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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), thereof. The note presents a summary of the international situation and outlook for bovine meat and specific elements of the world beef economy on a country-by-country basis. (Summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat will be published as an addendum.) In the preparation of this document, the following sources, inter alia, have been used: several USDA reports; In Brief, Australian Meat and Livestock Corporation, various issues; European Weekly Market Survey, Meat and Livestock Commission, various issues; Weekly Information Bulletin, Junta Nacional de Carnes, various issues; Informe Ganadero, Buenos Aires, various issues; Marché International du Bétail et des Viandes, CFCE, various issues; current World Meat Situation and Short-Term Outlook, FAO, March 1989; and responses to the questionnaire submitted by 22 May 1989.

Although summaries of significant trade policy developments in the bovine meat sector (or which may have a close impact thereon) in individual countries, have been included in this note, the attention of participants is called to the documents of the IMC/INV/- series which are currently being published according to the three-year rule of the Rules of Procedure. The coverage of policy developments in the present note may not be exhaustive and sources used vary widely from country notifications to the GATT, to press reports.

NB: The countries whose names are followed by an asterisk (*) are those for which the secretariat had no new data. For these countries, the text of the last "The International Markets for Meat, 1988/89" has been reproduced.

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KEY ISSUES - KEY ISSUES

1988

1. Beef and veal product fell for the first time in the last few years
2. Import demand strengthened and the volume of trade increased sharply
3. Export availabilities were down in some major exporting countries
4. International bovine meat prices remained attractive for the second consecutive year
5. Production costs went up reflecting higher forage and feedgrain prices (due to the North American drought)
6. Japan began to liberalize beef imports and the Republic of Korea resumed its own
7. EC production and stocks were down
8. Brazil was strongly back on the export scene
9. The United States requested "VRAs" from both Australia and New Zealand for the second consecutive year

1989

1. The United States dollar value against most other currencies is increasing
2. Beef and veal supplies continue to decline
3. Import demand remains strong
4. Export prices so far have risen significantly. They could rise further in the near future
5. Oil prices are going up, favouring beef demand in oil-exporting countries
6. Brazilian beef exports were suspended last March, and imports resumed
7. EC stocks so far have continued to fall and should decline further
8. The new EC beef régime entered into force last April
9. A partial solution for the EC/United States hormone dispute was agreed

I. MAJOR FEATURES OF THE ECONOMIC SITUATION AND OUTLOOK

1. Revised figures for economic growth in 1988 indicate a rise of 4.1 per cent in industrial countries and 4.3 per cent in developing countries¹, thus showing an upward revision for both groups. For the former, the revision is due to an underestimation of real economic growth: while previous estimates for inflation in 1988 in industrial countries proved to be correct (+3.1 per cent on year earlier), those for the rise in real domestic demand were smaller than the rise registered in early 1989. For the latter, revision can be explained mainly by higher exports and, in a number of countries, by an increase in domestic demand. However, divergence in the growth among these countries continued increasing: while the real growth of the GDP in the Newly Industrialized Countries (NICs) of Asia was up by 10.5 per cent, it was only up by 1.1 per cent in the fifteen heavily indebted countries. As regards forecasts for 1989, a slowdown is expected in both industrial and developing countries, and economic growth should attain 3.3 per cent in these two groups. Inflation rates in industrial countries should be higher in 1989, and some of the large industrial countries have already tightened monetary policy as a risk of inflationary pressures appeared. Inflation in the developing countries rose again in 1988, but in 1989 it is expected to decrease from 67.1 per cent to 45.5 per cent. Unemployment in 1988 reached 7 per cent in the industrial countries, and it should continue its downward trend in 1989 and 1990. As regards trade, according to GATT experts, the volume of world trade in merchandise in 1988 is estimated to have grown at a rate of 8.5 per cent, which is, together with the 1984 rate, a record for the 1980's. All countries have gained with this situation, but the OPEC members are those whose gains have been smaller. In 1989, if inflation can be controlled, and if the world market can be kept open, the growth rate of trade is expected to be much higher than the average for 1980-1988.

¹IMF World Economic Outlook, April 1989

II. THE INTERNATIONAL SITUATION AND OUTLOOK IN THE BOVINE MEAT SECTOR

Situation in 1988 ...

2. In 1988, the situation in the bovine meat sector was characterized by lower beef and veal supplies for the first time in the last few years. The fact that this decline occurred in major importing areas, such as North America and East Asia (Japan, Korea) meant resulting strengthened import demand. This recovery of import demand was accentuated by steps to liberalize beef trade (this was the case in Japan whose higher import quota was one of the improvement measures prior to the termination of the import allocation system due to occur on 1 April 1991 and in Korea where an import quota was established after three years of bans on imports). However, lower beef and veal supplies also occurred in some major exporting countries, where reduced export availabilities (Australia, Argentina) implied reduced domestic consumption to allow for higher exports.

3. The conjunction of increased import demand and reduced export availabilities resulted in profitable prices in international trade. In the "foot-and-mouth disease-free zone" profitable prices clearly meant increased prices, at least when expressed in United States dollar terms (expressed in national currencies, prices were in some cases below 1987 levels, in Australia, for example). In the "foot-and-mouth infected area" prices fluctuated somewhat (generally from higher at the beginning of the year, to lower thereafter) and although the year end average trend was a declining one, compared to year earlier, they were stronger than the 1982-86 average.²

4. Another characteristic of the 1988 situation in the bovine meat sector was the increase in production costs due to higher forage and feed prices, as a result of the North American drought (and late frosts and also drought conditions in South America). This rise in feedstuff prices seems nevertheless to have had the "advantage" of provoking more sharp increases in the prices of competing meats in some countries, thus rendering beef more competitive. Finally, and important enough for the improved health (especially in the near future) of the bovine meat sector was the evolution of European Community intervention stock levels which dropped by as much as 42 per cent, although it can be argued that this drop was only possible thanks to increased exports (which may have been at least partly responsible for the price level-off in the "foot-and-mouth disease area").

... and in the first months of 1989

5. Even if not many data are available for the first half of 1989, there are already enough indications to suggest the continuing improvement of the

²Furthermore, more detailed price analysis for this area also suggests that the drop in average export prices is in some cases due more to the switch from sales of more valued product, such as high-quality beef, to a less valued one, such as for example, canned meat (i.e., Argentina) than to the levelling-off of international prices.

bovine meat sector situation: North American import demand remained strong as a result of tighter supplies in the United States of all types of meat and especially manufacturing beef. This resulted in escalating prices for the imported product, which was further supported by low Australian export availabilities (even if Australian producers have only been benefiting from the rise since the end of February when the United States dollar began to rise). Argentina and Uruguay show significant export price rises (close to 10 per cent) although Argentinian sales dropped due to low export availabilities. The price rise is partly due to the resurgence of a serious supply situation in Brazil. Indeed, there was not only a surge in Brazilian imports (from Argentina, Uruguay and the EC), but also (last March) a suspension of exports which can only but allow the other two South American countries to place more product in markets such as those of the United States (for canned meat), and the Middle East and East Asia (for frozen product).

6. A further indication of an improving situation is the continuing decline of EC stock levels which, at the end of last February, were at half their level of year earlier (even more encouraging was the low level of intervention buying-in). Furthermore, the new EC beef régime (which reduces producers' support) was finally agreed and entered into force last April. Finally, as with all products, beef and veal trade value in the first half of 1989, and especially during the last few weeks, has again been reliant on the appreciation of the United States dollar, with all the attendant beneficial implications for ... exporters, and the less agreeable implications for importers ...

Outlook

7. Despite an expected slowdown in economic growth for both industrial and developing countries, participants' projections for 1989 and the above-described developments during the first months of the year suggest the continuation of an improved picture for the sector: improved producer prices in an increasing number of countries leading to increased cattle herd retention and a resulting drop in beef and veal production. Cattle numbers are expected to increase (or stabilize after years of herd reduction) in the United States, Canada, Australia and Japan, among some of the major producing countries, and beef and veal production should fall in the United States, the European Community, Argentina, Brazil and New Zealand. It should rise only marginally in Australia, Uruguay, and (if at all) in the USSR. In the light of these developments, conditions seem to be set for the continuation of strengthening prices on international markets.

8. Prospects for strengthening prices are valuable for both the "foot-and-mouth disease-free area" and for the area where the disease is endemic. However, the price rise could be stronger in the former than in the latter. In the "disease-free area", the progressive opening of the Japanese market and the possibility of the further opening of the Korean market, coupled with strong import demand from North America appear to be factors which "guarantee" good prospects for the near future. In the "foot-and-mouth disease area", the price rise remains dependent on a number of imponderables, one of the major ones now probably being how far the

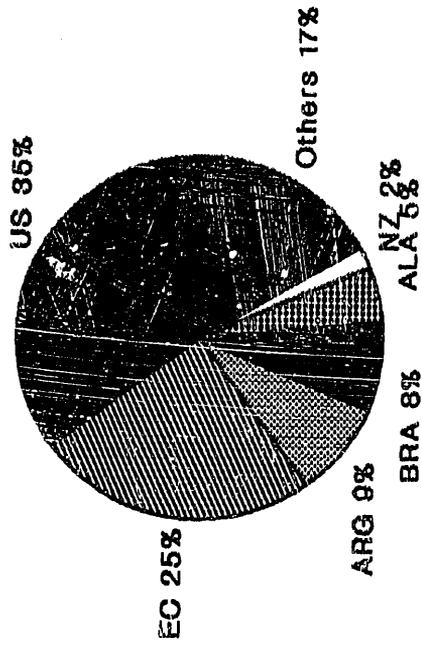
increase in the United States dollar value will go. Faced with debt reimbursement burden, limited foreign exchange constraints and higher prices of other commodities, particularly those of "more importance" than beef and veal, a large number of importing countries in this area (among them numerous developing countries) will have difficulties in coping with higher beef and veal prices (and thus will limit the scope of price rises). In any case, major drops in EC stock levels (and production) as well as low export availabilities in this region's major traditional suppliers (the EC, but also South American exporters, especially Brazil), coupled with stronger oil prices, are important reasons for also expecting a price rise in this area.

9. It could be noted that the strength of the international beef markets is currently more often related to supply developments rather than domestic demand. This is the case in North America, especially in the United States, where rising retail beef prices coupled with declining but still largely available competing meats, continue to depress beef demand. This is furthermore the case in many other participating countries where beef and veal consumption, while not necessarily declining, is at least stagnant. However, higher forage and feedgrain prices following last year's North American drought are resulting in the increasing prices of competing meats, which appears to favour bovine meat intake.

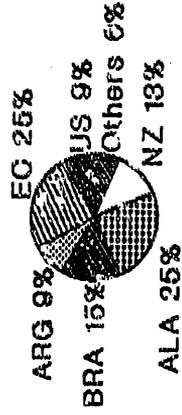
10. The conclusion is that 1989 (probably continuing also into 1990) appears to be one of the best years of this decade for the bovine meat international trade, whose value, in United States dollar terms, may rise substantially, even if its volume is expected to fall significantly.

