

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

IMC/W/72

1 December 1989

Special Distribution

International Meat Council
Twenty-First Meeting
8 December 1989

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; Situation and Outlook for the Meat Markets, OECD, 11 October 1989; Market Commentary, Agriculture Canada, September 1989; and responses to the questionnaire submitted by 16 November 1989.

Although summaries of significant trade policy developments during the last six months 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 report, IMC/W/71, has been reproduced.

CONTENTS

	<u>Page</u>
<u>KEY ISSUES - 1988-1989</u>	3
I. <u>MAJOR FEATURES OF THE INTERNATIONAL ECONOMIC SITUATION AND OUTLOOK</u>	5
II. <u>THE INTERNATIONAL SITUATION AND OUTLOOK IN THE BOVINE MEAT SECTOR</u>	6
III. <u>COUNTRY-BY-COUNTRY ANALYSIS</u>	11
<u>(West Europe):</u>	
European Community	11
Finland	13
Sweden	14
Norway	16
Switzerland	17
Austria	19
Yugoslavia	20
<u>(East Europe):</u>	
Bulgaria	21
Hungary*	22
Poland	23
<u>(Africa):</u>	
South Africa	25
<u>(South America):</u>	
Argentina	27
Brazil*	29
Colombia	31
Uruguay	32
<u>(North America):</u>	
United States	34
Canada	37
<u>(Oceania and Asia):</u>	
Australia	39
New Zealand	42
Japan	44

KEY ISSUES - KEY ISSUES

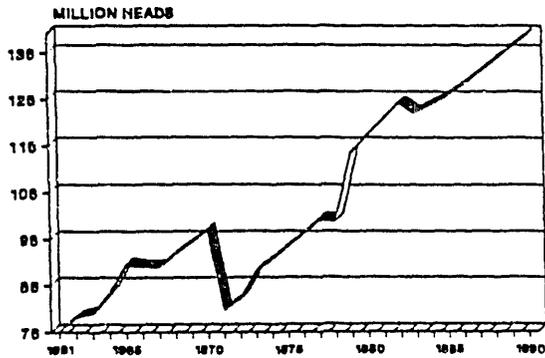
1989

1. Beef and veal production fell for the second consecutive year.
2. Bovine meat trade volume fell significantly, for the first time in years, but value increased.
3. International beef prices rose substantially due to tight supplies and strong import demand.
4. Production costs eased off reflecting lower forage and feedgrain prices.
5. Beef producers' returns strengthened in most countries.
6. The EC became a deficit bovine meat producer and intervention stocks fell sharply for the second year.
7. The United States became the world's third major exporter.
8. Japan became the world's second major importer.

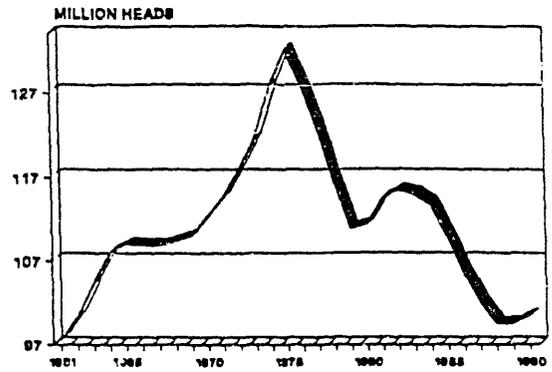
1990

1. Beef and veal supplies are expected to decrease further.
2. International bovine meat trade volume could fall again.
3. International prices should strengthen even more, as a result of continuing low export availabilities and growing import demand.
4. Feed costs are expected to slow down again.
5. The United States should strengthen its position of second major world beef exporter.
6. The European Community exports could be well below the average levels of the 1980s.
7. The evolution in Brazil and a number of Eastern European countries remains the source of major uncertainties.
8. With the exception of some East and Southern Asian markets, beef import demand in developing countries could stagnate or even decline.

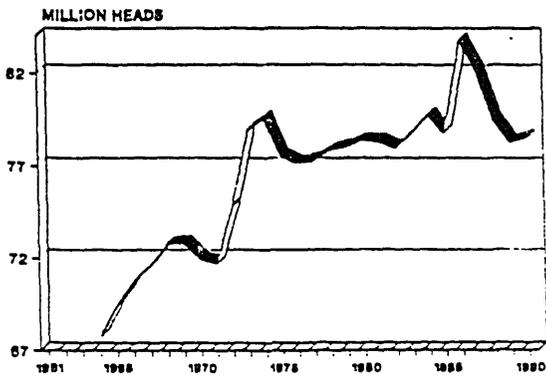
BRAZIL - CATTLE NUMBERS



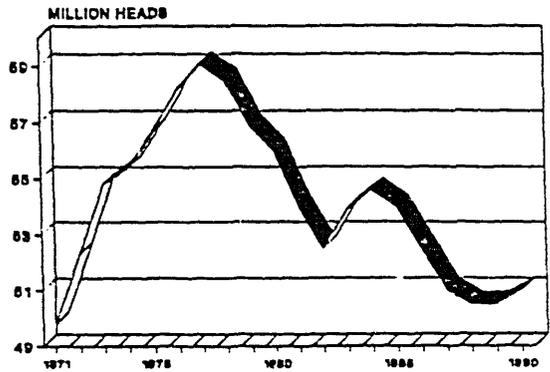
UNITED STATES - CATTLE NUMBERS



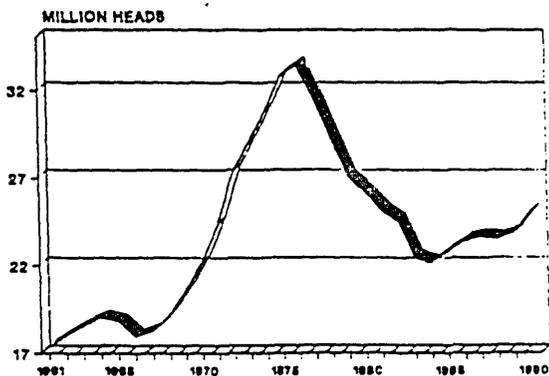
EUROPEAN COMMUNITY - CATTLE NUMBERS



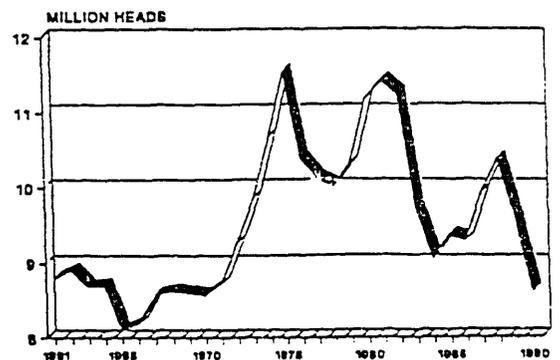
ARGENTINA - CATTLE NUMBERS



AUSTRALIA: CATTLE NUMBERS



URUGUAY - CATTLE NUMBERS



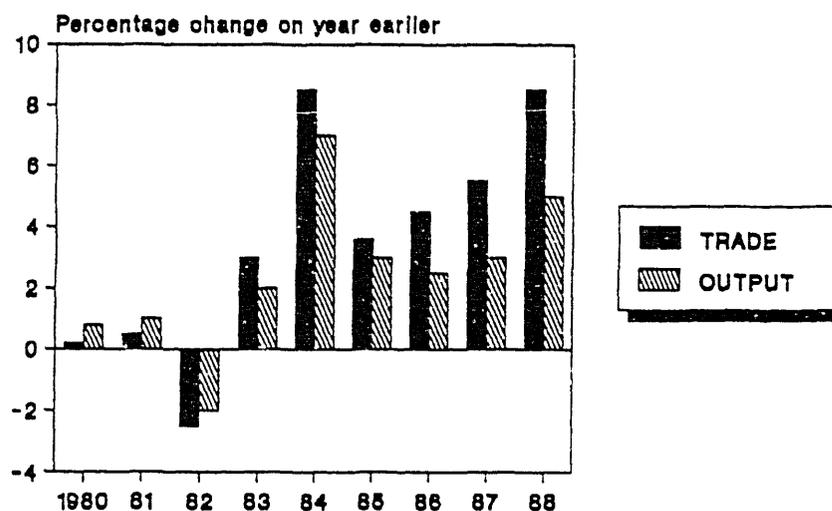
I. MAJOR FEATURES OF THE ECONOMIC SITUATION AND OUTLOOK

1. After two years of rapid economic expansion in the industrial countries, forecasts for 1989 show a slowdown in the growth rate: 3.5 per cent, the same rate as in 1987. A significant decrease in growth is expected in the United States, where the expansion in domestic demand has been declining, and in Japan (mostly in the second half of the year). In the Federal Republic of Germany, however, economic growth in 1989 is expected to be higher than that of 1988, as exporting markets continue to expand. In 1990, economic growth should decelerate again, reaching only 2.9 per cent, and this time even

Germany should suffer from it. In the developing countries¹, 1989 growth should be smaller for the second consecutive year than that of the industrial countries, and, at 3.2 per cent, it should also slow down. However, divergence in the growth among different regions should start to decrease in 1989, as

the Asian countries' historical growth level of 1988, around 9 per cent, should decelerate to around 6 per cent. In 1990, forecasts show that the developing countries' growth rate should increase to 4.0 per cent, thus bypassing the industrial countries' growth. Inflation in 1989 is expected to increase in both groups of countries. In industrial ones, it could attain 4.1 per cent, but as anti-inflationary monetary policies seem to continue to be applied, forecasts for 1990 indicate that it should drop to 3.7 per cent. In the developing countries, figures for inflation in 1989 have been revised upwards, and should total 85.5 per cent. The major reason for this development was the incapacity of some Latin American countries and Yugoslavia to contain inflationary pressures. For 1990, however, inflation should decrease, but constant changes in policies in this group submit forecasts to a considerable risk. Unemployment in 1989 should reach 6.6 per cent in the industrial countries, and in 1990, for the first time since the difficult year of 1982, it is expected to increase slightly to 6.7 per cent. As regards trade, according to GATT experts², 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 1980s. All countries have gained with this situation, but in the OPEC group, gains have been the smallest. In 1989, the growth of trade in volume is expected to be smaller than that of 1977, i.e. 7 per cent.

VOLUME OF WORLD MERCHANDISE TRADE AND OUTPUT, 1980-1988



¹IMF World Economic Outlook, October 1989

²GATT International Trade 88-89, Volume I, 1989

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

2. Seldom have the international bovine meat markets been so buoyant in the last decade as they were in 1989. For the second consecutive year, estimated world beef and veal production fell by 0.5 to 1 per cent, to 48.0 million tons. The decline occurred in both major exporting and importing areas. In other words, lower export availabilities coincided with higher import demand. As a result, international beef trade prices strengthened again in 1989. Furthermore, improved seasonal conditions in a number of countries and especially in the United States allowed for the levelling-off of forage and feed prices. Hence, production costs declined and the sector's profitability increased substantially.

Cattle numbers and production

3. Declining beef and veal production was due to growing cattle herd retention in many countries reflecting the producers' response to rising prices. Cattle and calf numbers increased in the United States, Canada, Brazil, Australia, Japan, Poland, Hungary and in the European Communities, to name but a few. In all of these countries producer prices increased significantly (even if the situation in Brazil has been temporarily affected by a price freeze). The three major exceptions to the trend towards higher cattle inventories were Argentina, Uruguay and New Zealand. Serious droughts in these three countries in 1988 and beginning 1989 were the cause for significant falls in cattle numbers. But even in these cases producer prices went markedly up, in spite of strong variations in Argentina, and cattle retention is currently rising in all of them. With the exception of Canada, Japan and Uruguay, beef and veal supplies fell in all these countries.

