNITED STATES[2]	509.0	533.0	4.7	510.0	-4.3
JAPAN[2]	297.0	310.0	4.4	340.0	9.7
HONG KONG[2]	221.0	230.0	4.1	235.0	2.2
USSR[2]	261.0	260.0	-0.4	260.0	0.0
EC	100.0	100.0	0.0	100.0	0.0
POLAND	16.0	24.0	50.0	30.0	25.0
BRAZIL	38.0	70.0	84.2	2.0	-97.1
OTHERS	79.0	85.0	7.6	64.0	-24.7
TOTAL	1,521.0	1,612.0	6.0	1,541.0	-4.4

EXPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
EC	345.0	345.0	0.0	350.0	1.4
CHINA[2]	238.0	247.0	3.8	266.0	7.7
CANADA	215.0	240.0	11.6	270.0	12.5
GERMANY, DEM. REP.[2]	210.0	230.0	9.5	220.0	-4.3
HUNGARY[2]	133.0	145.0	9.0	160.0	10.3
ROMANIA[2]	135.0	140.0	3.7	150.0	7.1
TAIWAN[2]	123.0	155.0	26.0	155.0	0.0
POLAND	106.0	112.0	5.7	122.0	8.9
SWEDEN	53.0	37.0	-30.2	21.0	-43.2
UNITED STATES	39.0	45.0	15.4	54.0	20.0
OTHERS	75.0	127.0	33.7	143.0	12.6
TOTAL	1,692.0	1,823.0	7.7	1,911.0	4.8

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

[2] Source: USDA, World Livestock and Poultry Sitaution, September 1987

III. SITUATION AND OUTLOOK IN THE INTERNATIONAL POULTRY MEAT SECTOR

Boosted by low feedgrain prices (especially over the last few years), increased demand and a well integrated industry in a rising number of countries, world production of poultry meat has risen by around 30 per cent since the beginning of the decade. In 1987, and compared to a year ago, the increase can be estimated at around 6 per cent, to slightly more than 29 million tons. This is the strongest rate of increase of the last few years, and (although once again it reflects higher production for most countries for which data are available) was largely due to a 10 per cent rise in the United States. By far the world's leading producer of poultry meat (around 30 per cent of world production), this country produced more than 9 million tons of poultry meat in 1987. With production costs sharply down, largely due to depressed feedgrain prices, lower beef supplies and an expanding demand for poultry meat, conditions are set for output to continue to rise. Indeed, consumption is expected to increase by almost 9 per cent, to more than 8.5 million tons, reflecting not only low retail prices, but also the supply of a large variety of products. Although prices continue to slide down, and profitability margins shrink, there still seems to be room for further production rises and indeed, current estimates suggest a 5 per cent increase for 1988.

In the European Community, the world's second largest producer of poultry meat with a 20 per cent share, poultry meat production was expected to increase by 1.3 per cent (to 5,550,000 tons), a lower rate of increase than year earlier. However, following higher than expected placings of broiler chicks, production of broilers in the first eight months of the year is estimated to have risen by close to 7 per cent. As a result, total poultry meat output should increase by significantly more than expected. As in the United States (and indeed in many other countries), production costs are down and, even though prices are depressed, they are still profitable and supported by strong and rising demand. While the output growth in the USSR is estimated to have accelerated (+7 per cent, to 3.1 million tons), in Brazil and as in 1986, production was boosted by strong domestic demand resulting from the low availabilities of red meat. The increase is estimated at 13 per cent, to 1,920,000 tons.

World trade of poultry meat is estimated to have expanded markedly in 1987. Exports may have been around 1.4 million tons, 8 per cent more than last year. The United States alone accounted for some 85 per cent of the increase (up by 90,000 tons on last year), largely as a result of the Export Enhancement Programme (EEP). The EEP[1] for poultry meat is targeted at Egypt, the Canary Islands, Iraq and the Dominican Islands, and the quantity available under the programme for export to these countries is, for the 1986/1988 fiscal years, 140,500 tons. Apart from Hungary and Romania, both reported to have raised their exports, the two other major world exporters have seen their sales abroad decline.

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[1] See also page 23, paragraph 35, of IMC/W/62.

The European Community, world export leader for many years, projected a drop in exports of almost 3 per cent to an estimated 320,000 tons in the current year. Even if this projection appears now somewhat outdated and exports to the Middle East (where the Community retains the largest market share) may show some increase by the year end, total exports are still expected to fall. In 1987, the United States probably became the first world exporter of poultry meat. Reflecting strong domestic demand, Brazilian exports are estimated to fall by 2.5 per cent. In order to overcome this shortage of export availabilities, the authorities implemented a feedgrain price support for the production of poultry meat aimed at the export markets. Thailand has emerged as a major exporting country in recent years and, with more than 90,000 tons sold this year, should rank fifth world exporter. Its major market is Japan.

Import demand continued to decline in the Middle East (the increase in total imports there is solely due to the United States sales to Irak under the EEP), and especially in Saudi Arabia where a 25 per cent drop in imports is expected. Poultry meat output, supported by strongly growing demand, has risen steadily in these countries in the last few years as the result of efforts to increase self-sufficiency. However, some sources suggest that consumption of poultry meat is now reaching its saturation level in most of this region's countries. Without a doubt, the best market opportunities developed during 1987 were in the region of Asia. Japanese imports (which accounted for more than 80 per cent of the region's import rise) went up by 15 per cent, due to sharply increased consumption and a strong yen. Imports by other countries, such as Hong Kong were also higher. At this stage, it is difficult to make projections for the short to medium term. However, poultry meat trade is expected to decline somewhat in 1988.