BOVINE MEAT - 1988

Production and Exports



PRODUCTION: 30.951



EXPORTS: 3.894

(Million tons, Participating Countries)

SELECTED COUNTRIES' TRADE IN BEEF AND VEAL^{1/}

A. EXPORTS

	1987	1988	%CHANGE 1988/87	FORECAST 1989	%CHANGE 1989/88
ARGENTINA	287	320	11.5%	400	25.0%
AUSTRALIA	911	902 ^{2/}	-1.0%	900	-0.2%
BRAZIL	297	550 ^{2/}	85.2%	400	-27.3%
CANADA	91	89	-2.2%	107	20.2%
EC	865	900	4.0%	630	-30.0%
NEW ZEALAND	432	462	6.9%	435	-5.8%
UNITED STATES	277	313	13.0%	322	2.9%
URUGUAY	93	131	40.9%	166	26.7%
OTHERS ^{3/}	262	227	-13.4%	225 ^{2/}	-0.9%
TOTAL	3,515	3,894	10.8%	3,585	-7.9%

B. IMPORTS

	1987	1988	%CHANGE 1988/87	FORECAST 1989	%CHANGE 1989/88
BRAZIL	136	30	-77.9%	100	233.3%
CANADA	136	165	21.3%	160	-3.0%
EC	411	425	3.4%	435 ^{2/}	2.4%
JAPAN	329	389	18.2%	450 ^{2/}	15.7%
UNITED STATES	1,040	1,091	4.9%	1,009	-7.5%
USSR ^{2/}	142	200	40.8%	200	0.0%
AFRICA	400	420	5.0%	430 ^{2/}	2.4%
OTHER ASIA ^{4/}	124	146	17.7%	175	19.9%
MIDDLE EAST ^{4/}	125	132	5.6%	137	3.8%
EASTERN EUROPE ^{2/}	61	115	88.5%	114 ^{2/}	-0.9%
OTHER EUROPE	98.7	69	-30.1%	62 ^{2/}	-10.1%
TOTAL	3,003	3,182	6.0%	3,272	2.8%

^{1/} '000 tons carcass weight equivalent, includes fresh, chilled, frozen, cooked, canned and otherwise prepared bovine meat; excludes carcass weight equivalent of live cattle.

^{2/} Secretariat estimates

^{3/} Includes all other exporting countries participating in the Arrangement Regarding Bovine Meat. Estimates by the secretariat

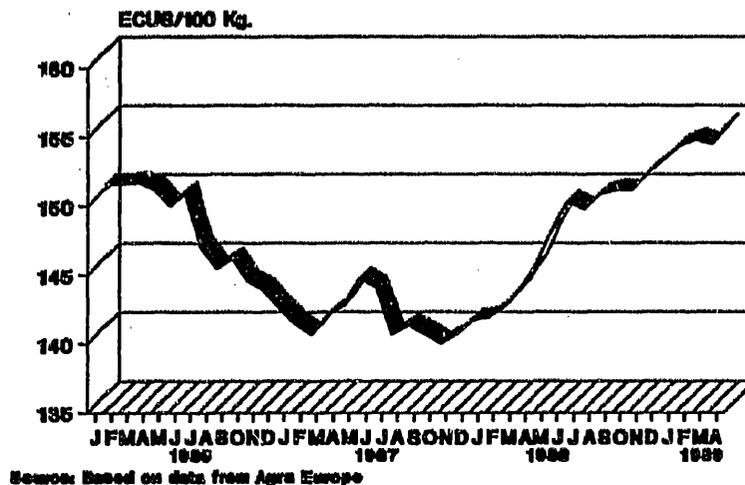
^{4/} Source: USDA World Livestock Situation, October 1988

III. COUNTRY-BY-COUNTRY ANALYSIS

European Community

11. Cattle and calf numbers in the European Community fell by an estimated 1.4 per cent in 1988, to 78.3 million head. The fall was not only due to a 2.8 per cent drop in dairy cows, but also to the decline of virtually all other categories of cattle, with the exception of beef cow numbers which were up by 2.3 per cent. (Dairy cow numbers were down in all member countries with the exception of Portugal, while beef cow numbers were up in all countries except France, whose beef herd represents more than 40 per cent of the total beef herd of the Community.) Dairy cow numbers are expected to fall by a further 1.7 per cent this year and, following the extension of the milk quota system until 1992, could continue to decrease until the mid 1990's. Preliminary data show a 6.4 per cent decline in cattle slaughter (the strongest decline was that of cows and calves), partly reflecting producers' improving prices, which resulted in a 5 per cent fall in beef and veal production, to 7.7 million tons. This downward trend in cattle slaughter is expected to continue this year as a result of continuously firming prices (current estimates see average EC producer

EC - ADULT CATTLE PRICES Live weight



prices up by more than 4 per cent this year). Production will fall accordingly even if at a lower rate (-2.8 per cent) than slaughter (-3.5 per cent) as a result of increasing slaughter weights and rising numbers of beef cows. This tendency towards rising slaughter weights and increasing numbers of beef cows is expected to develop further in the future and, already in 1990, production is projected to rise somewhat in spite of an expected slightly lower slaughter fall. Partly as a result of this trend, projections put production over 8 million tons again in 1993.

12. In 1988, per capita beef and veal consumption in the European Community increased slightly (+0.4 per cent) as a result of higher consumer expenditure. However, analysis shows that the consumption of other meats

also increased and indeed much faster: pigmeat by 0.8 per cent; poultry meat by 3 per cent and sheepmeat by 2.6 per cent. Recently revised data for the current year maintain beef and veal consumption at a higher level than production, thus confirming the idea that for the first time in years, as a result of the decline in production, but also of the rise in consumption, the EC will not be self-sufficient in bovine meat.

13. As a result of higher concessionary beef import quotas, total beef and veal imports in 1988 increased by 3.4 per cent, to 435 thousand tons (for details on last year's quotas, see "The International Markets for Meat, 1988/89"). The beef import quotas adopted for 1989 are the following: frozen beef ("GATT quota"); high-quality beef import quota ("Hilton quota") and the Australian buffalo meat import quota, all three at the same levels as in 1988, i.e., 53,000 tons; 34,300 tons and 2,250 tons respectively. The "manufacturing beef balance sheet quota" was raised from 12,000 tons last year to 20,000 tons and, as a result, "the autonomous import quota" of high-quality beef (opened to compensate third countries for the lower level of manufacturing beef quotas under the balance sheet scheme) was lowered from 8,000 tons to 6,000 tons. The "live young male animals balance sheet quota" was increased from 164,000 head to 175,000 head. The EC-ACP countries' quota was kept unchanged at 38,100 tons. Overall beef and veal imports are projected to increase by some 2.4 per cent. Imports of live cattle, which last year remained practically unchanged at 665 thousand head, may increase by 1.5 per cent in 1989, reaching 675 thousand head.

14. Bovine meat exports in 1988 went up by 4 per cent to 900,000 tons. In a time of decreasing production, this export performance (roughly equal to Australia's) was only possible thanks to still high, albeit falling, stock levels and increased export restitutions to counteract a declining United States dollar. By the year end, intervention stock levels were nevertheless down by as much as 42 per cent, to 451 thousand tons, as a result of increased sales to Yugoslavia, Poland and Iran. The last stock data (unofficial) available to the secretariat refer to the end of February 1989. By then, public stocks were slightly above 346 thousand tons, almost half the level of year earlier. The reasons for this were extremely reduced purchases into intervention (only about 10 thousand tons compared to 51 thousand tons for the same period - January to February 1988) due to rising cattle prices (which limit the eligibility to intervention). Intervention sales, although lower than the same period last year, largely exceeded purchases. Forecasts for the year end put intervention stocks at 176 thousand tons. There is no more news about the end of last year's negotiations for a 200,000-ton sale to the USSR and although the EC is known to be selling part of the 100,000 tons which Brazil has reportedly already started to buy abroad, no details on quantities are available. Current forecasts put Community exports by the end of 1989 at 630 thousand tons, which represents a sharp 30 per cent drop and the lowest export level since 1983. Exports of live cattle, which at 120 thousand head in 1988 were already almost 30 per cent down, are also expected to fall this year to some 100 thousand head.

Policy developments

15. The EC hormone ban entered into force last 1 January. The United States announced expected retaliation measures and the EC brought the question to the GATT Council. A task force composed of United States and EC experts was set up to analyse possible solutions to the problem, and a partial agreement (covering carcass beef, but not offal) was reached in the form of a certification system for United States meat which guarantees that the product has not been treated with hormones and can be sold on the EC market. Both parties maintain their respective positions, the United States claiming that there is no scientific basis for the EC hormone ban, and the EC complaining to the GATT Council that the United States retaliation (which was not lifted after the partial agreement, but reportedly will be reduced in line with the amount of United States beef exported to the Community) is illegal. The task force deadline for finding a final solution was extended until 15 June 1989.

16. A new beef régime was agreed as from last April. Its main points are the following: for public intervention: (1) buying-in prices are fixed under a tendering system and operate only when (a) the EC average market price is below 88 per cent of the intervention price, and (b) the market price for the individual member state or region is below 84 per cent of the intervention price; (2) a ceiling on buying-in of 220,000 tons per year will apply except in circumstances defined by the EC Commission or in the case of a significant decline in market prices. Carcasses are eligible for intervention; (3) private storage aid is maintained as an option.

17. As far as the premiums are concerned, harmonization among EC member countries was decided as follows: (1) both the variable and calf premiums were terminated as of 3 April 1989; (2) the suckler cow premium was increased (from ECU 5 to 40 per head); and (3) the special beef premium paid for male animals was also increased (from ECU 25 to 40 per head) and the number of eligible animals would be increased from 50 to 90 head. For further details, see IMC/INV/2/Rev.3.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	79,450.0	78,330.0	-1.4	78,500.0	0.2
Beef and veal ^{2/} :					
Production	8,139.0	7,720.0	-5.1	7,500.0	-2.8
Consumption	7,520.0	7,570.0	0.7	7,645.0	1.0
Imports	411.0	425.0	3.4	435.0	2.4
Exports	865.0	900.0	4.0	630.0	-30.0
Stocks ^{3/}	886.0	581.0	-34.4	226.0	-61.1
of which:					
intervention	776.0	451.0	-41.9	176.0	-61.0

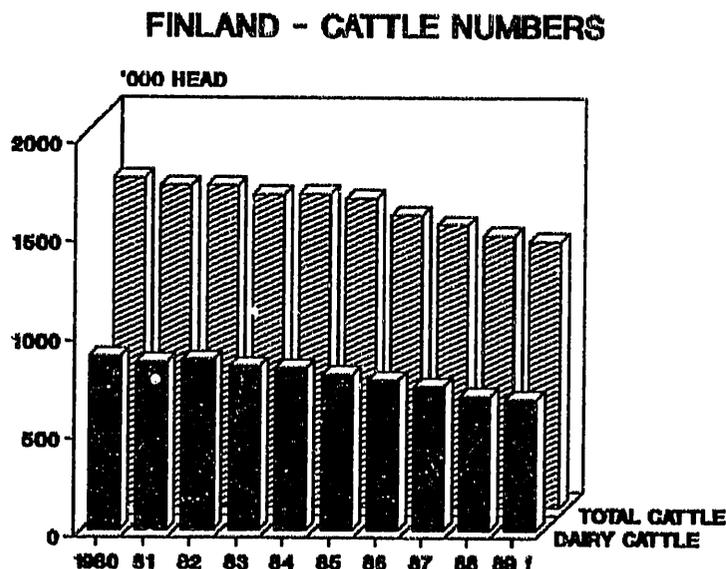
^{1/}, 000 head, December

^{2/}, 000 tons

^{3/} Total stocks, 31 December

Finland

18. Last year, at 1,379 million head, cattle and calf numbers declined by almost 4 per cent. Even if this fall is 1 per cent higher than projected last December, partly as the result of a crop failure for the second year in a row, the main reason for the decline remains the same as for the last few years: the impact of the dairy cessation programmes. In 1988, dairy cows constituted the only category of cattle whose numbers fell. The drop



was of more than 9 per cent (representing 53,200 head, close to 40 per cent of which was due to the dairy termination programme) and a further 3.5 per cent fall is expected for the current year. As a result of the decline in cattle numbers, total cattle slaughter has been falling in the last few years.