4. Among other participating countries, estimated production rises occurred in South Africa, Colombia, Sweden, Switzerland and possibly also in Tunisia. In countries outside the Arrangement, beef and veal output is believed to have stagnated or even decreased in the USSR and other Eastern European countries, as well as in many developing ones. Among other reasons this seems to be related to still relatively high prices of imported fodder and feedgrains (even if declining), partly reflecting the increased value of the United States dollar.

5. On the supply side, two other factors played a major role in improved international beef prices. One was the continuation of the sharp drop in European Community intervention stock levels. Already at "only" 451 thousand tons at the beginning of 1989 (42 per cent below year earlier and equal to half EC export levels in 1988), intervention stocks should end the current year at no more than 100-120 thousand tons. The fall was of course still due to substantial Community export sales, but also to the return to a balanced domestic market situation. Consumption is currently overcoming production. This, coupled with the changes in the common organization of the bovine meat market, resulted in intervention buying-in falling to its lowest level in many years. The other factor was the difficult supply situation in Brazil. This situation was due to general economic policy changes (including temporary price freezings), but also to drought conditions at the beginning of the year.

Consumption

6. While overall meat intake rose further in most countries, the declining trend in bovine meat consumption of the last few years continued in 1989. The drop was one of 1.5-2 per cent in participating countries. Data analysis suggests that total beef and veal consumption increased in maybe only six countries (Brazil, Canada, the EC, Japan, South Africa and Tunisia). However, it also indicates that on a per capita basis, the only countries where some increase occurred were Australia, Japan and the European Communities. In all other countries, per capita consumption fell or stagnated. Reasons for this evolution seem to have been higher beef retail prices (resulting from lower supplies) in a number of countries, as well as still abundant supplies of other meats, especially poultry meat. Even if poultry meat retail prices also went up in some cases, their lower relative prices continued to generally favour its demand.

7. As in previous years, the drop in beef and veal consumption in 1989 was not only price-related. In Australia, where retail prices moved up, beef intake increased, in spite of tight supplies, reflecting improved incomes and successful promotion programmes. In the Community it was the conjunction of improved incomes and sharp rises in pigmeat prices which led to increased demand for beef and veal (despite higher prices). The moderate growth in Japan seems to be related to import liberalization measures. In the meantime, health considerations seem to be losing some momentum in North America as a major reason for the decline in beef consumption. This could well be a result of contradictory debates over the issue, but may be particularly related to spreading supplies of leaner beef in the domestic market. Recent information suggests that in the United States, and contrary to a generally accepted idea, meat consumption may not have reached a saturation level.

8. Bovine meat consumption was also down or stagnant in the Soviet Union and in certain other Eastern European countries, as well as in several developing countries (major exceptions being some East and South Asian ones). In most cases this was related to low domestic supplies and lack of hard currencies to allow for higher meat imports.

Trade and prices

9. In 1989, the bovine meat trade volume is estimated to have decreased significantly for the first time in many years (probably by more than 10 per cent to less than 3.5 million tons). In the meantime, trade value is believed to have increased substantially. This was the result of low export availabilities and increased import demand. Aggregate sales of the four (1988) major world beef exporters (Australia, the European Community, Brazil and New Zealand) may have declined by more than 600 thousand tons. Meanwhile, imports grew in all major importing countries (Japan, the European Community, Canada and Brazil) with the exception of the United States, where a 9 per cent drop, to an estimated level below 1 million tons, was due to low export availabilities in Australia.

10. A number of interesting developments characterized the international bovine meat trade this year. One was the emergence of the United States as probably the third major beef exporter behind Australia and the EC and

before New Zealand and Argentina. This was due to the strong rise of United States sales to Japan, following the ongoing liberalization of the Japanese market and to the drought-related serious setback of New Zealand exports. In a year of substantial production and import falls, this was possible thanks to the United States decline in consumption. Another development has been the substantial decline of Brazilian export levels and this country's resurgence as a major importer, for reasons described above. This situation was particularly beneficial to the other two major South American exporting countries (Argentina and Uruguay). These countries benefited not only from decreased competition in markets where usually they compete with Brazil (such as those in the Middle East) but they were also Brazil's major suppliers. Furthermore, export prices increased significantly and both countries benefited from higher export earnings. Other countries which also benefited from higher Brazilian imports were Paraguay (which sold more than 40,000 tons to Brazil), and possibly also Colombia.

11. Another development which had major repercussions in beef and veal trade was the alluded fall in EC intervention stock levels and intervention purchases. This led to a substantial drop in EC export levels (even if the EC still remained the world's second major beef exporter) but was especially a major contributor (along with the situation in Brazil) for strengthened trade prices in the "foot-and-mouth disease area". Indeed, this price rise allowed for the Community to lower its export restitutions. Finally, import developments in Eastern Asia continued to be the major reason for strengthening prices in the "foot-and-mouth disease-free area". Japan emerged as the second world major beef importer after the United States and before the Community, as a result of the ongoing trade liberalization process. The Republic of Korea has resumed its imports and, more importantly, has recently agreed in GATT to "eliminate or otherwise bring into conformity with the provisions of the General Agreement the import measures on beef (...)"³.

Outlook

12. The premises which allowed for 1989 to have been one of the best years of this decade for bovine meat international trade are expected to remain valid for the next 1-2 years.

13. Cyclical cattle herd rebuilding should continue in an even higher number of major producing countries (Argentina, New Zealand and later Uruguay, are expected to join all those countries where herd rebuilding is already on the way). In other words, in the next year or two, beef and veal supplies could decline further, or at best, stagnate as a result of improved slaughter weights. Even if beef and veal consumption may continue to decrease in global terms, there are signs of stabilization in a number of countries, and even of some recovery in others. In any case, beef demand will remain strong in Eastern Asia as the result of trade liberalization in Japan and possibly in the Republic of Korea. The

³See, for instance, L/6505.

European Community, which this year became a net consumer, will see its beef deficit rise further in 1990, at a moment when intervention stocks tend to disappear. In North America, herd rebuilding coupled with rising beef exports to Japan will keep demand strong. This all means that in 1990 and possibly 1991, tight beef supplies will again coexist with increased demand. The result should be further strengthening of international beef prices.

14. Next year, the United States should reinforce its position as third major world beef exporter reflecting a further growth in sales to Japan and another possible decrease in New Zealand exports. Indeed, taking into account the market outlook in the Community it would not be surprising if the United States became the world's second largest exporter in 1990 or 1991. With consumption running higher than production next year, and intervention stocks close to nil, it is difficult to see how the Community can keep export levels at the currently projected 500,000 tons without significantly higher import levels than currently forecast.

15. Brazil remains one of the major question marks in the international scene of beef markets. As the 1986 and 1989 events illustrated, the Brazilian bovine meat sector is highly sensitive to the country's economic instability. At the same time, its bovine meat industry seems to be able to respond quickly to improved market conditions. The presence or absence of Brazil in the beef and veal export scene in the next year or two will probably largely depend on the economic orientation that may follow the Presidential elections. Another question is the possible short- to medium-term consequences of economic liberalization in certain Eastern European countries, recently illustrated by a 10,000-ton beef food aid operation from the EC to Poland. The USSR has recently imported poultry meat from the United States for the first time, and could be considering beef and veal imports as well. Higher international prices could however act as a disincentive for large purchases.

16. A major condition for growth of international beef prices will of course remain the availability of competing meats. With expected continuing lower feedgrain prices than those which followed the 1988 drought, supplies of other meats can be expected to remain high in the next year or two, and thus to limit bovine meat prices to some extent. The evolution of the value of the United States dollar will also continue to exert a major influence on the export earnings of an important number of countries and the import capacity of others.

17. Finally, the result of the ongoing agriculture trade negotiations may have a major impact on the evolution of international trade in bovine meat, if maybe not yet in 1990, possibly in 1991 (for policy developments, see the second paragraph of the cover page).

18. In summary, despite some imponderables and another possible volume reduction reflecting tight supplies, the value of the international bovine meat trade can be expected to grow further in 1990 and possibly into 1991, as a result of strengthened international prices.

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

A. EXPORTS

	1988	FORECAST 1989	%CHANGE 1988/87	FORECAST 1990	%CHANGE 1990/89
ARGENTINA	320	360 ^{2/}	12.5%	400 ^{2/}	11.1%
AUSTRALIA	902	810 ^{2/}	-10.2%	920 ^{2/}	13.6%
BRAZIL	550	400	-27.3%	350 ^{2/}	-12.5%
CANADA	89	111	24.7%	120	8.1%
EC	900	600	-33.3%	500	-16.7%
NEW ZEALAND	462	365	-21.0%	347 ^{2/}	-4.9%
UNITED STATES	313	411	31.3%	454	10.5%
URUGUAY	131	175	33.6%	120	-31.4%
OTHERS ^{3/}	227	213	-6.2%	177	-16.9%
TOTAL	3,894	3,445	-11.5%	3,388	-1.7%

B. IMPORTS

	1988	FORECAST 1989	%CHANGE 1989/88	FORECAST 1990	%CHANGE 1990/89
BRAZIL	30	150 ^{2/}	400.0%	150 ^{2/}	0.0%
CANADA	165	170	3.0%	160	-5.9%
EC	422	435	3.1%	445	2.3%
JAPAN	386	471 ^{2/}	22.0%	520 ^{2/}	10.4%
UNITED STATES	1,091	989	-9.3%	980	-0.9%
USSR ^{2/,4/}	200	170	-15.0%	200	17.6%
AFRICA ^{2/,4/}	420	420	0.0%	425	1.2%
OTHER ASIA ^{2/,4/}	146	150	2.7%	175	16.7%
MIDDLE EAST ^{2/,4/}	132	140	6.1%	150	7.1%
EASTERN EUROPE ^{3/}	115	115	0.0%	145	26.1%
OTHER EUROPE	69	68	-1.4%	66 ^{2/}	-2.9%
TOTAL	3,176	3,278	3.2%	3,416	4.2%

^{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 other exporting/importing countries participating in the Arrangement Regarding Bovine Meat. Estimates by the Secretariat.

^{4/} The absence of import data in many countries renders forecasting almost impossible. Only trends should be taken into account. Secretariat estimates.

1.III. COUNTRY-BY-COUNTRY ANALYSIS

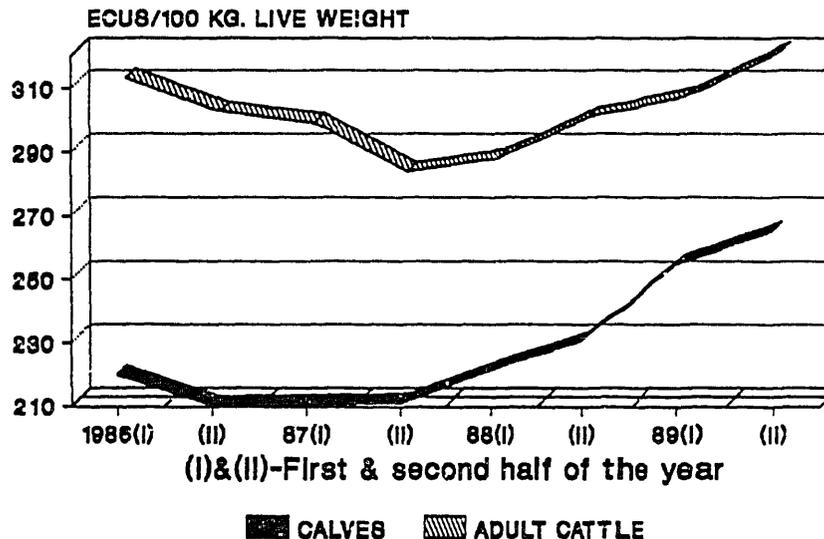
European Community

For the first time in the last decade, beef consumption exceeds production

19. Cattle herd in the Community is forecast to show a marginal increase (+0.3 per cent) by the end of the current year, to around 78.5 million head. Despite this rise, cattle numbers are not expected to show any dramatic change in the next few years. Even if this year's rise would be due to the increase in the inventories of all categories of cattle with the exception of dairy cows, the decline of the latter (-1.6 per cent this year, to 23.1 million) should continue to partly offset the total increase. This would be the consequence of the extension of the milk quota system until 1992. It is nevertheless interesting to note that beef cow numbers are expected to show a further 2.5 per cent rise this year (+2.3 in 1988), reaching now 8.3 million, or 26.3 per cent of total cow numbers.