TABLE II

SELECTED COUNTRIES' TRADE IN POULTRY MEAT[1]

IMPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
MIDDLE EAST[2]	249.0	270.0	8.4	225.0	-16.7
USSR[2]	175.0	155.0	-11.4	150.0	-3.2
HONG KONG[2]	123.0	128.0	4.1	130.0	1.6
JAPAN[2]	175.0	201.0	14.9	206.0	2.5
EGYPT[2]	50.0	65.0	30.0	85.0	30.8
EC	72.0	80.0	11.1	77.0	-3.8
OTHERS	147.0	151.0	2.7	137.0	-9.3
TOTAL	991.0	1,050.0	6.0	1,010.0	-3.8

EXPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
UNITED STATES[2]	276.0	365.0	32.2	318.0	-12.9
EC	329.0	320.0	-2.7	310.0	-3.1
BRAZIL[2]	236.0	230.0	-2.5	250.0	8.7
HUNGARY[2]	181.0	210.0	16.0	210.0	0.0
THAILAND	76.0	91.0	19.7	100.0	9.9
ROMANIA[2]	60.0	70.0	16.7	80.0	14.3
BULGARIA	29.0	20.0	-31.0	20.0	0.0
OTHERS	109.0	94.0	-13.8	105.0	11.7
TOTAL	1,296.0	1,400.0	8.0	1,393.0	-0.5

[1] '000 tons, ready-to-cook basis. Unless otherwise specified, data are taken from replies to questionnaire, or are estimates by the GATT secretariat.

[2] Source: USDA, World Livestock and Poultry Situation, September 1987.

IV. SITUATION AND OUTLOOK IN THE INTERNATIONAL SHEEPMEAT SECTOR

Depending on the sources, world production of sheepmeat is estimated at around 5.4 to 6.2 million tons annually. Available data suggest a production level of 5,470,000 tons for 1987, up by some 1 per cent from year earlier. This was by and large due to a 7-8 per cent rise (to 940,000 tons) in the European Community which, when Spain and Portugal joined, became the first world producer of sheepmeat, followed by the USSR. In New Zealand, the world's leading exporter of sheepmeat (more than 50 per cent of world trade), production fell by 1.2 per cent in the season ending last September. Mutton production increased sharply (24.4 per cent) reflecting the carry-over provoked by the 1986 strikes, but lamb output fell by almost 13 per cent due to low producer prices and strongly reduced carcass weights. In the current season, however, lamb production is recovering, while that of mutton should decline. Overall sheepmeat production is expected to go up by close to 1 per cent. In Australia, the sheep industry profitability continues to expand as a consequence of rising prices for wool, skins and meat. In the 1986/87 season, sheepmeat output followed the same trends as in New Zealand and rose by 1 per cent. Mutton production rose by 12 per cent, while that of lamb fell by 8 per cent. In the current season, mutton output is projected to decline by 7 per cent reflecting flock expansion, while lamb production is expected to rise by 5 per cent.

Provoked by the strikes of early in the year and the withdrawal of support schemes, New Zealand exports of sheepmeat fell by 11 per cent in 1986, to 519,000 tons. In the current year, and although there has been a return to more normal conditions, exports may still have fallen by around 1 per cent. Australian sheepmeat exports rose by 35 per cent to 158,000 tons in 1986, benefiting from the difficult supply situation in New Zealand. During the first eight months of 1987, exports fell by 0.7 per cent, and are estimated to fall by 2 per cent by the year end. Although not much information is available, market conditions reportedly remain interesting due to strong import demand in the Middle East, Japan and North America, but this will probably not impede exports by both countries from declining further in 1988.

TABLE III

SELECTED COUNTRIES' TRADE IN SHEEPMEAT[1]

IMPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
EC	233.0	240.0	3.0	245.0	2.1
JAPAN	159.0	155.0	-2.5	160.0	3.2
USSR[2]	39.0	42.0	7.7	43.0	2.4
EGYPT[2]	6.0	7.0	16.7	8.0	14.3
OTHERS	41.0	52.0	26.8	54.0	3.8
TOTAL	478.0	496.0	3.8	510.0	2.8

EXPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
NEW ZEALAND	519.0	513.0	-1.2	504.0	-1.8
AUSTRALIA	158.0	155.0	-1.9	152.0	-1.9
ROMANIA[2]	45.0	45.0	0.0	45.0	0.0
TURKEY[2]	35.0	35.0	0.0	40.0	14.3
BULGARIA[2]	30.0	30.0	0.0	30.0	0.0
INDIA[2]	15.0	21.0	40.0	24.0	14.3
KOREA, Rep. of[2]	14.0	14.0	0.0	15.0	7.1
OTHERS	43.0	48.0	11.6	48.0	0.0
TOTAL	859.0	861.0	0.2	858.0	-0.3

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

[2] Source: USDA, World Livestock and Poultry Situation, September 1987.