19. Mainly a by-product of dairy farming, the production of bovine meat can only but reflect the decline in dairy cattle numbers (see graph). Indeed, although beef cattle increased somewhat and many steers and heifers are crossbreeds of dairy and beef cows, beef and veal production in 1988 fell by almost 10 per cent, to 112,000 tons. This provoked a shortage of domestic beef supply and consequently, producers' prices were continuously more than 5 per cent above the target price and, as stipulated by the Farm Income Act, import licences were delivered and imports (on which quantitative restrictions are imposed) allowed. This shortage of domestic supply was aggravated by a slightly higher consumption (to 20.9 kg. per capita) probably due to increasing consumers' disposal income. However, the consumption of bovine meat has remained rather stable in the last few years (and is expected to continue to be so next year), in spite of rising incomes, as the income elasticity of demand for meat (and in fact agricultural products in general) is small. Factors such as health considerations are believed to have a stronger impact on meat intake than economic ones (see also IMC/INV/9/Rev.4).

20. Bovine meat imports totalled 2.5 thousand tons in 1988, of which 2.3 thousand (at an average value of US\$2,539 per ton c.i.f.) were fresh and chilled meat coming, in particular, from Denmark. Traditionally exporting annually 20-22,000 tons of beef and veal over the last few years, Finland saw export levels affected by the domestic production shortages last year and exported only some 10 thousand tons. The type of product exported was by and large canned and cooked meat (including processed meat - sausages) and the major markets were Egypt and the United States). Along with lower production levels, projected to drop by a further 6 per cent this year, Finland is not, at this stage, foreseeing that exports will continue in 1989.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	1,434.2	1,379.0	-3.8	1,351.0	-2.0
Beef and veal ^{2/} :					
Production	123.4	111.5	-9.6	105.0	-5.8
Consumption	102.9	103.8	0.9	104.0	0.2
Exports	22.0	10.0	-54.5	0.0	-100.0
	^{1/} ,000 head, 1 December			^{2/} ,000 tons	

Sweden

21. Contrary to earlier estimates, cattle and calf numbers in Sweden did not fall last year, but increased modestly, to 1,662 million head. This was the first increase in the Swedish cattle herd since 1982 and was the result of the combination of the slowdown in the decline of dairy cow numbers and the increase in the numbers of all other categories of cattle. The announcement of the decision to terminate the two-price system for milk as from 1 July 1989 seems to be at the origin of the recovery of cattle numbers. Dairy cow numbers were down by less than 2 per cent (which compares to -7.1 per cent in 1986 and -4 per cent in 1987) and are expected to increase somewhat this year. Indeed, the numbers of all categories of cattle are expected to increase this year and the next and, should these projections be accurate, cattle numbers will show a 3 per cent increase in 1990 as compared to 1988. Slaughter levels have been falling since 1986 (22 per cent from 1986 to 1988) but at a slower rate in 1988 than in 1987, and they are expected to resume this year.

22. Reflecting the decline in slaughter, beef and veal production fell by 6 per cent last year. A close to 5 per cent rise in the average slaughter weight compared to 1987 partly offset a drop of almost 10 per cent in slaughterings. An increase in weight was still by and large possible

thanks to relatively low feedgrain prices at least during the first half of the year. Higher slaughter levels in 1989 and 1990 should result in increased production for both years.

23. A rebalanced market situation, with sharply reduced surpluses, allowed for the rise in producer prices. During the first half of the year, these prices were up by more than 12 per cent in real terms, but the repercussion for retail prices was relatively modest: real retail prices were up by only 0.8 per cent during that same period. The improvement in the market conditions made it possible to abolish all slaughter fees in the beef sector on 1 July 1988 and, as a result, real producer prices by the third quarter of 1988 were up by 9 per cent when compared to the same period year earlier. It is impossible to verify the impact on retail prices as these are not available for the second half of the year. However, an 11 per cent drop in beef consumption from July to September last year suggests that retail prices went up more sharply. However, the per capita consumption drop was limited to 1.7 per cent for the year as a whole, totalling 17 kg.

24. Again a net importer of bovine meat since 1987, Sweden saw imports rise sharply last year (+34 per cent) to 21 thousand tons. Traditionally an importer of fine beef cuts, Sweden also imported slaughter carcasses and manufacturing beef last year. Representing 63 per cent of total imports, frozen beef and veal came mainly from Poland, Australia (which saw its market share for this type of meat rise from 16.5 per cent in 1987, to 26 per cent) and Yugoslavia. Imports of fresh and chilled product (30 per cent of total imports) came essentially from Poland and Denmark. The average import price was, at US\$4,810 per ton c.i.f., 18 per cent higher than year earlier. Exports of beef and veal were down by 82.5 per cent if compared to the 1985 peak, and by 14 per cent when compared to last year, totalling 6.2 thousand tons. Mexico emerged as a new market and the major one (absorbing some 800 tons, close to half of the quantity of product sold abroad) for frozen meat. Other major markets were the United States and Norway for this same product, and the Federal Republic of Germany for canned and cooked product. The average export price was close to 13 per cent higher than in 1987, reaching US\$1,960 per ton f.o.b. In 1989, Sweden foresees imports down and exports up, a trend which could reverse again in 1990.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	1,655.0	1,662.0	0.4	1,678.0	1.0
Beef and veal ^{2/} :					
Production	134.0	126.0	-6.0	130.0	3.2
Consumption	145.0	141.0	-2.8	138.0	-2.1
Imports	15.7	21.0	33.8	15.0	-28.6
Exports	7.2	6.2	-13.9	8.0	29.0
	^{1/} ,000 head, June		^{2/} ,000 tons		

Norway*

25. Cattle and calf numbers in Norway have been estimated at 981,600 head in December 1988, down by 1.3 per cent from year earlier and by 4 per cent on 1983 levels when they were at their highest level since the mid-1960's. Falling total cattle slaughter last year (-3 per cent) was due to a 17 per cent drop in calf slaughtering and consequently, the increased share of adult cattle in the overall slaughter mix allowed for a slightly higher production of beef and veal which amounted to 77,500 tons (+1.2 per cent).

26. Along with the production rise, estimated beef and veal consumption rose by a similar percentage last year, to 77,000 tons. However, on a per capita basis the rise was of only 0.4 per cent and seems to be due to the increased demand for processed food. Although no retail prices are available, the evolution of wholesale prices suggests that real retail prices went down somewhat, probably also favouring the consumption rise. In the meantime, the per capita consumption of other meats is estimated to have remained relatively unchanged. In 1989, both beef and veal production are expected to decrease to a level close to 76,500 tons. Taking into account the well-balanced market situation last year, Norway, which disposes of a comprehensive system of support and stabilization measures ranging from target and ceiling prices to an import quota system in the beef sector, has not needed to have recourse to any special measures. Imports amounted to a mere 120 tons, and there were no exports. No major changes are expected to occur this year.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	995.3	981.6	-1.4	966.0	-1.6
Beef and veal ^{2/} :					
Production	76.6	77.5	1.2	76.5	-1.3
Consumption	76.1	77.0	1.2	76.5	-0.6
Imports	2.0	0.1	-95.0	1.3	1,200.0
	^{1/} ,000 head, 31 December		^{2/} ,000 tons		

Switzerland

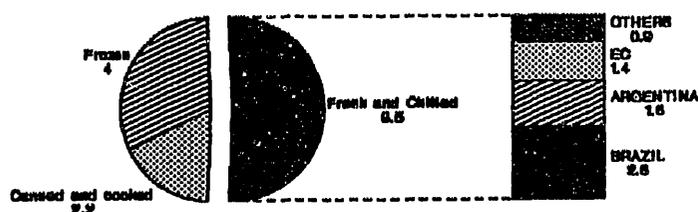
27. According to estimates for the last April census, cattle numbers in Switzerland fell again last year, to 1.8 million head. However, the percentage fall was much lower than year earlier and this was due to a slight rise in dairy cow numbers (for the first time in the last few years,

after a sharp drop in 1987, following stricter dairy quotas) and beef heifers. This rise in beef heifer numbers was due to increased retention by the producers in response to a 9 per cent real price recovery. Falling cattle slaughter (-9 per cent compared to year earlier) also appears to be related to improved prices. Slaughter of all categories of cattle was down, but this declining trend is projected to be reversed in the current year.

28. Reflecting decreased slaughter, but also lower slaughter weights (probably a result of higher feedgrain prices), beef and veal production fell by almost 12 per cent. On the contrary, increased cattle slaughter this year is expected to result in a certain production recovery in 1989. Despite lower real retail prices (-2.5 per cent on average for the year as a whole), consumption of beef and veal fell last year (to 26.7 kg. per capita) due to the production and imports drop. This decrease in beef and veal consumption was again at the expense of cheaper poultry meat whose intake went up by almost 8 per cent while, reflecting higher real retail prices, the consumption of pigmeat decreased by close to 2 per cent. In spite of the expected beef production increase, consumption is seen to be down again this year.

29. Lower production levels could have resulted in increased import levels. In fact this was not the case, and imports were almost 7 per cent down. The gap between production and imports, and the consumption level, was made up by recourse to beef stocks which fell from 9 thousand tons in 1987 to 3.2 thousand tons in 1988. Furthermore, imports of live cattle jumped from 3.7 thousand head in 1987, to 13.5 thousand head in 1988.

SWITZERLAND - 1988 BEEF AND VEAL IMPORTS



'000 M.T. (Product Weight)

Roughly half of the Swiss beef imports were fresh or chilled and the main suppliers last year were Brazil, Argentina and the EC. Argentina and Brazil were also the major suppliers of frozen product, while the EC supplied most of the canned and cooked beef. At US\$3,735 per ton c.i.f., the average import price for frozen beef was 3 per cent higher than in 1987.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	1,857.6	1,808.2	-2.7	1,800.0	-0.5
Beef and veal ^{2/} :					
Production	173.8	153.7	-11.6	159.0	3.4
Consumption	187.0	173.5	-7.2	172.0	-0.9
Imports	13.7	12.8	-6.6	12.0 ^{3/}	-6.3
^{1/} ,000 head	^{2/} ,000 tons	^{3/} Secretariat estimate			

Austria*

30. With a 2 per cent fall in 1988, Austrian cattle and calf numbers continued the downward trend initiated in 1985. All categories of cattle numbers without exception fell, dairy cows showing the major drop in absolute terms: 988,000 head in 1987 and 963,000 head last year. The absence of official data for 1988 and 1989 concerning slaughter, production, consumption and trade makes it difficult, if not impossible, to have a correct picture of the Austrian bovine meat sector. The 1987 1 per cent drop in slaughter rates suggested that cattle herd reduction might be slowing down. Indeed, in spite of slightly higher cow slaughter, adult male cattle culling was somewhat down and calf slaughter, especially, fell by 3 per cent. Higher carcass weights partly compensated for lower slaughter levels, and beef and veal production in 1987 fell by a marginal 0.5 per cent. Meanwhile, and for the second year in this decade, per capita beef and veal consumption went up by almost 1 per cent to 22.6 kg., reflecting relatively unchanged beef retail prices in real terms.