20. The current cattle herd situation seems to be related to much improved cattle-raising conditions in the Community: adult male cattle prices increased by an estimated 6 per cent during the first six months of the year, while estimated calf prices were up by some 15 per cent.

EC - CATTLE PRICES



WHOLESALE MARKET PRICES

Furthermore, feedgrain prices fell by 7 per cent. Reflecting these improved conditions, estimated cattle slaughter fell by 3 per cent in 1989, to 28.6 million head. The drop in calf slaughter is estimated to have been particularly accentuated: -5.6 per cent. Total cattle cull could stabilize in 1990.

21. Beef and veal production should fall at a lesser rate than slaughter (-2.1 per cent, to 7.5 million tons), reflecting somewhat improved weights and rising beef cow numbers. This tendency, higher slaughter weights and

growing beef cow numbers, is expected to continue to develop and, already in 1990, production is forecast to increase somewhat. Recent forecasts submitted to the OECD indicate that by 1994, EC beef and veal production should be around 8 million tons.

22. Per capita bovine meat consumption is estimated to have increased by 0.9 per cent, reaching 23.7 kgs. Total consumption would thus have reached a level close to 7.7 million tons, thus exceeding production for the first time since 1978. The consumption growth in the current year seems to have been at the expense of pigmeat consumption which fell by 2.8 per cent, to 38.5 kgs., while both poultry and sheepmeat intake continued to grow.

23. Estimated beef and veal imports increased by 3.1 per cent, to 435 thousand tons, reflecting higher concessionary beef imports quotas in 1989 (for details on the current's year quotas, see IMC/W/71). The return to a more balanced market situation and a declining self-sufficiency ratio could translate into a further growth of concessionary import schemes next year. Total imports are forecast to reach 445 thousand tons.

Beef intervention stocks in 1990 seen at no more than 20 thousand tons

24. The falling export trend initiated in 1987, is estimated to have continued this year. Exports should amount to 600 thousand tons, a 20.5 per cent drop. This fall is a result of declining production and rising consumption. Nevertheless, sharply falling but still high stock levels at the end of 1988 (421 thousand tons), still allowed the Community to remain the second major beef exporter in the world in 1989. This means that another dramatic stock drop occurred this year. Indeed, recent estimates put year end intervention stocks at 100-120,000 tons. Projections for 1990 are for intervention stocks to reach no more than some 20 thousand tons. Exports were earlier projected to reach 500 thousand tons next year. But taking into account projections for higher consumption than production and an import level which would not allow more than some 200-250,000 tons surplus, it can be questioned whether such an export level will be feasible next year.

Policy developments

25. Stronger world prices for beef allowed for the lowering of export restitutions in 1989. Furthermore, the common organization of the bovine meat market was modified as from last April. Changes have been reported in document IMC/W/71 and details can be found in IMC/INV/2/Rev.3.

	1988	Forecast 1989	%Change 1990/89	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	78,258.0	78,500.0	0.3	78,750.0	0.3
Beef and veal ^{2/} :					
Production	7,675.0	7,510.0	-2.1	7,530.0	0.3
Consumption	7,620.0	7,675.0	0.7	7,700.0	0.3
Imports	422.0	435.0	3.1	445.0	2.3
Exports	755.0	600.0	-20.5	500.0	-16.7
Stocks ^{3/} of which	610.0	190.0 ^{4/}	-68.9	55.0	-71.1
intervention	421.0	110.0	-73.9	20.0	-81.8

^{1/},000 head, December

^{3/}Total stocks, 31 December

^{2/},000 tons

^{4/}Secretariat estimate

Finland

Soon a net importer of bovine meat?

26. Dairy cessation programmes have been at the origin of an almost uninterrupted decline in cattle numbers in Finland in the last decade. Data for the last June cattle census put inventories at 1.3 million head, which may reflect a 2-3 per cent drop compared to year earlier (data for June 1988 are not available as census dates have been changed). The fall was due to the decline in dairy cow numbers, but also in those of bulls and calves. The decrease of cattle and calf inventories was accelerated in the last two years by crop failures. In 1990 the cattle herd is expected to decline further by around 1 per cent.

27. The fall in cattle numbers over the last ten years has resulted in decreasing slaughter. During the current year total cattle and calf slaughter is estimated at 495 thousand head, an 8.8 per cent fall. Increased slaughter weights allowed for a somewhat lesser production drop, which is estimated to reach 105 thousand tons, a close to 6 per cent decrease. Beef and veal consumption has fallen along with production (-6 per cent) during the first half of the year but it is estimated to show a lesser decline by the year end (-1.7 per cent) or even a stabilization (per capita consumption is seen at 21 kgs., roughly the same level as in 1988 and, indeed, as in the last few years).

28. Last year's shortage of beef supply had pushed producer prices up to 5 per cent more than the target price. As a consequence, import licences were delivered to allow for imports, and exports have fallen to 10 thousand tons, half their 1987 level. The continuing decline in production this year and the relatively unchanged consumption levels led to a further dramatic cut in export levels, seen at only 4 thousand tons (the lowest export level since 1979 and down from a peak of 23.4 thousand tons in 1985). In the meantime, imports are expected to equal exports (4 thousand tons) a modest volume in absolute terms, but a record one for this country. Finland is expected to become a net importing country.

Policy developments

29. Some additional incentives, a supplementary production premium and a beef cow premium, have been introduced into specialized beef production in order to provide for stable domestic supply of bovine meat. However, prospects for the replacement of meat produced as a by-product of the dairy industry by a specialized beef production are very limited. Reasons for this seem to be the comparatively low profitability of beef cattle and the adverse natural conditions in Finland.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	1,379.0	1,346.0	-2.4	1,334.0	-0.9
Beef and veal ^{2/} :					
Production	111.5	105.0	-5.8	100.0	-4.8
Consumption	103.8	102.0	-1.7	101.0	-1.0
Exports	10.0	4.0	-60.0	4.0	0.0
Imports	2.5	4.0	60.0	4.0	0.0
	^{1/} ,000 head, 1 December		^{2/} ,000 tons		

Sweden

Beef and veal production up for the first time since 1985

30. Last June's census showed that cattle and calf numbers had increased slightly since a year earlier, reflecting the termination of the two-price system for milk since 1 January 1989. The rise was of about 0.6 per cent, to 1,672,000 head. Dairy cow numbers, which from June 1985 (when the two-price system was implemented) to June 1986 and 1987 had fallen by 7.1 per cent and 4 per cent respectively, fell by only 2 per cent in 1988 (due to the early announcement of the termination of the system) and by

0.9 per cent this year. A similar percentage decline is expected to occur at least until 1991 and, coupled with the expected rise in numbers of all other categories of cattle, it should allow for moderate cattle herd rebuilding at least over the next two years.

31. After declining since 1986, cattle and calf slaughter has resumed this year. The increase was of an estimated 6 per cent and, although no data are available, it seems to be largely due to an increased adult male cattle cull (not only were cow numbers declining more slowly, but average carcass weights were up by 3 per cent). In 1990 and 1991, cattle slaughter is seen to rise further, by 2 and 0.7 per cent respectively. The result of increased cattle slaughter and average carcass weight was a 9 per cent rise in beef and veal production, to 138 thousand tons. This was the first production increase since 1985. Along with cattle slaughter, production should show further (although more moderate) growth in the next two years.

32. Real producer prices which in 1988 went up by 9 per cent reflecting the abolishment of slaughter fees in the beef sector, rose by a marginal 0.4 per cent during the first half of 1989. Nevertheless, the bovine meat market situation in Sweden seems to continue to be well balanced. Per capita consumption may have declined from 17 kgs. in 1988, to 16.4 kgs. this year (probably because of an unexplained sharp consumption drop in the first quarter and an increase in retail prices). It is worth noting that the decline in per capita beef and veal consumption does not seem to have significantly translated into the rise in the intake of other meats. Pigmear per capita consumption fell and sheepmeat consumption remained unchanged, while the estimated growth of per capita intake of poultry meat was relatively marginal (from 5.2 kgs. to 5.3 kgs.).

33. The balanced domestic market situation in 1989, should allow for sharply reduced imports which were estimated to reach 10 thousand tons, less than half their year earlier level. During the first half of the year, the decline was of 44 per cent. Seventy per cent of the imports were frozen beef and the main suppliers of this product were Poland, Yugoslavia and Australia. The average import price was of US\$5,410/ton c.i.f., 17 per cent higher than year earlier. Higher production and lower consumption levels allowed for higher export availabilities and, during the first six months, exports were 20 per cent higher than year earlier. The largest part of these went to the United States (frozen beef) and to the Federal Republic of Germany (canned and cooked). (Data for the average export price seem to contain some error because they show a 31 per cent drop in prices, to US\$2,005 ton/f.o.b., for the same quality of beef.) By the year end total exports are expected to reach 9 thousand tons, up by more than 45 per cent. Imports are expected to show some increase next year and drop again in 1991. Meanwhile, exports should not show any dramatic changes.

Policy developments

34. As mentioned above, the two-price system for milk was terminated last 1 July. The system (which was introduced for the period July 1985 to June 1988 and was extended for one more year) was implemented on a voluntary basis. It was essentially intended to discourage surplus milk production, but it also succeeded in eliminating beef surpluses. Sweden is going through a profound deregulation of its agricultural sector. With the

exception of support measures to the unfavoured areas in the North of the country, all other support to agriculture is expected to be abandoned by 1 July 1991.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	1,662.0	1,672.0	0.6	1,681.0	0.5
Beef and veal ^{2/} :					
Production	126.0	138.0	9.5	141.0	2.2
Consumption	141.0	138.0	-2.1	143.0	3.6
Imports	21.0	10.0	-52.4	11.0	10.0
Exports	6.2	9.0	45.2	9.0	0.0

^{1/},000 head, June ^{2/},000 tons

Norway

Well balanced domestic market situation

35. The January 1989 cattle census shows a slight increase of cattle herd during 1988. This was due to a rise in bull and calf numbers and declining slaughter levels. The total cattle inventory this year is not expected to show any dramatic change, a slight increase in bull numbers partly offsetting relatively marginal declines of all other categories of cattle. In 1988, cattle slaughter was 7 per cent below year earlier as a result of falling slaughter of both female and adult male cattle, but especially reflecting a 35 per cent fall in calf slaughter. Total cattle kill is expected to decrease by a further 4-5 per cent in both this year and 1990. Calf slaughter should remain strong this year and begin to level off as from 1990.

36. In 1988, despite the 7 per cent drop in slaughter, a higher percentage of adult cattle in the slaughter mix and increased weights allowed for only a 1.3 per cent production decrease, to 75.5 thousand tons. A similar evolution should occur this year and production is seen at 74.8 thousand tons. A much higher percentage of adult male cattle in the total mix in 1990 (64.5 per cent compared to 48.5 this year) should allow for almost unchanged production levels in spite of an even lower cattle cull.

37. In spite of the drop in production, beef and veal consumption increased last year (2.2 per cent on a per capita basis, to 18.6 kg.) apparently as a result of increased demand for processed food and probably also because of lower retail prices. The rise seems to have occurred at

the expense of pigmeat and sheepmeat consumption. Poultry meat intake rose from 3.7 kg. to 4.2 kg. Beef and veal per capita consumption is estimated to fall by some 4 per cent during the current year and to stabilize in 1990. The consumption of both pigmeat and sheepmeat is expected to continue to decrease, while that of poultry meat should rise.

38. The Norwegian bovine meat market is benefiting from a well balanced situation and consequently there was no recourse to its comprehensive system of support and stabilization measures last year. Furthermore, imports were down to 1,541 tons. This year, the consumption fall largely compensates for the production decline and imports should total 1,500 tons. In 1990, no major changes should occur.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	979.0	983.9 ^{2/}	0.5	982.0	-0.2
Beef and veal ^{3/} :					
Production	75.5	74.8	-0.9	74.7	-0.1
Consumption	78.8	75.0	-4.8	75.0	0.0
Imports	1.5	1.5	0.0	1.0	-33.3
	^{1/} ,000 head, 31 December	^{2/} Actual		^{3/} ,000 tons	

Switzerland

Beef and veal consumption up sharply in the second quarter 1989

39. In 1988, for the first time since 1984 and the second one since the beginning of the decade, cattle and calf numbers in Switzerland increased somewhat. According to the last April cattle census, the inventories were up by 0.7 per cent, to 1,850,300 head. Although the rise is not very significant, it is interesting to note that it was essentially due to higher calf and dairy cow numbers (which rose for the first time in years and after a sharp drop in 1987, following the implementation of stricter dairy quotas). In response to somewhat improved prices, cattle numbers are forecast to show little change this year, even if dairy cow numbers should fall again somewhat.

40. During the first half of the year, cattle slaughter was slightly down probably reflecting an average 0.5 per cent producer price recovery (although in real terms producer prices were down by 1.8 per cent). Cattle slaughter was nevertheless estimated to increase in the second half of the year and to total 785 thousand head, 3.2 per cent up, by the end of the year.

41. From January to June, somewhat improved slaughter weights allowed for a slight rise in production (especially during the second quarter), in spite of the slaughter decline. The expected cull increase in the second half of the year should result in total production of 159 thousand tons, compared to 153.7 thousand tons last year.

42. Reflecting a 2.4 per cent fall in retail prices (-4.7 in real terms), beef and veal consumption in Switzerland went up by almost 5 per cent, a sharp contrast with the 12 per cent drop registered last year during the same period. Indeed the rise occurred totally during the second quarter of the year and took place at the expense of pigmeat and sheepmeat consumption, which declined, while consumption of poultry meat progressed further. Pigmeat intake will nevertheless remain by far the preferred meat of the Swiss, reaching 285 thousand tons by the year end, while bovine meat consumption is expected to regress again in the second half of the year and to decline slightly for the year as a whole. Poultry meat intake should continue to rise.

43. In spite of the increase in consumption registered during the second quarter of the year, the rise in production allowed for lower import levels than a year earlier. These amounted for 4.5 thousand tons, as opposed to 5.5 thousand tons year earlier. The origin of imports is not yet available, but traditional major suppliers of the Swiss market have been Brazil, Argentina and the EC.

Policy developments

44. On 1 January 1989 target prices for the main categories of adult cattle and calves for slaughter have been raised by 1.6 to 2.3 per cent depending on the category (see IMC/INV/7/Rev.5).

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	1,836.9	1,850.3	0.7	1,845.5	-0.3
Beef and veal ^{2/} :					
Production	153.7	159.0	3.4	160.0 ^{3/}	0.6
Consumption	173.5	172.0	-0.9	170.0 ^{3/}	-1.2
Imports	12.8	12.8	0.0	10.0 ^{3/}	-21.9
	^{1/} ,000 head	^{2/} ,000 tons	^{3/} Source: OECD		

Austria

Exports fall reflecting lower production

45. After a 2 per cent drop in 1988, cattle and calf numbers in Austria are expected to fall by a further 1 per cent during the current year, pursuing the downward trend initiated in 1985. The cattle herd is expected to total about 2,560 thousand head. In 1988, total cattle slaughter fell by 4 per cent and this was the second consecutive year of decrease. Moreover, the cow cull was down by 11 per cent last year, which suggests that cattle herd liquidation might be coming to an end.

46. Beef and veal production fell by 12 per cent last year reflecting lower cow slaughter. Current estimates for 1989 are for a further 4 per cent drop, production probably totalling some 218 thousand tons. However, some recovery could intervene next year. Consumption fell by 1.5 per cent last year despite a slight decline in real beef retail prices (-0.6 per cent). This decline was offset by a strong fall in real retail prices (-6.5 per cent) of competing meats, especially poultry meat, whose intake rose by almost 10 per cent. In 1989 beef and veal consumption should drop by a similar percentage, to about 166 thousand tons.

47. Beef and veal exports have increased markedly over the last few years and reached a record level of 63,000 tons in 1987. However, last year, exports, which by and large go traditionally to Italy and the Federal Republic of Germany, fell by 9.5 per cent due to the production fall and, for the same reasons, a further 9 per cent decrease could occur in 1989. Exports should total approximately 52,000 tons. Austria also exports live animals, Libya and Italy being traditionally almost the sole markets. Last year these exports registered a 15 per cent decline, to 17 thousand head and a further drop could occur in 1989.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	2,586.0	2,560.0 ^{3/}	-1.0	..	..
Beef and veal ^{2/} :					
Production	227.4	218.0 ^{3/}	-4.1	..	..
Consumption	168.5	166.0 ^{3/}	-1.5	..	..
Exports	57.0	52.0 ^{3/}	-8.8	..	..
	^{1/} ,000 head	^{2/} ,000 tons	^{3/} Secretariat estimates		

Yugoslavia

Cattle herd at historical low level

48. At 4.8 million head last 15 January, the Yugoslav cattle herd seems to have reached an historical low. Compared to year earlier, the drop was of 2.5 per cent and was a result of the decline in numbers of all categories of cattle, with the exception of bulls whose inventory increased somewhat. Dairy cow numbers, which in 1987 had increased slightly after years of falling numbers, decreased again last year by 45,000 head. Total cattle slaughter increased by 1 per cent, apparently because of a 9.5 per cent rise in calf slaughter. Current estimates are for a slight recovery of the cattle herd this year.

49. In 1988, beef and veal production, which accounts for about 43 per cent of total cattle breeding production, declined by 3.6 per cent as a result of lower carcass weights, probably due to the smaller proportion of adult cattle in the slaughter mix. Partly reflecting sharply rising inflation rates, cattle prices (bullocks and heifers) which are formed freely, increased from an average 557 dinars/kg. in 1986 to 1,063 dinars/kg. in 1987 and 3,703 dinars/kg. in 1988. According to available statistical data for prices, there was nevertheless also an impressive 143 per cent rise in real producer prices last year. Such a rise should lead to cattle herd rebuilding, especially at a moment when fodder and grain prices may be expected to decline somewhat. Beef and veal production could consequently be down this year and the next.

50. Wholesale meat prices are no longer state-controlled and thus their evolution depends on the market situation. In other words, their rise is no longer limited by state intervention. The result has been a dramatic increase in beef retail prices which during the first nine months of the year were up, in real terms, by an average 234 per cent. In these conditions, and without strong rises in consumer income, beef and veal consumption (13-14 kg. per capita in recent years) should go down significantly.

51. Last year's production fall led to a 29 per cent increase in imports and a stabilization of beef exports. During the first three quarters of 1989, both beef and veal imports and exports went up. Imports increased by 211 per cent, to 82 thousand tons, while exports rose by 121 per cent, to 46 thousand tons. Current evolution suggests that Yugoslavia, once a net exporter of bovine meat which became a net importer in the mid-1980s, should remain so for the next couple of years. As happened last year, fresh and chilled beef and veal imports from January-September 1989, came by and large from Poland, Czechoslovakia, Hungary and the Netherlands. Eighty-six per cent of the imports of frozen product came from the EC. During this period, live cattle imports also rose sharply: 233 per cent, to 32.3 thousand tons (c.w.e.). Ninety per cent of beef and veal exports went to the EC in the form of fresh and chilled meat. Live cattle exports were up by 137 per cent and went in particular to Italy.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	4,881.0	4,759.0 ^{3/}	-2.5	4,788.0	0.6
Beef and veal ^{2/} :					
Production	346.0	320.0 ^{4/}	-7.5	...	...
Consumption	322.0 ^{4/}	300.0 ^{4/}	-6.8	...	...
Imports	52.7	81.7 ^{5/}	210.6 ^{5/}	...	...
Exports	27.6	45.9 ^{5/}	120.7 ^{5/}	...	...
	^{1/} , 000 head, 15 January	^{2/} , 000 tons		^{3/} Actual	
	^{4/} Secretariat estimates	^{5/} January-September			

Bulgaria

Traditionally a net exporter, Bulgaria is now a net bovine meat importer

52. Cattle and calf numbers in Bulgaria have been falling continuously since 1983. Revised data for the last January cattle census show a 2.2 per cent fall, to 1.6 million head in 1988. Six consecutive years of herd decline seem to have resulted in a significant reduction of bovine meat production. The absence of data for production (as well as consumption) does not allow for a correct analysis of the bovine meat sector. However, and as indicated in the last report, a sharp rise in poultry meat output (which represented 23-24 per cent of overall meat production) last year, +18.2 per cent, and only 4.7 per cent rise in total meat production, coupled with rising beef imports and declining exports, clearly suggests a significant fall in beef and veal production.

53. During the first half of the current year, this trend does not seem to have changed much: while poultry meat output has risen by almost 9 per cent, total meat production was up by only 5 per cent. Meanwhile, at 17 thousand tons, beef and veal imports were already 26 per cent higher than imports in 1988 as a whole (traditionally a net bovine meat exporter, Bulgaria became a net importer last year). Furthermore, from January to June last, beef and veal exports fell by 18 per cent, to 2.7 thousand tons, and live cattle sales abroad were down from 19 thousand head to 11.7 thousand head. Fresh and chilled beef and veal imports, 99 per cent of the total, originated in the European Community (Federal Republic of Germany, France and Denmark). Fifty-five per cent of live cattle exports went to Libya and the rest to Lebanon, Greece and Jordan. Information on prices is not available.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	1,649.0	1,613.0	-2.2	...	...
Beef and veal ^{2/} :					
Production	96.5	93.0 ^{3/}	-3.6	...	...
Consumption	97.0	...	...	...	...
Imports	13.3	16.7 ^{4/}	...	...	...
Exports	5.4	2.7 ^{4/}	...	...	...

^{1/},000 head, 1 January ^{2/},000 tons ^{3/}Secretariat estimates
^{4/}January-June

Hungary*

54. 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.

55. 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.

56. 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

After a decade of constant decline, cattle numbers begin to recover

57. Low profitability and insufficient feed availabilities have been at the origin of the almost constant fall of the Polish cattle herd in the last decade. The June 1989 cattle census shows that this downward trend has finally been interrupted. Cattle and calf numbers increased by 4 per cent, to 1.7 million head. Such as the decrease of previous years was largely due to the decline of cow numbers, this year's rise was by and large the result of a higher cow population.