31. Austrian beef and veal exports have been rising steadily in the last few years and, since the beginning of the 1980's they more than trebled, totalling, in 1987, 63,000 tons. Exporting traditionally almost only fresh and chilled product, Austria sold 1,000 tons of frozen product for the first time in 1987. Italy absorbed about 81 per cent of total beef and veal exports, followed by the Federal Republic of Germany which imported some 13 per cent. Also an exporter of live cattle, Austria sold 20,000 head in 1987, of which 13,000 head went to Libya and 4,000 head went to Italy.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	2,637.0	2,586.0	-1.9	2,560.0 ^{3/}	-1.0
Beef and veal ^{2/} :					
Production	237.4	229.0 ^{3/}	-3.5	223.0 ^{3/}	-2.6
Consumption	71.0	171.0 ^{3/}	0.0	171.0 ^{3/}	0.0
Exports	63.0	55.0 ^{3/}	-12.7	50.0 ^{3/}	-9.1
^{1/} ,000 head		^{2/} ,000 tons		^{3/} Secretariat estimates	

Yugoslavia

32. In 1988, cattle and calf numbers in Yugoslavia, at below 4.9 million head, reached their lowest level since at least the beginning of the sixties. Interestingly, dairy cow numbers, which have declined uninterruptedly in the last few years, seemed to have stabilized last year, or even increased somewhat. However, calf numbers show a dramatic fall of close to 40 per cent. The interpretation of such data is difficult, because information concerning production and/or consumption in 1988 is not available. However, the continuous decline in cattle numbers and the analysis of trade data suggest a production fall last year (which may have been of some 3-4 per cent).

33. State-controlled market prices were sharply increased in 1988 in order to cope with extremely high inflation rates and consequently increased production costs. As a result, average retail beef prices went up sharply (+135 per cent in real terms). Although consumption data are not available, such a price rise, in the country's current difficult economic situation, seems to preclude any increase in the 14.2 kg. of beef consumed per capita in 1987.

34. Underlying the fact that production seems to have fallen last year, are trade figures: exports, at 27.6 thousand tons remained unchanged, while imports went up by 29 per cent to 52.7 thousand tons, their highest level since the beginning of the decade. The major export market was the European Community (especially Italy which, by and large in the form of "baby beef", absorbed close to 60 per cent of overall exports at an average price of US\$3,642 per ton f.o.b.). Jordan, traditionally a relatively important market for Yugoslavia disappeared from the market and seems to have been replaced by Kuwait which imported 2.8 thousand tons of Yugoslav product. Imports of fresh and chilled beef (about 30 per cent of the total) came from Poland, Czechoslovakia, Hungary and the Netherlands (at an

average price of US\$1,550 per ton c.i.f.), while 80 per cent of the imports of frozen product came from the EC (for an average value of US\$1,559 per ton c.i.f.). Trade in live cattle increased last year: imports by 75 per cent, to 12.1 thousand tons (c.w.e.) and exports by 15 per cent, to 87.8 thousand tons (c.w.e.).

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	5,030.0	4,881.0	-3.0	4,788.0	-1.9
Beef and veal ^{2/} :					
Production	359.0	347.0 ^{3/}	-3.3	338.0 ^{3/}	-2.6
Consumption	321.0	322.0 ^{3/}	0.3	314.0 ^{3/}	-2.5
Imports	40.9	52.7	28.9	65.0 ^{3/}	23.3
Exports	27.5	27.6	0.4	28.0 ^{3/}	1.4

^{1/},000 head, 15 January ^{2/},000 tons ^{3/} Secretariat estimates

Bulgaria

35. In 1988, and for the sixth consecutive year, cattle and calf numbers in Bulgaria fell by 2 per cent, to 1.62 million head. Although cattle slaughter and bovine meat production figures are not available, overall industrial meat production data and beef and veal trade figures clearly suggest a relatively important fall in bovine meat supply (maybe a result of the cattle herd reduction). Indeed, in spite of an 18.2 per cent rise in poultry meat output (the only type of meat for which production data are available) to 134.7 thousand tons, total industrial meat production went up by only 4.7 per cent (to 565.6 thousand tons). Meanwhile, beef and veal imports were four times higher than in 1987 and exports fell to half their level in that year.

36. Traditionally a net bovine meat exporter, Bulgaria became a net importer last year. Beef and veal imports totalled 13,200 tons, the largest parts of which came from the Federal Republic of Germany (64 per cent) and Poland (33 per cent). Exports, at a mere 5.4 thousand tons (as compared to 16 thousand tons in 1986) reflect the absence of sales to Jordan, traditionally Bulgaria's major market. The decline in beef exports of the last two years seems to have been offset by increased sales of live cattle. In 1988, live cattle exports were up by 62 per cent, to 29 thousand head. Absorbing more than 50 per cent of total Bulgarian exports, Libya was by far the major destination, followed by Lebanon and Greece.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	1,678.0	1,649.0	-1.7	1,615.0	-2.1
Beef and veal ^{2/} :					
Production	107.5	96.5 ^{3/}	-10.2	107.0	10.9
Consumption	98.0	97.0 ^{3/}	-1.0	...	...
Imports	4.7	13.3	183.0	...	...
Exports	9.5	5.4	-46.1	...	...
	^{1/} ,000 head, 1 January	^{2/} ,000 tons	^{3/} Secretariat estimates		

Hungary

37. According to revised data, the liquidation of the Hungarian cattle herd (going on practically since the beginning of the decade) may have come to an end in 1987. At 1 January 1988, cattle numbers, at 1.7 million head were up by 1.6 per cent. As noted in previous reports, the major reason behind the decline of the cattle herd has been the sector's low profitability as a consequence of depressed prices which led to an increasing disengagement of cattle producers. A number of increases in government-controlled producer prices since January 1987 and rising prices on the international market seem to be at the origin of the cattle herd recovery in 1987. An 18 per cent drop in total cattle slaughter last year (and especially a similar fall in female cattle slaughter) clearly suggests that herd rebuilding is indeed on its way and a further rise in cattle numbers should have occurred last year and presumably also this year.

38. Reflecting the cattle slaughter decrease, beef production in 1988 fell markedly, -28 per cent, to 90.5 thousand tons. Although there are no consumption figures available, this production fall, coupled with controlled retail prices up by 23 per cent and the continuing competition of poultry meat, suggest a strong consumption drop, which, should production fall again (following further drops in cattle slaughter), may well continue during the current year.

39. The 1988 production decline also meant increased imports (+20 per cent) and falling exports (-15 per cent). All imports consisted of frozen beef and veal, 90 per cent of which came from the European Community, with the other 10 per cent coming from Austria. The average import price was US\$966 per ton c.i.f. Imports of live cattle were down by 33 per cent (21.3 thousand head) and came from Italy and Poland. Frozen beef and veal

exports (65 per cent of the total) went, by and large, to the Soviet Union (at an average price of US\$1,293 per ton f.o.b., up by 18.5 per cent compared to 1987), while fresh and chilled product went to Italy and Kuwait. The Federal Republic of Germany and Austria were the major markets for canned beef. The decline in beef exports was accompanied by a 5 per cent fall in live cattle sales abroad (to 148 thousand head) and major markets were, as traditionally, the USSR, Saudi Arabia and Lebanon.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	1,664.0	1,690.0	1.6	1,700.0 ^{3/}	0.6
Beef and veal ^{2/} :					
Production	125.0	90.5	-27.6	85.0 ^{3/}	-6.1
Consumption	87.6	71.0 ^{3/}	-18.9	68.0 ^{3/}	-4.2
Exports	40.3	34.1	-15.4	30.0 ^{3/}	-12.0
Imports	12.0	14.4	20.0	15.0 ^{3/}	4.2
	^{1/} ,000 head, 1 January	^{2/} ,000 tons		^{3/} Secretariat estimates	

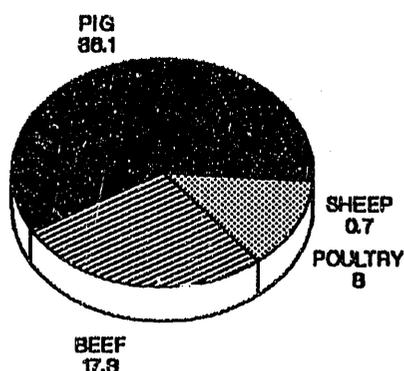
Poland

40. The Polish cattle herd has been declining almost without interruption since the end of the 1970's and, according to the last April census, currently totals some 10.3 million head (2.7 million less than ten years ago). As indicated in previous reports, this trend has been largely due to continuing low profitability and insufficient feeding availabilities. Such a situation was at the origin of successive increases in official purchasing prices and led the Polish authorities to introduce and implement major changes in its agricultural/livestock sector throughout the current year (see "The International Markets for Meat 1988/89" and IMC/INV/21/Rev.1). This has meant a more market-oriented approach than in the past. It is expected that cattle numbers will begin to recover as from this year.

41. Cattle and calf slaughter was down by 4 per cent last year. As a result, beef and veal production, at 649 thousand tons, was 6 per cent below year earlier. Although there are no data available, the evolution of cattle numbers and beef trade (a significant import rise for the second year in a row and a stagnation of exports) suggest that production will fall again this year. Consumption, still submitted to the rationing system (the abolishment of this system is part of the changes to be implemented in the sector), was up by 3.6 per cent in per capita terms, to 17.3 kg. This rise in consumption is relatively surprising during a year in which retail

prices were increased twice, the first time by almost 40 per cent (bone-in and boneless beef) and the second time by 5 per cent (bone-in) and 9 per cent (boneless). The fact that the price of competing meats was also raised and the strength of (still unsatisfied) demand seem to explain this evolution. The consumption of pigmeat, which is by far the preferred meat in Poland (per capita intake is more than twice that of beef, in spite of prices roughly 30 per cent higher than those for beef) increased again last year (+2.6 per cent, to 36.1 kg.) reflecting stronger production due to the improved situation in the pigmeat sector.