58. Successive increases in the official cattle purchasing price in the recent past were at the origin of this rise. The last increase (34 per cent) of what meanwhile became a minimum price guaranteed to the producer (following steps to render the Polish industry more market-oriented), occurred last April. Further encouragements to the livestock sector came in the form of doubled milk prices at the point of collection since last 1 August and improved seasonal conditions. Prospects for the next two years are for a stabilization of cattle inventories next year and a moderate rise in 1991.

59. Although there are no data available, cattle slaughter may have declined significantly. Indeed, not only have cattle numbers increased,

but beef and veal production is expected to show a 3-5 per cent decline, to some 621 thousand tons (despite almost certainly increased slaughter weights). Beef and veal consumption has increased in the last few years and there seems to exist a potential for a faster rise once the rationing system is abolished, which should happen this year. However, reflecting the production fall, per capita beef consumption, this year, should decrease by 3 per cent, to some 16.8 kgs.

60. Such as in 1988, Poland remained a deficit beef producer in 1989 and imports rose sharply from 46 thousand tons to an estimated 80 thousand tons this year (it is not clear whether this includes the 10,000 tons delivered as food aid by the EC in the autumn). During the first six months of 1989, beef and veal imports reached 32.4 thousand tons (none last year) of frozen product, virtually all coming from the Federal Republic of Germany. Beef and veal exports, which during this same period went up by 11 per cent, were by and large constituted by high-quality beef and seem to have been sold to a large number of markets. No sales were made to the Soviet Union which last year was by far Poland's largest market for beef. Sweden, last year's second largest market, imported only 1,100 tons (-73 per cent) during this period.

61. Cattle exports were 30 per cent higher during the first six months of the year, reaching 432 thousand head. The major importers of the Polish market were Italy and the Federal Republic of Germany, followed by Lebanon and Austria. Available projections put cattle exports at 631.5 thousand head by the year end, which constitutes a record historical level.

Policy developments

62. Poland is going through a process of major policy changes. For memory, it is recalled that the following changes were expected to be implemented since 1988 and through 1989: (a) abolition of the purchasing of live animals and meat-processing monopoly; (b) abolition of the centrally administered distribution of food, agricultural products and means of production; (c) improvement of farm structure (in the sense of less dispersion); (d) adoption of the concept of minimum guaranteed price to the producer; (e) abolition of meat rationing; (f) creation of equal development conditions for state farms, co-operatives and private sector.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	10,322.0	10,733.0	4.0	10,700.0	-0.3
Beef and veal ^{2/} :					
Production	647.0	621.0 ^{3/}	-4.0	...	...
Consumption	657.0	637.0 ^{3/}	-3.0	...	...
Imports	46.1	80.0	73.5	...	...
Exports	68.9	58.3	-15.4	...	...
	^{1/} ,000 head, June	^{2/} ,000 tons	^{3/} Secretariat estimates		

South Africa

Poultry meat consumption could well surpass beef in 1990

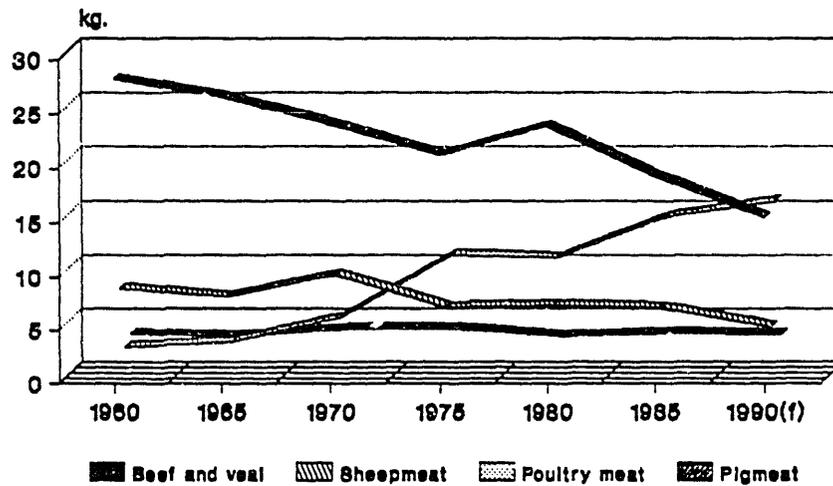
63. The cattle herd in South Africa has been going through a rebuilding phase since 1986. The last 31 August census shows a 2.4 per cent rise in numbers to 8.4 million head. This is nevertheless a slowdown from last year's rate of increase and after rising further by a projected 1.7 per cent next year, cattle inventories are expected to enter a new liquidation phase in 1991.

64. This evolution of the cattle herd clearly appears from slaughter levels during the first half of the year: although at 898 thousand head total slaughter remained unchanged compared to year earlier, cow and heifer slaughter fell by only 5 per cent and adult male cattle slaughter was up by 3 per cent. During the same period last year, both female cattle and adult male cattle slaughter were down by close to 13 per cent. Year end overall cattle slaughter is projected to fall by 1.6 per cent, to 1.8 million head (the decline was of 11 per cent last year). Forecast are for a 1.2 per cent slaughter rise next year.

65. From January to June 1989, beef and veal production increased by 2.2 per cent reflecting higher slaughter weights. As noted in previous reports, the increase in cattle slaughter weights is partly due to the increasing popularity of feed-lot operations which account today for about a third of total cattle slaughtered. In these conditions, beef and veal production is expected to show a 1.7 per cent increase, to 582.5 thousand tons by the end of the current year. Increased slaughter and weights are projected to result in a further 3 per cent production rise next year.

66. Data for beef and veal consumption from January to June suggest a 7 per cent rise, to 316.5 thousand tons. Consumption is nevertheless expected to decline again in the second half of the year. Forecasts for the year as a whole (16 kg.) indicate that the downward trend of per capita beef consumption, initiated at the beginning of the decade, will not be interrupted this year. At the same time, poultry meat consumption continues its fast progression and should current projections prove correct, it will (at 16 kg.) surpass beef and veal intake (projected to fall to 15.5 kg.) next year. Like in many other countries, relative lower prices of poultry meat seems to be the major reason behind this evolution.

South Africa Per capita consumption of meat



67. While live cattle imports fell by about 10 per cent during the first six months of the year, beef and veal imports were up by an impressive 81.5 per cent, to 31.4 thousand tons. The rise was due to the consumption increase during this period and imports are projected to fall sharply again in the second half of the year. The result would be a close to 12 per cent drop for the year as a whole, to 55.6 thousand tons. The projected production rise, coupled with the decline in consumption, is expected to result in a further 16 per cent drop in imports next year. As usual, no information is available on the origin of the first six months' imports. However, in both 1987 and 1988 the bulk of South African imports originated in the European Community.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	8,198.0	8,391.0	2.4	8,542.0	1.8
Beef and veal ^{2/} :					
Production	573.0	582.5	1.7	591.8	3.3
Consumption	628.8	640.0	1.8	635.0	1.0
Imports	62.9	55.6	-11.6	46.7	-25.8
	^{1/} ,000 head, 31 August			^{2/} ,000 tons	

Argentina

Beef exports up as the result of sharply reduced consumption

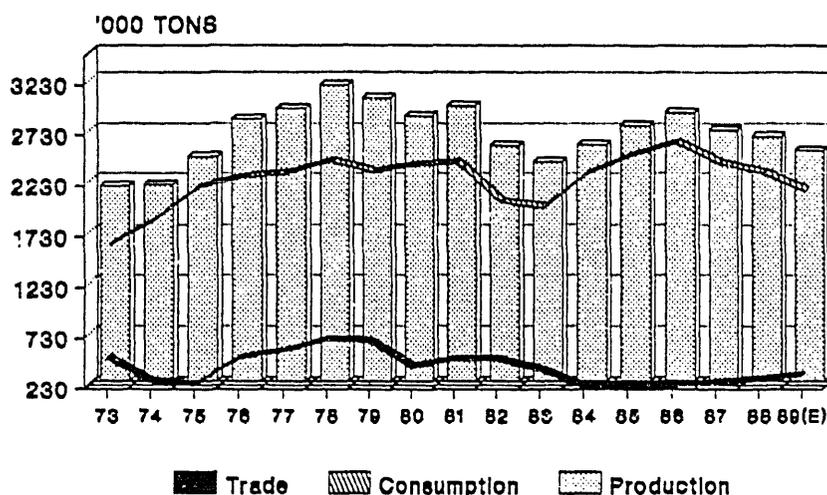
68. The Argentinian cattle herd has been falling continuously in the last ten years with only a brief interruption in 1983-84. Estimated results for the last June cattle census showed a further 1.6 per cent fall, to 49.5 million head. This last decrease was due to adverse climatic conditions, frosts followed by intense drought, and the country's difficult economic and financial situation. The absence of rain continued to be felt in the first months of the current year, but the situation has since improved even if, at the time of writing, the lack of rain reportedly begins to be felt again.

69. From January to July 1989 inspected cattle slaughter was only marginally down (-0.4 per cent), which does not clearly suggest the end of liquidation. Moreover, female cattle slaughter was up by 12 per cent (with cow slaughter up by 17 per cent), representing 46.5 per cent of overall cattle slaughter, a percentage usually considered far too high to allow for cattle herd rebuilding. This is the reversal of last year's tendency when female cattle slaughter indicated that herd liquidation might be coming to its end. Total year end cattle slaughter is nevertheless projected to fall by 1.6 per cent, to 12.0 million head.

70. The Argentinian cattle industry has been affected by strong price fluctuations in the last few years. After recovering strongly (after their historically low levels in 1985) from the middle of 1986 to the last quarter 1987, cattle prices plunged again and, although at levels higher than in 1985, have fluctuated strongly since then. This year does not seem to be an exception. Although the Liniers price index (1960 = 100) averaged, during the first seven months, 12 per cent higher than last year, it varied from 81 in April to 129 in June and back to 87 last July. Depressed and strongly varying prices seem to be due to the current low

consumption level and, until at least last April, to an unfavourable rate of exchange against the United States dollar.

ARGENTINA BEEF INDUSTRY



71. In 1989, decreased cattle slaughter coupled with lower weights should result in a 4.4 per cent drop in production to an estimated 2.5 million tons. Meanwhile, per capita beef and veal consumption is forecast to fall sharply to 66-67 kgs., the lowest level of the last 15 years, reflecting the country's difficult economic situation and extremely low income levels. The new Argentinian government's measures to restore the country's economy (inflation was down from a three-digit figure, almost 200 per cent last July, to less than 40 per cent in August) should have a slow positive impact on incomes and beef and veal intake may begin to recover moderately in the near future. However, expected strong export demand in 1990 should still result in lower beef and veal consumption.

72. During the first quarter of 1989, and at a time when f.o.b. export prices averaged 9 per cent higher than year earlier, an unfavourable exchange rate against the United States dollar kept Argentinian beef and veal exports 24 per cent below year earlier. In the second quarter, and following a number of measures introduced by the out-going government in an effort to control runaway inflation (including the withdrawal of an exchange rate-linked duty on exports resulting in a more favourable exchange rate), beef and veal exports increased slightly. In July, exports were up by a further 9 per cent confirming the recovery. Furthermore, a 25 per cent rise in export prices (to US\$1,477 per ton f.o.b.) compared to year earlier, resulted in a 37 per cent increase in the export value. An even more favourable exchange rate was recently implemented and a gradual cut in export duties on meat started last October. The 20 per cent export tax should be reduced by 1 per cent monthly until the end of the year and by 2 per cent, until total abolishment, as from January 1990.

73. The Argentinian export industry should consequently be in a better position to face the near future at a moment when the conditions on the international market for bovine meat seem to be particularly attractive for

this traditional exporting country: sharply decreased EC stock levels and consequent lower export availabilities; the possible (although not certain) absence of Brazil from the export market; declining export availabilities among major Eastern European countries; low export availabilities in Oceania; rising import demand by Japan, etc. All these suggest strongly improved international market prices over the next 1-2 years.

74. However, all this seems to preclude increased production because although exports by the end of the current year may well be up by as much as 11 per cent, this will only be possible as a result of the dramatic fall in consumption. Furthermore, only the continuing decrease projected for next year seems to allow for Argentina to face the increased export demand.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	50,300.0	49,500.0	-1.6	49,500.0 ^{3/}	0.0
Beef and veal ^{2/} :					
Production	2,635.0	2,520.0	-4.4	2,520.0 ^{3/}	0.0
Consumption	2,315.0	2,160.0	-6.7	2,100.0 ^{3/}	-2.8
Exports	324.0	360.0	11.1	400.0 ^{3/}	11.1
	^{1/} 000 head, 30 June	^{2/} 000 tons		^{3/} Secretariat estimates	

Brazil*

75. 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.

76. 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).

77. 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

78. 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

Cattle herd liquidation only briefly interrupted?

79. At 23.3 million head in 1988, cattle and calf numbers in Colombia were 1 per cent higher than year earlier. This follows three years of falling inventories and was due to increased numbers for all categories of cattle resulting from declining cattle slaughter in both 1986 and 1987. Strongly increased producer prices in both years (but especially in 1987 when the rise was of 42 per cent) pushed producers to retain their cattle. Another 10 per cent price rise occurred in 1988 and higher cattle slaughter (+7 per cent) suggests that prices had become high enough to be profitable again. During the current year slaughter levels were expected to increase by a further 1.4 per cent. In these conditions, it may well be that the cattle herd liquidation has only been temporarily interrupted.

80. Higher slaughter rates and improved weights led to an 8 per cent production rise in 1988 and a further estimated 2 per cent in 1989. Beef and veal consumption which had been falling since 1984, recovered in 1988 (indeed, per capita consumption which had fallen below 20 kgs. in both 1986 and 1987, moved up to 20.1 kgs. again). Estimated intake for the current year is 20.3 kgs. Meanwhile, per capita intake of poultry meat is expected to be 4 per cent above last year's level, reaching 8.6 kgs.

81. Bovine meat exports have been estimated at 11,600 tons in the current year, compared to 5,000 tons in 1988. No destinations are as yet available for the current year, but in 1988, 42 per cent went to the Netherland Antilles and 41 per cent went to Venezuela. The rest went to Peru. The average export price was US\$2,795/ton f.o.b., 11.7 per cent above year earlier.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	23,267.0	..	..	..	..
Beef and veal ^{2/} :					
Production	627.9	640.0	1.9	..	..
Consumption	622.8	625.0	0.4	..	..
Exports	5.0	11.6	132.0	..	..
	^{1/} ,000 head, December			^{2/} ,000 tons	

Uruguay

Cattle herd down by a quarter in 10 years

82. As expected, strong exports and internal demand in 1988, coupled with reduced producer prices and especially an almost one-year long serious drought, led to a sharp rise in cattle slaughter in 1988 and even more in 1989. As a result, the Uruguayan cattle herd (which had entered a rebuilding phase in mid-1986) was down last June by as much as 8 per cent (to an estimated 9.6 million head) and is expected to fall by a further 10 per cent in the current year. In other words, in a country where by the beginning of the decade the cattle herd was at 11.4 million head (1981) still close to its 1975 record level (11.5 million head), cattle and calf inventories are forecast to total no more than 8.6 million head in 1990.

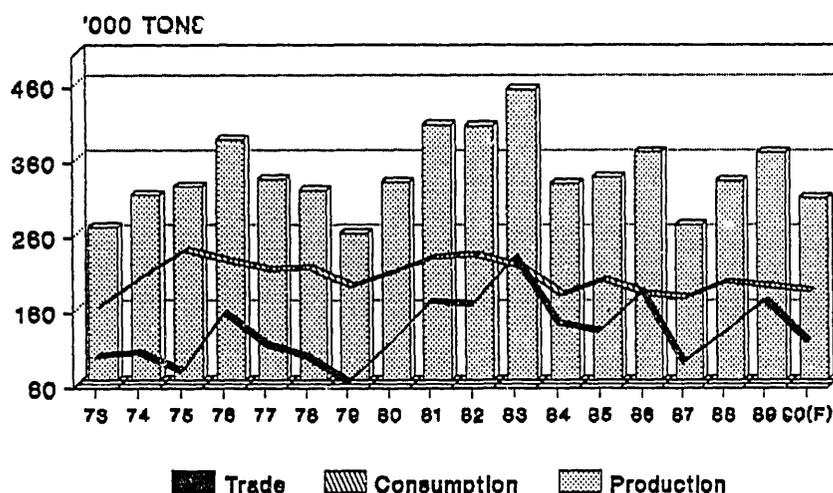
83. More significant of the effects of the drought than cattle numbers are cattle slaughter figures by category for 1988 and 1989. Female cattle slaughter increased by 30 and an estimated 68 per cent, respectively; adult male cattle by 13 and 5 per cent; and calf slaughter by 1 and 18 per cent. Female cattle slaughter is expected to represent almost 53 per cent of total slaughter this year. Current projections are for a 21 per cent fall in cattle slaughter next year, which should not allow for a beginning of herd rebuilding before 1992.

84. The sharp rises in slaughter resulted in a 16 per cent production rise in 1988. During the first half of 1989, production continued to evolve along with slaughter (even if average slaughter weights were lower reflecting both the larger presence of female cattle slaughter mix and premature cull provoked by the drought) and was up by almost 17 per cent. By the year end beef and veal production is expected to total 359 thousand tons, a 12 per cent rise. The slaughter fall next year, assuming a return to more normal weather conditions, is forecast to result in a 16 per cent

production decline, a trend which will probably not be reverted before 1991/1992.

85. Beef and veal consumption, which last year had increased by 12 per cent (to 65 kg. per capita) as the result of a 10 per cent drop in real retail prices, was down by 9 per cent during the first half on 1989 apparently as a consequence of a price recovery. The expected decline for the year as a whole is of some 3 per cent, to be followed by a similar drop in 1990. Indeed, it can be expected that consumption will evolve more or less in parallel with production and, especially taking into account the current and expected attractiveness of export trade over the next 2-3 years, it can be questioned whether consumption will not fall more markedly than projected.

URUGUAY BEEF INDUSTRY



86. The impact of the drought on cattle slaughter had at least the positive aspect of occurring at a moment of strong import demand in external markets and lower export availabilities in some major exporting regions and countries. In these conditions, Uruguay, which had already seen beef and veal exports increase by 41 per cent last year, continued to export more this year. During the first three quarters of 1989, the rise was of 25 per cent (18 per cent higher than during the whole of 1988) and exports are forecast to reach 175,000 tons by the end of the year, an increase of 34 per cent.

87. Exports of frozen beef accounted for 74 per cent of the total during the first nine months of the year and Brazil, the EC, Israel, Iran and Iraq were the major markets. Showing the improved health of the international beef trade, export prices for all of these major destinations were up. As a result, at US\$1,743 per ton f.o.b., the average export price was up by 9 per cent compared to the same period year earlier. Uruguay has particularly benefited from the difficult situation in Brazil during this period: Brazil not only imported much larger quantities of Uruguayan bovine meat, but also paid higher prices than year ago (frozen beef

average prices increased by more than 50 per cent, and fresh and chilled ones by 28 per cent). The production drop projected for next year should result in a sharp export reduction, which may well continue for 1 or 2 more years.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	10,373.0	9,583.0	-7.6	8,610.0	-10.2
Beef and veal ^{2/} :					
Production	321.0	359.0	11.8	302.0	-15.9
Consumption	194.0	188.0	-3.1	182.0	-3.2
Exports	131.0	175.0	33.6	120.0	-31.4

^{1/},000 head, 30 June ^{2/},000 tons

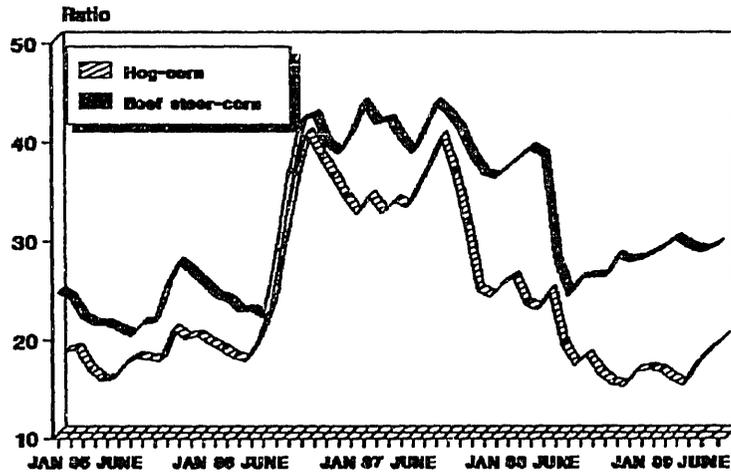
United States

After six years of reduction, cattle herd begins to be rebuilt

88. Cattle and calf numbers went up by 0.1 per cent, to 108.6 million head, according to the last July cattle census. Although modest, the increase is significant not only because it occurs after six years of herd reduction, but also because it occurs after a year of serious drought conditions, suggesting that producer returns remained attractive in spite of increased production costs. The increase was largely due to higher retention of beef and dairy replacement heifers. Although beef cow numbers were also up, the increase was offset by a decline in dairy cow inventories. The numbers of bulls and steers above 500 pounds remained unchanged, while those for heifers, steers and bulls fell marginally.

89. By 1 July, cattle on feed inventories were down by 6 per cent compared to year earlier, reflecting sharply reduced placements and increased marketings during the second quarter of the year. During the third quarter, marketings were expected to remain near record levels, although slightly below last year. Meanwhile, feedlot placements were projected to remain 2-3 per cent below a year earlier reflecting increasing feeder cattle prices and negative returns on finished cattle. In these conditions, fed cattle marketings by the beginning of next year could fall significantly and thus support a further strengthening of slaughter cattle prices.

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



90. During the first half of the year, commercial cattle slaughter was down by 2.7 per cent. With the exception of dairy cows (whose killing was up by more than 6 per cent) all other categories of cattle slaughter decreased. However, dairy cow slaughter would have declined since last May and third quarter overall commercial slaughter was expected to decline by 4-5 per cent. Although cow slaughter could seasonally rise in the second half of the year, overall commercial cattle slaughter by the year end is estimated to fall by some 3 per cent, to around 34 million head.

91. As a result of lower cattle slaughter, bovine meat production fell by 1.6 per cent during the first six months of the year. The continuing decline of slaughter through the end of the year should translate into a 3 per cent fall of production for the year as a whole, to 10.5 million tons. In 1990, and as a result of expected higher profits (further supported next year by lowering feed costs) cattle slaughter is expected to drop further especially during the first half of the year. Lower feed costs may also mean heavier fed cattle and this, coupled with possible higher slaughter levels during the second half of the year, is forecast to result in stable production levels by the year end.