POLAND - MEAT CONSUMPTION 1988 - Kg. per capita



42. The level of imports last year reflected the fact that beef supply in Poland remains far from meeting demand. Virtually all the imports were from the European Community and they amounted to 46 thousand tons (average value per ton c.i.f.: US\$986). Exports, which exhibited the most modest rise of the last 3-4 years, totalled 69 thousand tons for a total value of some US\$72,000 f.o.b. Sales of fresh and chilled beef and veal represented some 92 per cent of the exports (there are virtually no sales of frozen product) and went to traditional markets: 21 per cent to the Soviet Union; 11 per cent to Sweden; and the remainder to Italy, Lebanon, Greece, etc. The Federal Republic of Germany, normally an important market with a 10-15 per cent market share, only imported some 300 tons last year. During the current year, imports should increase by close to 9 per cent, to 50 thousand tons, while exports are forecast to stagnate.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	10,523.0	10,322.0	-1.9	10,300.0	-0.2
Beef and veal ^{2/} :					
Production	690.0	649.0	-5.9	640.0 ^{3/}	-1.4
Consumption	628.0	657.0	4.6	635.0 ^{3/}	-3.3
Imports	0.2	46.1	22,950.0	50.0	8.5
Exports	65.6	68.9	5.0	69.0	0.1
	^{1/} ,000 head, 21 April	^{2/} ,000 tons		^{3/} Secretariat estimates	

South Africa

43. According to revised data, cattle and calf numbers in South Africa increased by slightly less than 4 per cent in 1988, totalling 8,198 million head. This means that cattle herd rebuilding has now been going on for three years. It is expected to continue this year and in 1990, before coming to an end by 1991 when cattle and calf numbers are expected to fall again. Reflecting herd rebuilding, total cattle slaughter has declined in the last few years. However, announcing the approach of a new herd liquidation phase, slaughter levels, which last year fell by more than 11 per cent, should only fall by around 2 per cent this year and are projected to increase as of next year (cows and heifers, and calves by almost 6 per cent).

44. As a result of a larger percentage of male cattle in the slaughter mix than year earlier, and of higher slaughter weights due to improved seasonal conditions and final increased grain feeding, beef and veal production fell by less than 4 per cent (compared to the 11 per cent drop in cattle slaughter) last year. Feed-lot operations have shown a considerable growth in recent years and cattle marketed through them represent today about a third of total cattle slaughtered. This partly explains the evolution of beef production which, this year, could well increase by close to 2 per cent in spite of a similar drop in cattle slaughter.

45. In 1988, consumer demand for beef seems to have been diverted to pigmeat. Indeed, while per capita consumption of bovine meat fell by as much as 8.6 per cent last year (to 16.2 kg.), per capita consumption of pigmeat, even if at the relatively modest level of 3.1 kg., went up by 3 per cent. Large availabilities of this type of meat resulted in declining retail prices in real terms (-4.0 per cent, pork chops, Grade 1),

while the retail price for beef rose by more than 6 per cent (Sirloin, Super A in real terms). In the meantime, poultry meat intake continued the upward trend initiated a few years ago and, at some 16.0 kg. in 1990, it should surpass the consumption of beef and veal, which is not expected to exceed 15.4 kg. (almost 28 per cent lower than in 1984).

46. In 1988, South Africa imported 62.9 thousand tons, up by 45.6 per cent from year earlier. This followed another significant 81 per cent rise in 1987 compared to 1986. Both rises were due to the production fall registered in the last three years. Although their exact origin is not known, beef and veal imports are indicated as traditionally coming from neighbouring countries, such as Botswana. However, both in 1987 and 1988, the bulk (around 80 per cent) of South African beef imports originated in the European Community.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	7,909.0	8,198.0	3.7	8,391.0	6.1
Beef and veal ^{2/} :					
Production	597.1	574.6	-3.8	584.4	1.7
Consumption	633.4	630.4	-0.5	640.0	1.5
Imports	43.2	62.9	45.6	21.6	-65.7

^{1/},000 head, 31 August

^{2/},000 tons

Tunisia*

47. Cattle and calf numbers in Tunisia, which have been rising steadily since 1983 (with a brief interruption in 1986 apparently as a result of the 1985 drought conditions in the country), rose again in 1987 by 6.7 per cent, to 666.3 thousand head. Estimates are for further increases in 1988 and 1989. Bovine meat production fell by 4 per cent in 1987, to 32,000 tons, reflecting lower slaughter levels. Both slaughter levels and weights were expected to rise in 1988 and consequently, estimated production was up by more than 7 per cent, to total some 34,300 tons.

48. Difficult general economic conditions over the last few years have hampered beef and veal consumption which, in spite of unchanged state-controlled retail prices since 1985, has been declining since 1984. In 1987, per capita consumption fell by 6 per cent, to 6.3 kg. Unlike what is happening in many other countries, the drop in bovine meat consumption has not been accompanied by an increase in other meats' intake. Indeed, the consumption of both poultry meat and sheepmeat also fell, in spite of

prices which can be less than half of those for beef. Some improvement seems to be under way, and the consumption of all types of meat is expected to have risen last year and to improve further in 1989.

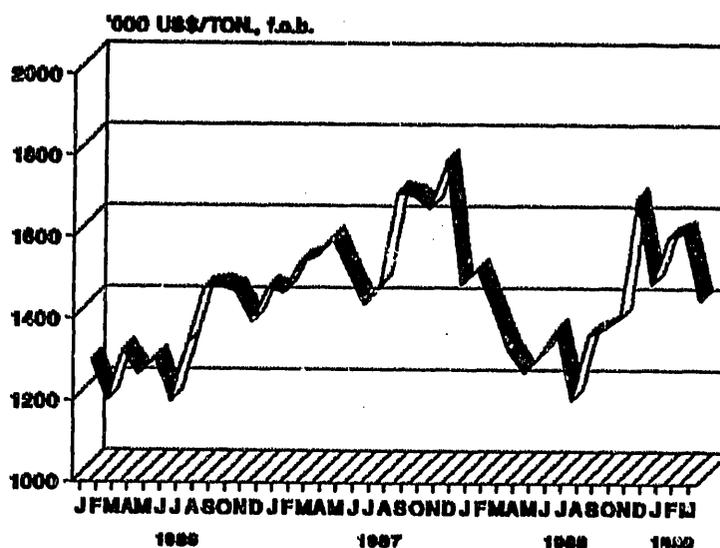
49. Traditionally an importer of live cattle and bovine meat, Tunisia has been reducing its purchases of live animals in recent years (60,000 head in 1984 and 12,000 head in 1987 and 1988) and buys some 10,000-15,000 tons of beef per year. In 1987, bovine meat imports amounted to 11,075 tons (6 per cent higher than year earlier), more than 75 per cent of which was fresh and chilled meat coming from the European Community (France and the United Kingdom). In spite of the expected production rise, imports should not have changed much in 1988 and during the current year, reflecting strengthening demand.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	666.3	669.7	0.5	695.5	3.9
Beef and veal ^{2/} :					
Production	32.0	34.3	7.2	36.4	6.1
Consumption	48.5	50.2	3.5	50.7	1.0
Imports	11.1	10.9	-1.8	11.0 ^{3/}	0.9
^{1/} ,000 head		^{2/} ,000 tons		^{3/} Secretariat estimate	

Argentina

50. As noted in the last report, the Argentinian cattle herd is currently at its lowest level since the beginning of the 1970's and last year suffered another 1 per cent drop (to 50.5 million head) partly as a consequence of the serious drought which affected the country and prevented a more significant drop than the one registered (just under 5 per cent) in cattle slaughter. Indeed, if it hadn't been for the drought, the cattle cull might have declined by more than 10 per cent, allowing for a more rapid return to herd rebuilding. Current estimates see cattle numbers by next 30 June falling by a further 1 per cent, still partly reflecting last year's drought. Female cattle slaughter in the total mix also continued to fall, confirming the tendency towards an end to herd liquidation. Lower real producer prices in the first two months of 1989 were maybe at the origin of increased cattle slaughter during the first quarter of the year compared to year earlier. However, prices had recovered noticeably since March/April and this could well lead producers to withhold their cattle. Available projections put cattle slaughter down by close to 2 per cent this year.

ARGENTINA AVERAGE EXPORT PRICES

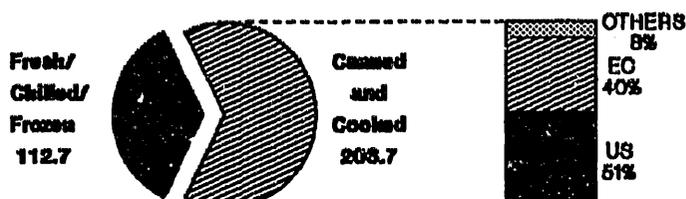


51. In 1988, a higher proportion of male cattle in the total slaughter mix allowed for a smaller production drop, -2.4 per cent, to 2.6 million tons, than the slaughter fall. A similar decrease is expected for the current year. After having fluctuated markedly last year (partly as a result of late frosts followed by the drought), Argentinian cattle prices seemed to be set for another year of strong variations. Very depressed in January, prices strengthened somewhat in February, to recover frankly in March and drop again somewhat in the following weeks. However, conditions now seem to be set for a sustained price recovery: good weather conditions; strong import demand in a number of markets and consequently rising prices on the international market; a difficult situation in Brazil which is first of all beneficial to other South American exporters; a more favourable rate of exchange against the United States dollar than in the recent past and finally, a strengthening domestic demand. And yet, as a result of the depressed cattle herd, the Argentinian beef industry may well not be in a position to take full advantage of such improved market conditions.

52. Although per capita beef and veal consumption, which last year was down by 9.4 per cent, to 77 kg., is currently projected to show a further 5 per cent decline this year, unofficial data show that by last February consumption was at 85 kg., increasing in March to 95 kg. This is said to be possible because the increase in cattle prices is not being entirely reflected at the retail level. The increase of the United States dollar is extremely profitable for the hides market, whose sharply higher prices allow for lower meat prices.

53. Despite the production drop, Argentinian beef and veal exports increased by almost 12 per cent due to a strong import demand and a falling domestic consumption. As indicated in the last report, sales of all types of bovine meat were up, and major markets were the European Community (the strong increase in exports to this market was by and large responsible for

ARGENTINA - BEEF EXPORTS 1988



('000 tons, including veal)

the overall rise in exports) and the United States (although Argentinian sales of canned product there were down). Far behind, but back after years of absence, was Egypt in third position (a result perhaps of falling stock levels in the EC?) followed by Israel, Iran, Saudi Arabia and Hong Kong (the expansion of sales to East Asia continued). Average export prices, at US\$1,369 per ton f.o.b., were 12 per cent lower than year earlier, but well above (13 per cent) the average export price during 1982-1986, when world prices were extremely depressed. During the first quarter of 1989, beef and veal exports were down by as much as 24 per cent, revealing declines for almost all destinations. This evolution at a time when, as mentioned above, external conditions are ideal for a good export performance, clearly illustrates the difficult situation through which the Argentinian industry (faced with reduced export availabilities) is going. Strongly improved export prices during the first quarter of the year (+9 per cent, to US\$1,530 per ton f.o.b. - one has to go back as far as 1981 to find higher prices for the equivalent period of the year) partly compensate for the decline in the quantity exported.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	51,000.0	50,500.0	-1.0	50,000.0	-1.0
Beef and veal ^{2/} :					
Production	2,700.0	2,635.0	-2.4	2,568.0	-2.5
Consumption	2,413.0	2,315.0	-4.1	2,168.0	-6.3
Exports	287.0	320.0	11.5	400.0	25.0

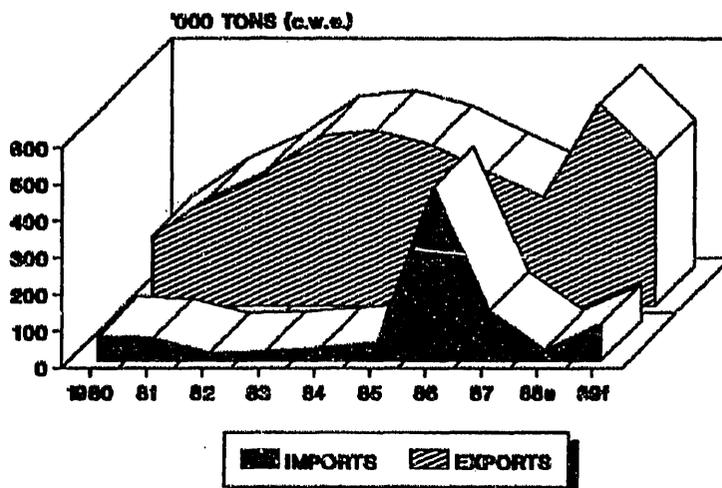
^{1/},000 head, 30 June

^{2/},000 tons

Brazil

54. Estimated cattle and calf numbers in Brazil were up by 2 per cent last year, to 134 million head. As noted in the previous report, Brazilian economic instability has obvious implications in the sector and was partly responsible for the decline in the cattle herd growth rate from 3.5 per cent in the 1970's to the current 1.5 to 2 per cent. The "sensitivity" of the Brazilian cattle industry to the general economic situation, already demonstrated by the 1986 crisis (see also the previous report), has been highlighted once again this year. While a new economic plan, the "Summer Plan" introduced at the beginning of this year, imposed a freeze on retail prices (as well as export limitations and increased imports) at US\$15 (NZ\$15.00) per "arroba" (15 kg.), producers in Sao Paulo were selling it to retailers at between US\$23 and US\$24 (NZ\$23.00 - NZ\$24.00). Retailers refused to pay this price and beef supply to consumers was threatened until an agreement between the Government (which envisaged to import more than the already announced 100 thousand tons of beef projected for this year to avoid shortages) and producers seemed to have been reached.

BRAZIL - BEEF TRADE



55. In 1988, a 19 per cent increase in cattle slaughter resulted in a beef production rise of almost 15 per cent, to 2.4 million tons. Prospects for the remainder of 1989 and 1990 remain difficult: the already low investment in the sector will certainly not be favoured by the ongoing economic plan; the strong cow slaughter of the last two years (cow slaughter in 1988 alone increased by an estimated 46 per cent) will result in reduced domestic supply and, on top of this, Brazil suffered a serious drought in the first months of this year. Production is currently forecast to fall by 6 per cent in 1990 and stagnate next year. Even if the importation of the above-mentioned 100 thousand tons by the private sector in the perspective of the "off-season" (June-November), was initiated last April, it may well happen that the Government will have to import more beef

this year, more especially as current projections put total beef consumption up by almost 3 per cent (even if, reflecting the continuously low salary levels, per capita consumption should remain stagnant).

56. Beef and veal imports were estimated to have totalled some 30 thousand tons in 1988, reflecting increased production and diminished consumption. These were also the reasons for a more than 80 per cent increase in export levels to some 550 thousand tons, 60 per cent of which was processed beef and veal which mostly went to the European Community and the United States. Frozen beef and veal, 38 per cent of the total, went to the Middle East, North Africa and Europe. As indicated above, the "Summer Plan" (introduced for a transitional period for which an ending date was not yet set) includes measures to limit exports and increase imports during the current year. As a result, and in line with the production drop, imports are expected to rise sharply again to at least 100 thousand tons (which would come from Uruguay, Argentina and the European Community), while exports should be reduced markedly. A first consequence of the export control was the prohibition of the sale of 30 thousand tons of beef to Iran and Iraq and reportedly, sales to the United States and the EC have already also been affected (indeed, according to unofficial sources, Brazil has suspended all beef and veal exports since last March). In these conditions, one could wonder if Brazil will be in a position to export 400 thousand tons of beef as planned this year and which already represented a sharp drop from last year's level.

Policy developments

57. As mentioned above, the new economic plan introduced at the beginning of 1989 imposed a control on meat retail prices, as well as measures to limit exports and increase imports of meat from any origin free of tariffs. The plan aims at the reduction of inflation and is in force for an undetermined, but transitional period. On 2 December 1988, the Ministry published a comprehensive regulation for the control and eradication of foot-and-mouth disease, as well as regulations establishing severe penalties for the use of hormones in cattle breeding. As a result of such regulation, the production, importation and marketing of hormonal substances became illegal (the use of hormones was already forbidden).

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	131,503.0	134,133.0	2.0	136,814.0	2.0
Beef and veal ^{2/} :					
Production	2,136.0	2,446.0	14.5	2,300.0	-6.0
Consumption	1,983.0	1,946.0	-1.9	2,000.0	2.8
Imports	136.0	30.0	-77.9	100.0	233.3
Exports	297.0	550.0 ^{3/}	85.2	400.0	-27.3
	^{1/} ,000 head	^{2/} ,000 tons	^{3/} Secretariat estimate		

Colombia*

58. According to revised figures, and at 23.0 million head in December 1987 (a 2 per cent drop compared to year earlier), the Colombian cattle herd went, in 1987, through its third year of liquidation. However, apparently in reaction to increased prices (+42 per cent compared to 1986), producers seem to have decided to retain their cattle, and slaughter levels fell by more than 3 per cent. This could well mean the end of herd liquidation. Indeed, estimates for 1988 suggest that total cattle and calf numbers may have risen by about 1 per cent. In 1987, lower slaughter levels resulted in reduced production of beef and veal. The drop was of 3.3 per cent, to 573,000 tons. Colombia expected production to have recovered again last year to some 585,000 tons. In 1987, and for the first time since 1978, per capita consumption of bovine meat fell below 20 kg., to 19.5 kg. Although the decrease in total consumption (-3.5 per cent) paralleled the one in production, sharply higher retail prices (+40 per cent) and an increasingly stronger competition from poultry meat, which is about one third cheaper (and whose price seems to increase at a slower rate); appear to be the main reasons for this consumption drawback. After this third year of uninterrupted decline, Colombian estimates are for a 2 per cent recovery of total beef consumption (or 0.6 per cent in per capita terms) in 1988.

59. Beef and veal exports in 1987 rose by some 516 tons, to 11,555 tons. Out of these, some 11,150 tons were fresh and chilled meat, of which 86 per cent went to Peru. Venezuela, once Colombia's major exporting market, has not imported Colombian product since 1985. In 1987, the average export value of beef to Peru was US\$1,959 per ton f.o.b., a 15 per cent increase compared to year earlier. Supported by higher production levels and a stronger international demand for beef, estimated exports went up strongly in 1988, to some 15,500 tons (+38 per cent).

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	23,030.0	23,267.0	1.0	22,941.0 ^{3/}	-1.4
Beef and veal ^{2/} :					
Production	573.1	585.4	2.1	574.5 ^{3/}	-1.9
Consumption	561.9	573.3	2.0	...	...
Exports	11.2	15.5	38.4	...	...
	^{1/} ,000 head, December	^{2/} ,000 tons		^{3/} Secretariat estimates	

Uruguay

60. Strongly increased export prices since mid-1986 have encouraged producers to rebuild their cattle herds since mid-1986. Last year's June cattle census showed a 5 per cent rise, to 10.4 million head. However, strong export and internal demand in 1988 and reduced real producer prices (-20 per cent compared to year earlier) pushed slaughter levels up dramatically which added to increased cattle death and cull provoked by persistent drought since the second quarter of 1988 and until last April. The result was a 16 per cent increase in total cattle slaughter in 1988 and an expected 26 per cent rise to follow this year. This is likely to result in an interruption of herd expansion. Projections for the next cattle census, in 30 June 1989, put numbers 1.2 per cent down from last year. Nevertheless, this situation may well be only transitional and the return to more normal weather conditions should allow cattle herd rebuilding to resume as from 1990.

61. Reflecting higher slaughter levels, production of beef and veal rose by 16 per cent in 1988, to 321 thousand tons. This production increase, which allowed for higher exports, also made it possible to meet the increased domestic demand provoked by a 10 per cent drop in retail prices. Per capita consumption of beef and veal rose by 12 per cent, to 65 kg. Current projections put both production and consumption up again this year and in 1990. However, in face of the serious drought incurred by Uruguay, a word of caution to this optimistic scenario seems necessary.

62. With a 41 per cent rise in 1988, beef and veal exports recovered from their low level of year earlier and attained 131 thousand tons. This increase was possible because of strongly increased import demand in some of Uruguay's major traditional markets, increased cattle numbers (which as indicated allowed for increased production) and relatively low export availabilities in some other major exporting countries. Major export markets were the European Community, Israel, Brazil and Egypt (it is worth noting that Egypt has been absent from the group of major markets in the last few years). The average export price for frozen bovine meat (84 per cent of total exports) was US\$1,550 per ton f.o.b. (which compares to US\$2,053 in 1987).

63. During the first quarter of 1989, beef and veal exports were up by as much as 150 per cent, to 25,000 tons (product weight) and the average export price for frozen beef was US\$1,587 per ton f.o.b. The rise was, by and large, due to increased sales to Brazil and, to a lesser extent, to the EC. However, there is little doubt that possible negative effects of the drought on production will have a similar impact on Uruguayan export levels, at a moment when all indicators in the international market seem to be favourable to the export industry. As a result, it remains to be seen whether a continuing upward trend in export levels along with a similarly continuing rise in consumption will be feasible.

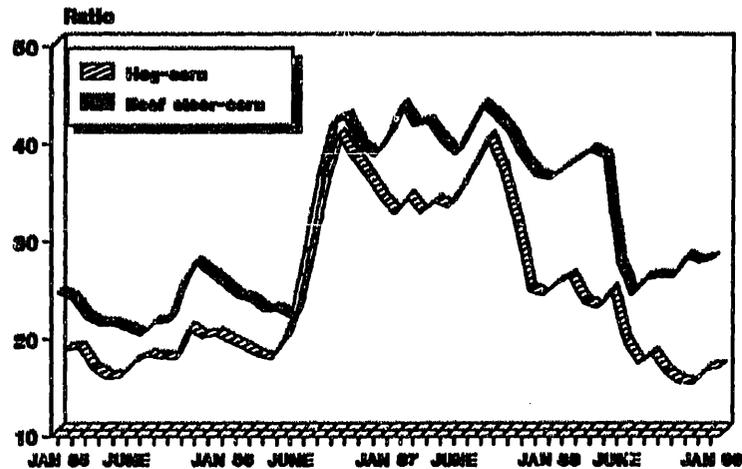
	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	9,945.0	10,408.0	4.7	10,288.0	-1.2
Beef and veal ^{2/} :					
Production	276.0	321.0	16.3	364.0	13.4
Consumption	173.0	194.0	12.1	198.0	2.1
Exports	93.0	131.0	40.9	166.0	26.7
	^{1/} ,000 head, 30 June	^{2/} ,000 tons			

United States

64. At 99.5 million head by 1 January, cattle herd in the United States was almost unchanged when compared to year earlier, suggesting that cattle herd liquidation, which had lasted seven years, has now come to an halt. Even if last year's drought and current dry conditions may still have a negative impact on producers' decisions, there seems to be no doubt that, so far this year, producers have been stimulated by buoyant prices and are rebuilding their herds. Other factors made evident by the cattle inventory and supporting the idea of herd rebuilding are a higher number of cows and heifers that have calved; a higher number of beef replacement heifers held for breeding purposes, and even increased beef cow numbers (dairy cow numbers were down). The USDA admits that reduced cow slaughter (commercial cow slaughter is projected to fall by 3 per cent) and stronger heifer retention could push cattle numbers in 1989 to higher levels than last year, but remains cautious about forecasting any data. Cow-calf producers' profits will remain the decisive factor for any cattle inventory expansion and, although at lower levels than in 1988 (in view of higher feedgrain and forage prices), they are expected to remain positive. The 1 July cattle inventory should give a first indication.