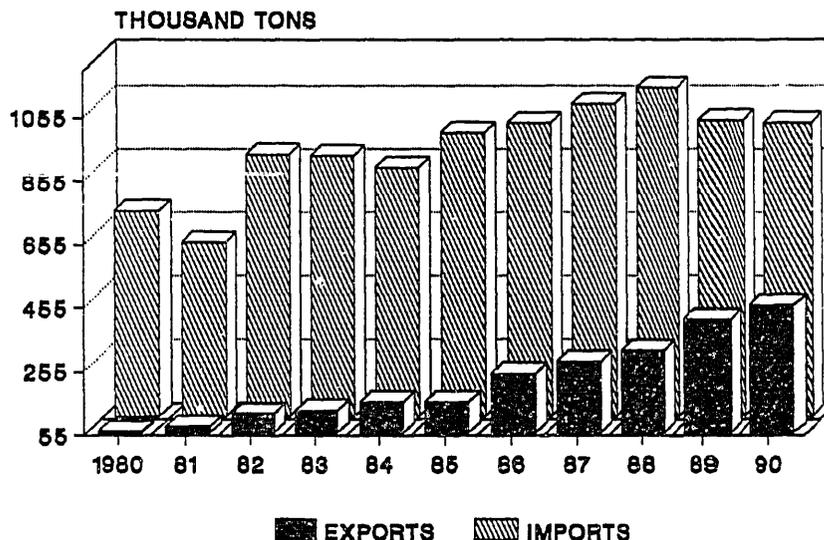
92. At US\$73.3 per cwt, Slaughter Steers, Omaha Choice, 1,000-1,100 lb., cattle prices up to July this year (and probably for the year as a whole) have averaged around 5 per cent higher than year earlier. The expected continuing decline in cattle slaughter coupled with stable production levels are supportive for stronger cattle prices next year. However, higher cattle prices also mean stronger beef retail prices (even if, according to the USDA, part of the retail price rise is due to the higher valued product containing less bone and fat). From January to July last, retail prices were roughly 7 per cent up from year earlier. In the meantime, large availabilities of cheaper meats, especially poultry meat, kept a pressure on beef and veal consumption. Lower feedgrain prices next year could mean even lower poultry meat prices. In other words, there will not be much room for major beef retail prices increase and cattle price rises could be limited to some US\$3-4 per cwt.

93. While live cattle and beef and veal imports were down during the first half of the month, exports were up. Live cattle imports fell by 15 per cent as a result of lower feeder cattle exports from Mexico traditionally, and by far, the United States major supplier of live cattle. Current projections are for a similar drop by the year end and a further decline in 1990, not only because of lower imports from Mexico, but also from Canada.

94. The decline of beef and veal imports, -20.5 per cent, was due to lower export supplies in Australia. Perhaps for the first time, United States imports from New Zealand during this period exceeded those from Australia. Current projections for the year end put total beef and veal imports at 988.8 thousand tons, 9 per cent less than last year and below the Meat Import Law "Trigger Level" fixed at approximately 994 thousand tons (621,000 tons, product weight). Even if it might be expected that Australia will somewhat increase exports to the United States next year, those by both New Zealand and Canada could well fall slightly, resulting in total United States beef and imports next year decreasing again.

95. As indicated, United States live cattle and beef and veal exports went up during the first half of 1989. Live exports were dramatically up (+100 per cent) reflecting a 400 per cent rise in sales to Mexico. According to the USDA, this was possible thanks to United States credit programmes and measures introduced by the Mexican government (such as the removal of import tariffs for live cattle) to stimulate quick meat supplies to its domestic market. However, by the year end and in 1990, live cattle exports could be down. The increase in beef and veal exports from January to June 1989 was not less dramatic than the one for live cattle: +64.4 per cent, to 483 thousand tons.

U.S. - BOVINE MEAT TRADE



The United States - the world's fourth major beef exporter?

96. It is clear that the major part of the increase in beef and veal exports was due to a 61 per cent rise in sales to Japan. Indeed, sales of the more expensive American product (grain-fed beef) are rising much faster than sales of the Australian one (grass-fed beef). Consumer preference for the American product, tight export supplies in Australia because of the ongoing cattle herd rebuilding there, and a much more aggressive commercial approach by the United States (reportedly about 60 supermarkets would currently sell the United States beef in Japan against no more than 10-15 selling the Australian one) would be among the reasons for this evolution. By the year end, total beef and veal exports are projected to be up by more than 10 per cent, to 410 thousand tons. This would mean that this year the United States could well become the world's third major exporter of bovine meat, just behind Australia and the EC and surpassing Argentina and New Zealand. With forecast exports of 454 thousand tons, it could well reinforce this position next year.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	108,500.0	108,600.0 ^{3/}	0.1	110,000.0 ^{4/}	1.3
Beef and veal ^{2/} :					
Production	10,879.4	10,541.9	-3.1	10,595.5	0.5
Consumption	11,611.1	11,137.1	-4.1	11,094.0	-0.4
Imports	1,091.3	988.8	-9.4	979.8	-0.9
Exports	313.0	410.5	31.2	453.6	10.5
	^{1/} ,000 head, 1 July	^{2/} ,000 tons		^{3/} Actual	
	^{4/} Secretariat estimate				

Canada

Cattle herd rate of expansion well below previous rebuilding cycles

97. In 1988 cattle herd expansion in Canada was restrained by reduced feedgrain supplies and sharply increased feedgrain prices provoked by the drought. Cattle numbers have nevertheless increased by 1.3 per cent. According to available data this moderate increase continued this year and, by 1 July cattle numbers were 1 per cent higher compared to year earlier. The rise would have been due to increasing breeding stock and calves (beef cows, 4 per cent; beef heifers for breeding, 6 per cent; bulls, 2 per cent; and calves under one year, 4 per cent. Steers and heifers for slaughter declined by 48 per cent and dairy cows by 1 per cent.) However,

the second half of the year's marketing pattern seems to have changed and it is possible that the next 1 January cattle census will show a different evolution. Cattle numbers are nevertheless forecast to show a 1.8 per cent rise, compared to 1 January 1988. This is a far more modest rate of expansion than the annual 3.8 per cent average rise of the last cattle herd rebuilding cycle between 1970-75.

98. Inspected cattle slaughter increased by 1.6 per cent during the first half of the year and is expected to show a 2 per cent rise by the year end. This rise is due to increased slaughter levels for all categories of cattle, but primarily cows. Dry weather conditions in Western Canada during the spring and the increased cull of dairy cows in the East explain this evolution. Heifer retention is nevertheless increasing, supporting herd rebuilding. During the first half of the year, slaughter weights were somewhat lower than year earlier reflecting relatively weak pasture conditions and poor carry-over feed conditions from the summer. Cattle and calf slaughter are forecast to expand by a similar rate next year. Reflecting slaughter levels and weights, beef and veal production this year is expected to rise by only approximately the same rate as slaughter and should reach 991 thousand tons. Taking into account the ongoing herd rebuilding, no dramatic changes are foreseen for 1990 and production should rise along with slaughter again by around 2 per cent.

99. Real producer prices increased by almost 3 per cent during the first six months of 1989 (Slaughter cattle, Toronto). This reflects a similar trend in the United States prices, a trend which continued in the third quarter. The price rise has been supported by a strong import demand for Canadian cattle, and beef, in the United States. Projections for 1990 are for continuing strong prices during the first half of the year in response to higher United States prices, and the expectation of at least a stable exchange rate against the United States dollar. Prices may ease somewhat in the second half, but will remain higher than this year. Beef and veal consumption is estimated to have eased up somewhat from January to July 1989 as a result of higher retail prices. Nevertheless no major changes are foreseen for the year as a whole, nor for next year, and per capita beef and veal consumption is expected, at close to 40 kgs., to remain close to its 1987 level.

100. Canadian beef and veal imports fell by 12 per cent during the first six months of 1989. This was the result of a sharp drop in imports of beef from Australia (-56.5 per cent, to 10 thousand tons) and reflects this latter country's low export availabilities and increased sales to Japan. On the contrary, and although not offsetting this drop, imports from the United States, New Zealand and Nicaragua increased. The average import price was US\$2,492/ton c.i.f. Estimates are for higher import volumes in the second half of the year and, by the year end, imports should total 170,000 tons, or +3 per cent. In 1990 they are projected to decline.

101. From January to June, beef and veal exports (almost totally fresh and frozen meat) were 17 per cent above year earlier. This reflects increases to Canada's major destination, the United States (+6 per cent), but also to Japan and the Republic of Korea. The average export price during this period was US\$2,760/ton f.o.b., sharply above year earlier (+47 per cent). Exports were estimated to rise even further during the second half

of the year, and the year end increase should be of the order of 25 per cent, to some 111 thousand tons. Next year, they are forecast to rise further. Live cattle exports to the United States fell by approximately 31 per cent during the first half of the year, but were expected to recover in the second half, to reach some 435 thousand head by the end of the year, or +8 per cent. In 1990, live cattle exports should fall to 340 thousand head.

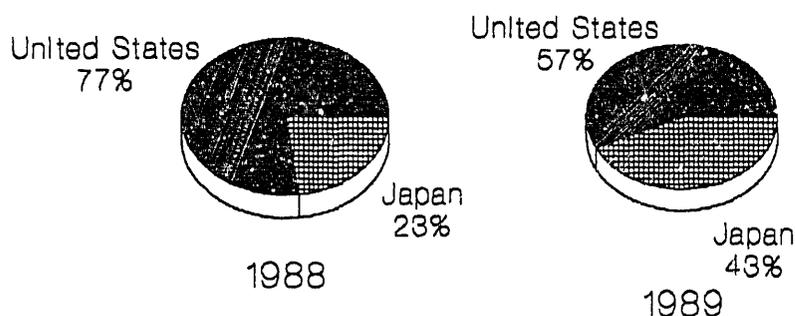
	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	10,863.1	11,004.1 ^{3/}	1.3	11,207.0	1.8
Beef and veal ^{2/} :					
Production	973.3	990.9	1.8	1,010.0	1.9
Consumption	1,034.7	1,050.0	1.5	1,060.0	1.0
Imports	165.4	170.0	2.8	160.0	-5.9
Exports	88.8	111.0	25.0	120.0	9.1
	^{1/} ,000 head, 1 January	^{2/} ,000 tons		^{3/} Actual	

Australia

Beef exports to Japan rise sharply, but sales to the United States fall dramatically

102. The latest available figures put the Australian cattle herd at 23.9 million head last March. This means an increase of 1.6 per cent compared to year earlier and was the result of the sharp drop in cattle slaughter since mid-1988 through the first quarter of 1989 (when cattle slaughter was down by 21 per cent). Strong demand in both the domestic and international markets, at a moment of excellent seasonal conditions, pushed producers to withhold their cattle and, underlying cattle herd rebuilding, retention of female cattle for breeding was particularly strong (+33 per cent in the first quarter 1989). Total slaughter was expected to remain below last year's level during the second quarter 1989, and to stabilize afterwards. This evolution is expected to result in a 7.4 per cent cattle slaughter decline by the year end. As a result, cattle inventories are forecast to increase by 5 per cent, to 25.1 million head, a level not reached since 1981.

AUSTRALIA EXPORTS TO THE U.S. AND JAPAN



January- July, '000 tons, p.w.e.

103. Increased slaughter weights due to improved pasture conditions and a higher proportion of male cattle in the slaughter mix, allowed for a lower beef and veal production drop in 1988 than might have been expected taking into account the decline in cattle slaughter. A similar scenario is estimated to occur during the current year. Indeed, during the first six months cattle slaughter fell by 14.5 per cent, while production was down by "only" 9 per cent. The stabilization of cattle slaughter and the continuing weight rise (4.6 per cent on average) is expected to result in a production decrease of 3 per cent by the year end. In 1990, cattle and calf kill is projected to rise by some 2 per cent and beef and veal output is forecast to rise by around 3 per cent.