65. Although feeder cattle supplies are expected to remain tight this year, it is projected that the situation should ease up from 1990 onwards. The drop in supply has been partially offset by imports of feeder cattle from Mexico and Canada. Meanwhile, feedlot inventories at the beginning of the year were down, even if feedlot placements exceeded marketings. Poor wheat pasture conditions were at the origin of higher feedlot placements in February, which reached a record not seen since 1972 for this month of the year. Even if feedlot returns during the spring and summer were expected to continue to be negative and placements to remain below year earlier, the USDA's Quarterly Seven State Cattle on Feed Report estimated numbers at 8 million, 3 per cent above year earlier and revealing a 7 per cent placement growth last March (while marketings were down by 2 per cent).

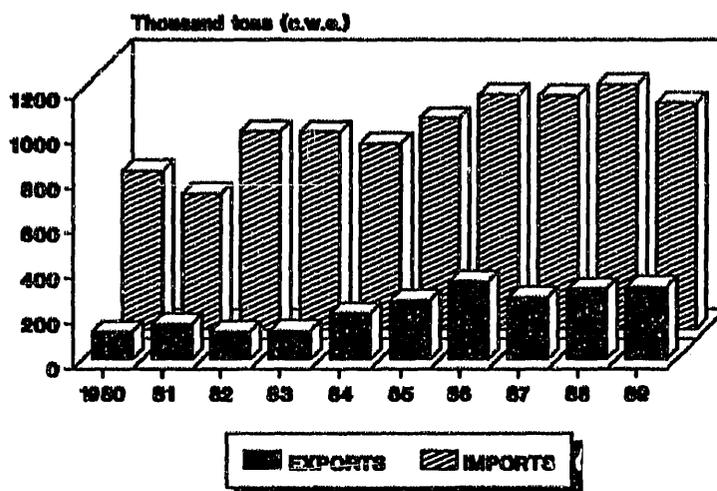
U.S. - LIVESTOCK/FEED PRICE RATIOS (Omaha)



66. The continuation of strong feeder cattle placements could, at a later stage, have a positive impact on beef and veal production, projected (before the Quarterly Cattle on Feed Report was published) to fall by some 3 per cent this year, to 10.5 million tons. Accountable for this expected fall in production would be (other than low feeder cattle supplies) increased heifer retention and falling cow slaughter. Non-fed steer and heifer slaughter is expected to fall. Per capita beef and veal consumption is expected to fall by slightly less than 1 per cent in 1989, to 30.8 kg. This projection is based on an assumption of increased retail prices for beef because of feedlot negative returns and a tight packers' profit margin (as a result of lower hide prices). However, continuing large availabilities of pigmeat and poultry meat leave little margin for manoeuvre to retailers.

67. The United States is the world's largest beef importer, but is currently also the sixth major exporter. Last year, beef and veal imports went up by 5 per cent, to 1.1 million tons. Imports from Australia were up by 8 per cent and those from New Zealand by 5 per cent, while those from Canada were down. Imports of canned product from Brazil went up by almost 40 per cent. The production drop, and the high value of the United States dollar during the first months of 1988, were largely responsible for the import increase. At the end of the day, the surge in imports resulted in the negotiation of "Voluntary" Restraint Agreements with Australia and New Zealand in order to avoid the Meat Import Act "trigger level" being exceeded and thus imposing import restrictions (see "The International Markets for Meat, 1988/89" for further details). The 1989 "trigger level" has been fixed at 652,000 tons (product weight), including quantity estimates for Canada. However, in the framework of the United States/Canada Free Trade Implementation Act, Canada has been excluded from the application of the Meat Import Act and the "trigger level" has consequently been adjusted to 621,000 tons. Imports for the current year are expected to decline by some 7-8 per cent.

U.S. - BOVINE MEAT TRADE



68. As indicated, the United States is currently the world's sixth major beef exporter and last year total beef and veal export volume rose by an impressive 12.8 per cent, to 312.5 thousand tons. Such a progression of beef exports was due not only to increased sales to the United States' major customer, Japan (with a 71 per cent market share), but also to Mexico (to which sales almost trebled), Canada (+39 per cent) and Korea (under the 14,500-ton beef import quota announced by this country after a three-year import ban, the United States would have exported 7-8 thousand tons last year). Beef and veal exports are projected to progress by a further 3-4 per cent during the current year as a result of increased sales to Japan, Canada and Korea and despite possible drops in sales to Mexico and the EC.

Policy developments

69. The Meat Import Act was amended twice in 1988: once to add the Harmonized Tariff Codes for the specific commodities in the Act, and a second time to adapt the Act to the United States/Canada Free-Trade Implementation Act. The result of this last amendment was the exclusion of Canada from the application of the Meat Import Act. This was done by excluding Canada from the base level used to calculate the adjusted base quantity and trigger level and from the import estimating process (see IMC/INV/13/Rev.4 for more details).

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	102,000.0	99,524.0 ^{3/}	-2.4	99,484.0 ^{3/}	0.0
Beef and veal ^{2/} :					
Production	10,878.0	10,872.0	-0.1	10,569.0	-2.8
Consumption	11,636.0	11,618.0	-0.2	11,272.0	-3.0
Imports	1,040.1	1,091.3	4.9	1,009.2	-7.5
Exports	277.0	312.5	12.8	321.6	2.9
	^{1/} ,000 head, 1 January	^{2/} ,000 tons		^{3/} Actual	

Canada

70. On 1 January 1989 the 1 per cent rise, to 11 million head, exhibited by the Canadian cattle herd, showed that herd expansion continued last year, but at a slower rate than previously expected. With the exception of dairy cattle numbers and steers which continued to decrease, all other categories of cattle numbers were up. The reason for the slower than expected herd rebuilding was last year's severe drought: feedgrain supplies were reduced and feed prices went up sharply. Meanwhile, slaughter cattle prices, which during the first half of the year were strongly attractive (even if already declining in the second quarter), went down markedly in the last quarter (-5.5 per cent) and for the year as a whole, were 2.4 lower than year earlier. Feeder cattle prices were also down. Cow slaughtering and marketing in Western Canada went up during the second half of the year and seem to be responsible for the slowdown in herd rebuilding. However, in Eastern Canada, the marketing of all categories of cattle declined, offsetting the cow marketing increase in Western Canada and thus allowing for a total (inspected) cattle slaughter drop of 3.5 per cent for the year as a whole.

71. In 1988, a 3 per cent rise in average carcass weights and exceptionally high marketings (induced by the drought) in the third quarter resulted in a limited production drop (less than 1 per cent), to 970.4 thousand tons. Despite the expected continuation of cattle herd expansion during the current year, production is projected to go up by close to 2 per cent as a result of a similar growth in slaughterings and relatively unchanged slaughter weights, together with a similar beef cow retention.

72. As indicated in the last report, Canadian slaughter cattle prices in 1988 did not reflect the price strength which occurred in the United States as a result of the relatively stronger Canadian dollar vis-à-vis the United States dollar. The Canadian dollar went up by almost 8 per cent and thus, A1 and A2 slaughter steers at Toronto were down by close to 2 per cent from year earlier. This drop in cattle prices resulted in the reduced profitability of cattle feeding operations whose profits were squeezed by lower fed cattle prices, higher feed costs and higher feeder cattle prices. Cattle prices were nonetheless expected to increase markedly this year as the result of low supplies of feeder cattle.

73. Per capita beef and veal consumption is estimated to have increased by 1 per cent last, to 40.3 kg. The rise seems to be due more to increased real per capita disposable incomes and consumer preference than to practically unchanged real retail prices for beef compared to year earlier. Indeed, although for instance the price for a major competing meat fell in real terms by 8 per cent (centre-cut pork chops), this did not result in increased consumption of this type of meat, which remained stagnant. Although prices for beef and veal are expected to rise to historical levels this year, the continuing rise in incomes should allow for a sustained demand for bovine meat (per capita consumption is projected to fall by less than 0.5 per cent).

74. Due to the production fall and strengthening demand, beef and veal imports in 1988 were up by 22 per cent, amounting to 165.4 thousand tons. Imports of frozen meat (63 per cent of total imports) came, as is traditionally the case, from Australia (36 thousand tons, at an average price of US\$2,389 per ton f.o.b.), New Zealand (25 thousand tons at US\$2,560), Nicaragua (9 thousand tons (compared to 3 thousand tons in 1987) at US\$2,111) and the United States (5 thousand tons, at US\$3,400). Imports of fresh and chilled beef came from the United States (94 per cent of the total) at an average price of US\$4,273 per ton f.o.b., while the major supplier of canned and cooked product was Brazil with 3 thousand tons (price: US\$2,333) followed by the United States with 2 thousand tons (at the average price of US\$5,500 per ton f.o.b.). All these prices (with the exception of imports of frozen beef from the United States) reveal higher prices for the imported product. Lower production levels and increased demand also resulted in falling exports (-2.6 per cent compared to year earlier). Meanwhile, exports of live slaughter cattle to the United States (98 per cent of total live cattle exports) grew by 140 per cent, to a record level of 463,000 head. Higher beef and veal production this year and in 1990 should result in lower imports and rising exports, while live cattle exports are expected to fall short of last year's record.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	10,802.4	10,863.1	0.6	11,004.1 ^{3/}	1.3
Beef and veal ^{2/} :					
Production	976.8	970.4 ^{4/}	-0.7	988.0	1.8
Consumption	1,021.3	1,044.7	2.3	1,050.0	0.5
Imports	135.5	165.4	22.1	160.0	-3.3
Exports	91.2	88.8	-2.6	106.6	20.0
	^{1/} ,000 head, 1 January	^{2/} ,000 tons	^{3/} Actual	^{4/} Estimate	

Australia

75. Revised data suggest that the period during which Australian producers showed atypical behaviour i.e., increased cattle turn-off at a moment of strongly strengthened prices (explained in detail in last January's report "The International Markets for Meat") had maybe a lesser effect on Australian cattle numbers than earlier reported. Indeed, not only did it appear that herd rebuilding was resumed strongly in the second quarter of 1988 (total cattle slaughter fell by 5.1 per cent compared to year earlier), but that it was well under way by the year end. (Total cattle slaughter was down 5.2 per cent compared to 1987 and, although data are not available, female cattle slaughter is reported to have fallen sharply, while calf slaughter fell by as much as 17 per cent.) Furthermore, revised cattle numbers show that, at 23.7 million head, the herd size remained practically unchanged in 1988 compared to year earlier. In the current year, a 4 per cent rise is expected while a further 5 per cent increase is projected for 1990.

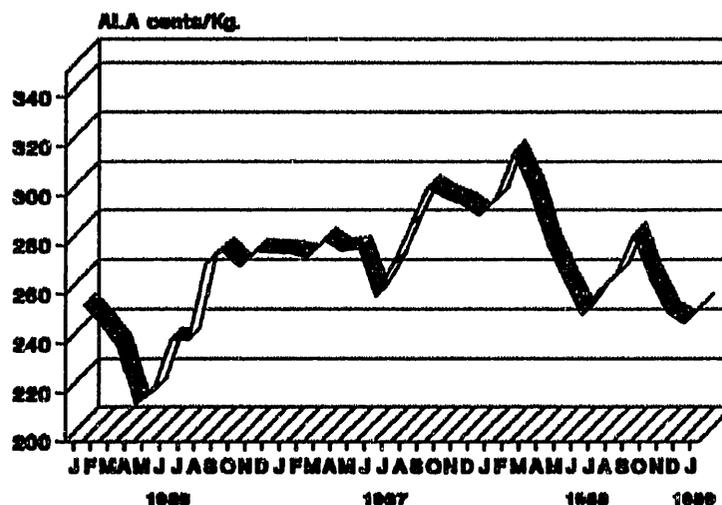
76. A 4 per cent and 5 per cent increase in cattle numbers in 1989 and 1990 respectively (to find higher percentage rises, one has to go back to 1975) would signify the return to a more "traditional" cattle cycle pattern and suggests a strongly restored producers' confidence in the future. A number of reasons militate in favour of this surge in producers' confidence, among others: (a) higher average beef prices (in the United States, but also in other markets); (b) the opening of the Japanese and Korean markets; (c) the expectation of a depreciation of the Australian dollar; and (d) the decline in United States and EC beef production.

77. In 1988, increased slaughter weights reflecting good seasonal conditions and greater recourse to grain feeding or finishing resulted in a production drop of only 1 per cent (compared to the 5.2 per cent fall in

slaughter levels) to 1,533.4 thousand tons. Projections for 1989 put production marginally up and, by 1990, it is projected to fall by about 4.5 per cent. In spite of an 0.7 per cent rise in real retail prices, per capita beef consumption only went up by 0.5 per cent, to 38.6 kg. This seems to be due to increased real per capita disposable incomes and reportedly also to the industry's promotional programmes. The rise in beef consumption took place at the expense of sheepmeat whose intake, in spite of a drop in real retail prices (-2.2 per cent for lamb loin chops), fell by almost 11 per cent (to 20.7 kg.) while poultry meat consumption continued to increase (24.6 kg.) and pigmeat stabilized at 17.3 kg. Current estimates put per capita beef consumption in 1989 at some 38.2 kg., while a sharp reduction is foreseen for 1990 (to 32.7 kg.) as a result of the drop in production and higher exports expected by then.

78. In 1988, and according to revised data, beef and veal exports fell by less than previously reported. At 901.6 thousand tons, the fall was of 1 per cent and reflected the production decrease, but presumably also the appreciation of the Australian dollar which put a downward pressure on export prices. Indeed, as noted in the last report, export prices to the United States, expressed in Australian dollars, were below 1987 levels and during the last quarter, even lower than 1986 levels, at a time of rising average beef prices in the United States market (in spite of this evolution, the real average price received by the Australian producers was higher than year earlier, reflecting the strength of domestic demand).

AUSTRALIAN EXPORT PRICE TO USA (Boneless cow, fas)



Exports to this market (58 per cent of total exports) were down by roughly 4 per cent, while sales to Japan (22 per cent of the total) went up by 6 per cent. Projections for the current year show relatively unchanged export levels, while in 1990 a 2.2 per cent increase is expected.

Policy developments

79. Since May 1988, and in the framework of a wide range of microeconomic reforms, cattle producers, along with all other farmers, will benefit from general reductions in the levels of assistance to Australia's manufacturing industry. Changes in the tax system resulted in a reduction in the subsidies element of previous tax arrangements. Furthermore, subsidies on fertilizers have been removed, while, on the import side, the 2 per cent duty which, until June 1988 used to be perceived in imported beef, was removed as from 1 July 1988. (See IMC/INV/5/Rev.9 for more detailed information.)

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	23,667.0	23,656.0	0.0	24,567.0 ^{2/}	3.9
Beef and veal ^{3/} :					
Production	1,549.8	1,533.4	-1.1	1,540.1	0.4
Consumption	623.0	638.0	2.4	640.0	0.3
Exports	911.0	901.6	-1.0	900.0	-0.2
	^{1/} ,000 head, 31 March	^{2/} Estimate		^{3/} ,000 tons	

New Zealand

80. Total cattle numbers in New Zealand increased by 0.7 per cent in 1988, to close to 8.1 million head. The rise was solely due to an increase in beef cattle numbers which, with a 1.3 per cent rise to around 4.9 million head, represents 60.4 per cent of the total cattle herd. This beef herd rebuilding reflects, as noted in the last report, the comparatively higher profitability of beef production as against that of sheepmeat. Current forecasts are for a contraction in total cattle numbers in 1989 and a stabilization in 1990. However, the beef cattle herd should continue to expand.

81. Inspected cattle and calf slaughter was up by 5 per cent last year, but the female cattle kill (by and large dairy cattle) was down by almost 4 per cent. In 1989 and 1990, slaughtering of all categories of cattle is expected to decline, resulting in an overall slaughter drop of 6 and 5 per cent respectively. Beef and veal production in 1988 was up by almost 9 per cent as a result of higher slaughter levels, but was also due to increased average weights reflecting both a larger percentage of adult male cattle in the total mix and plentiful feed supplies last year. Markedly reduced slaughter levels and weights are expected to result in a steep production fall in the current year (-15 per cent, to 505.2 thousand tons) and in 1990 (-4 per cent).

82. Despite lower real retail prices (-4 per cent), per capita beef and veal consumption in New Zealand fell by 3.3 per cent last year, to an estimated 38.4 kg. This seems to have been due to a declining real per capita disposable income which diverted consumer demand to cheaper meats, especially sheepmeat and poultry meat. Largely reflecting the appreciation of the New Zealand dollar against the United States dollar, producer prices were down by roughly 10 per cent during the first half of 1988. Since the third quarter of the year, the New Zealand dollar has begun to depreciate and producer prices resumed.

83. Revised export data now show that beef exports rose by 7 per cent last year, to 462.3 thousand tons. With the exception of sales to Hong Kong, which went down somewhat, exports to all other major destinations went up. Despite the "voluntary" restraint agreement reached with the United States, exports to this market reached 223.2 thousand tons (product weight), up by 6 per cent compared to year earlier, for an average value of US\$2,120 per ton f.o.b.. Exports to Canada and Japan increased by 13 and 37 per cent, respectively. As a result of the expected strong drop in production, and a limited decline in consumption, exports are projected to decline by some 6 per cent this year and another fall should occur in 1990.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	7,999.0	8,058.0	0.7	7,950.0	-1.3
Beef and veal ^{2/} :					
Production	544.6	592.2	8.7	505.2	-14.7
Consumption	131.2	128.8	-1.8	128.0	-0.6
Exports	432.3	462.3	6.9	435.2	-5.9

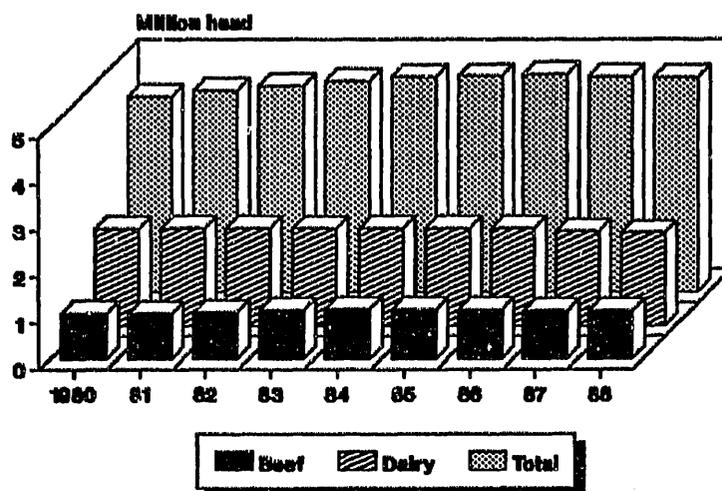
^{1/},000 head, 30 June

^{2/},000 tons, calendar year

Japan

84. Mostly as a result of the continuing drop in dairy cattle numbers, the Japanese cattle herd decreased in 1987, for the second consecutive year, to 4,667 million head. As indicated in the last report, Wagyu slaughterings have been falling since 1986 and dairy cattle killing has been rising. One implication of this evolution is that the 1987 cut in the stabilization price for Wagyu steers had little or no impact on the beef cattle herd. However, the successive cuts in the stabilization price for dairy steers (1986, 1987 and 1988) along with a cut in the milk delivery quotas and the Government's programme to subsidize accelerated cow culling are at the

JAPAN - CATTLE NUMBERS



origin of the dairy herd liquidation. Total cattle slaughter fell by 3 per cent last year (with a 7 per cent drop in female cattle culling) and, although the results of the last February cattle census are not yet available, a rise of close to 1 per cent in total cattle numbers may have occurred last year.

85. Despite the decline in cattle slaughter, production rose slightly to 569 thousand tons. A strong yen supporting the importation of feedgrains and improved market conditions allowed for longer fattening periods leading to increased average weights and increased production. Similar reasons would be at the origin of a further production rise (around 1 per cent) this year. Per capita beef consumption in Japan rose by 8.3 per cent last year, to 7.8 kg. Reasons for the increase seem to have been the rise in consumers' real disposable income and a 10 per cent drop in real beef retail prices. Although it is generally believed that the Japanese decision to liberalize beef imports (see "The International Markets for Meat, 1988/89" and IMC/INV/10/Rev.5) will push prices downwards and hence, will favour consumption, there is no evidence that last year's evolution was already a consequence of the decision. It is nevertheless worth noting that the consumption increase was the largest one of the last few years.

86. In 1988, Japanese beef and veal imports rose by more than 18 per cent, to 389 thousand tons. Imports of grass-fed beef from Australia were, at 159,000 tons (worth 472 million dollars), up by 31 per cent, while those of grain-fed beef from the United States were, at 125,000 tons (and 639.6 million dollars) up by 47 per cent. The gradual increase in Japanese imports over the last few years has undoubtedly favoured the expansion of the importation of grain-fed beef. In other words, the United States share of the Japanese beef market has risen fast (from 19 per cent in 1980 to 40.8 per cent in 1988) while the Australian market share has declined markedly (from 75 per cent in 1980 to 52 per cent in 1988). The

acceleration of Japanese imports over the next few years, as a result of the market liberalization, is expected to accentuate this trend and, in these conditions, the United States may well soon become Japan's first beef supplier. New Zealand's market share in Japan was 3.6 per cent last year, as compared with 3.2 per cent in 1980. As far as the impact of the opening of the Japanese market on New Zealand exports there is concerned, it is believed that this will be a more indirect one: New Zealand would export more beef to the United States as a result of lower production in this country, and there would be higher United States exports to Japan.

	1987	1988	%Change 1988/87	Forecast 1989	%Change 1989/88
Cattle and calf numbers ^{1/} :	4,694.0	4,667.0	-0.6	4,700.0 ^{3/}	0.7
Beef and veal ^{2/} :					
Production	565.0	569.0	0.7	574.0 ^{3/}	0.9
Consumption	884.0	957.0	8.3	1,015.0 ^{3/}	6.1
Imports	329.0	389.0	18.2	450.0 ^{3/}	15.7
	^{1/} ,000 head, 1 February	^{2/} ,000 tons		^{3/} Secretariat estimates	