104. It is well known that producer prices in Australia pay a large tribute to the exchange rate of the Australian dollar against the United States dollar. Thus, in the last quarter 1988, prices fell sharply as the result of a 9 per cent appreciation of the Australian currency. In the second quarter 1989, reflecting a similar depreciation, producer prices recovered significantly to decline again somewhat in August. Increased producer prices and cattle retention, at a moment of growing import demand, should normally result in higher retail prices and lower beef and veal consumption.

105. However, and although nominal retail prices were up by almost 9 per cent (and real prices by 1.4 per cent) during the first six months of the year (compared to year earlier) consumer demand for beef remained firm and per capita consumption is estimated to have remained stable (in fact it would have increased slightly by some 0.3 kgs.). This consumer behaviour seems to be due to improved incomes and successful beef promotion programmes. By the year end per capita consumption could be up by 1.3 per cent, to 40 kg.

106. Prospects for the Australian livestock industry have rarely been so promising in the last few years. The improved conditions in the international bovine meat markets are the main factor behind this picture. Undoubtedly, the gradual liberalization of the Japanese market appears as the major positive element. From January to June 1989, beef and veal sales to Japan increased by 47 per cent (United States sales were up by 61 per cent), totalling 82,520 tons. And yet, the Australian share of Japanese imports (covered by the quota) fell from 52.6 per cent year earlier, to 48.4 per cent this year. Meanwhile, the United States share was up from 41.2 per cent to 44.9 per cent. This was due to faster rising imports of grain-fed beef than of grass-fed. Australia is aware of this evolution and more attention is being given to grain feeding. According to the AMLC, Australian exports of this type of meat this year should reach 15-20,000 tons, more than double that exported last year.

107. There are other reasons for the very favourable prospects for the Australian meat industry: the declining beef output in the United States; the re-opening of the Korean market (and increased demand from other Asian markets); the dramatic drop of the EC stocks and lower export availabilities in major traditional exporters (especially in South America).

108. However, lower production levels related to cattle herd expansion may prove to be an handicap, and this is also a reason behind the greater emphasis put on cattle grain feeding and/or finishing. Nonetheless, during the first half of the year exports were down by almost 24 per cent, showing that increased exports to Japan have been at the expense of sharp cuts in sales to the United States (down by 41 per cent, to 115.6 thousand tons, product weight) and Canada (10 thousand tons, 55 per cent less). Available data show only a marginal fall of exports by the year end but, taking into account the production forecast and the first half of the year exports trend, a drop of more than 10 per cent would not be surprising.

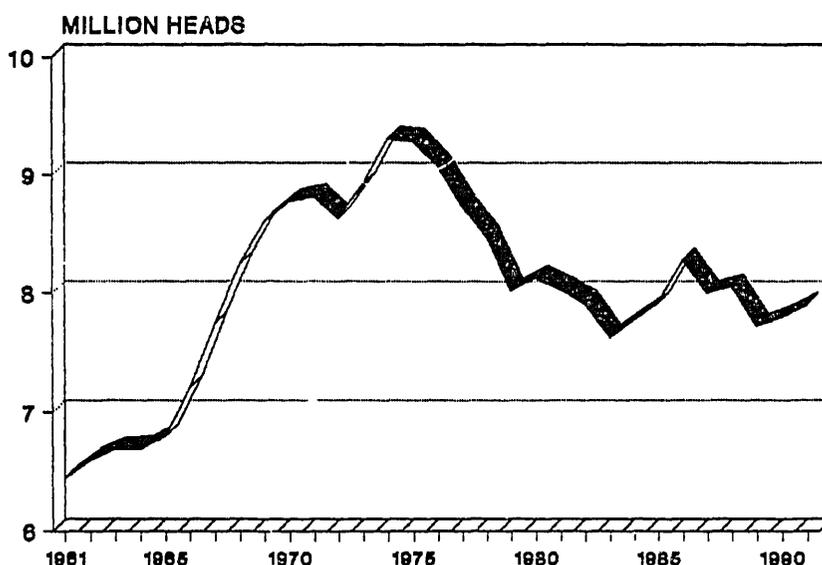
	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	23,521.0	23,887.0	1.6	25,100.0	5.1
Beef and veal ^{2/} :					
Production	1,542.7	1,494.6	-3.1	1,540.6	3.1
Consumption	655.1	656.0 ^{3/}	0.1 ^{3/}	620.0	-5.5
Exports	901.6	810.0 ^{3/}	-10.2 ^{3/}	920.0	13.6
	^{1/} ,000 head, 31 March	^{2/} ,000 tons		^{3/} Secretariat estimate	

New Zealand

Cattle herd: the second lowest level since the mid-sixties

109. The trend observed in June 1988, i.e. slightly rising total cattle inventories, was reversed as the result of high beef cattle slaughter provoked by drought conditions during the first months of 1989. According to provisional data for last June cattle census, beef cattle numbers were down by 7.6 per cent, while dairy cow numbers increased by 1.4 per cent, reflecting improved returns. Total cattle herd was thus as low as 7.7 million head, the second lowest level since 1966. However, the return to improved climatic conditions in the second half of the year and rising beef cattle returns are expected to have resulted in sharp slaughter declines. Estimates are for some 14 per cent lower than year earlier, and would reflect slaughter drops for all categories of cattle.

NEW ZEALAND - CATTLE NUMBERS



110. This means that by the year end, total cattle slaughter would be some 6 per cent below 1988 levels and that cattle herd expansion will resume again as from next year. Meanwhile, lower sheepmeat returns and the current attractiveness of the international beef markets (which in the first quarter of 1989, coupled with a favourable exchange rate resulted in an 18 per cent rise in producer prices) have continued to favour the shift away from sheep to cattle production. Total cattle numbers are expected to increase as from 1990 onwards, but this expansion should occur at a slow pace (1-2 per cent) and the return to the 1988 level could well take 3-4 years.

111. Reflecting lower cattle slaughter weights, due to drought-induced tighter feed supplies and early slaughter, the rise in cattle kill during the first half of the year has not resulted in increased production. Indeed, production was down by almost 2 per cent. The strong decrease in cattle slaughter during the rest of the year is projected to result in an overall 15 per cent production fall, to 513 thousand tons.

112. Revised consumption data for 1988 show that instead of the previously estimated 2 per cent drop there was a 1.5 per cent rise. The increase was due to the high cattle slaughter during the last quarter of the year, and was supported by a 4 per cent real retail price decline last year. Low production levels this year and rising retail prices (+6.4 per cent from January to June) are projected to result in a 4 per cent consumption decrease in 1989. This declining trend is expected to continue through 1990.

113. Despite the production fall, beef and veal exports increased by almost 16 per cent, to 190.7 thousand tons, product weight, during the first six months of the year. This was the result of carryover from 1988 and of the consumption decline. Exports to the United States and Canada were up by some 5 per cent, while exports to Japan moved from 4.7 thousand tons to 11 thousand tons. However, during the remainder of the year, the production fall is expected to result in a serious cut of New Zealand's export availabilities and the last available forecast is for a 16 per cent export fall by the end of the year.

114. Nevertheless, strong import demand especially in the United States (and higher cattle prices there) and Japan (while exports to Korea have also resumed), coupled with a more favourable exchange rate are some of the premises to keep export returns high (the average increase during the first half of 1989 was of 22 per cent). This, added to the cattle herd rebuilding effect on beef prices, seems to provide the New Zealand beef industry with some bright prospects for the next couple of years.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	8,058.0	7,721.0	-4.2	7,800.0	1.0
Beef and veal ^{2/} :					
Production	602.2	513.0	-14.8	506.0	-1.4
Consumption	133.2	128.0	-3.9	126.0	-1.6
Exports	432.3	365.0 ^{3/}	-15.6	347.0 ^{3/}	-4.9

^{1/},000 head, 30 June

^{2/},000 tons, calendar year

^{3/}Secretariat estimates

Japan

In 1989, Japan became the world's second major beef importer

115. According to the last February cattle census, the declining trend of cattle and calf numbers in Japan initiated in 1986 has now been reversed and a 0.3 per cent increase was registered in 1988, putting numbers at 4,682 head. The rise was due to higher dairy cattle inventories, reflecting growing demand for milk products and also rising retention beef cow numbers in response to increased producer prices. Measures introduced to liberalize trade should not have a major effect on the Japanese cattle numbers. An ongoing rationalization of the Japanese beef and dairy industries, and increased producer deficiency payments as from April 1990, are expected to overcome the possible domestic negative effects of liberalization. In 1990, cattle and calf numbers are projected to rise further.

116. Total cattle slaughter fell by 3.6 per cent during the first half of 1989 and was due to lower cow, heifer and adult male cattle kill. Nevertheless, a strong yen allowing for the importation of cheaper feedgrains and longer fattening periods led to increased slaughter weights (+2 per cent on average) and beef and veal production fell by only 1.9 per cent. During the second half of the year production could recover and, by the end of the year it is estimated to show a 2.6 per cent increase compared to 1989.

117. From January to July last, per capita consumption increased only marginally from 3.6 kgs. year earlier, to 3.7 kgs. This seems to be due to a 3.2 per cent rise in real retail prices for beef (although it is believed that prices for imported beef declined somewhat) and a 1.2 per cent drop in the pigmeat ones. Per capita intake of pigmeat rose by 8.1 per cent. Overall beef and veal consumption by the end of the year is expected to reach some 985 thousand tons, up by 3 per cent. It is generally believed that the ongoing liberalization of the Japanese market will push beef prices down and that consumption will go up markedly. OECD projections for 1990 are for a 6 per cent growth.

118. Following the implementation of the liberalization measures implemented in 1988, the beef import quota for the Japanese Fiscal Year 1989 (April-March) was increased by 60,000 tons, to 334,000 tons (product weight). From January to June 1989, beef imports were up by as much as 74,000 tons, reaching 240,000 tons (carcass weight). As already mentioned, although Australia is still the major supplier and its exports to Japan were 36 per cent higher than year earlier (79,000 tons), the United States sales to Japan are rising much faster (+64 per cent) and reached 72,000 tons. New Zealand exports to this market, although at a much more moderate level, 7,000 tons, are also increasing. The average import price during this period was 78 per cent higher, reaching US\$4,940/ton c.i.f. Year end imports should reach about 471,000 tons and a further 10 per cent rise could occur next year.

Policy developments

119. Last July the Japanese authorities announced that the beef import quota for the second half of Fiscal Year 1989 would be set at 154,000 tons. Total 1989 quota was thus 334,000 tons, which represents a 60,000-ton annual increase, in line with the 1988 market-opening measures.

	1988	Forecast 1989	%Change 1989/88	Forecast 1990	%Change 1990/89
Cattle and calf numbers ^{1/} :	4,667.0	4,682.0 ^{3/}	0.3	4,700.0 ^{3/}	0.4
Beef and veal ^{2/} :					
Production	569.0	584.0 ^{4/}	2.6	577.0 ^{4/}	-1.2
Consumption	957.0	985.0 ^{5/}	2.9	1,045.0 ^{5/}	6.1
Imports	386.0	471.0 ^{4/}	22.0	520.0 ^{4/}	10.4
^{1/} ,000 head, 1 February		^{2/} ,000 tons		^{3/} Actual	
^{4/} Secretariat estimate, based on OECD data				^{5/} OECD	