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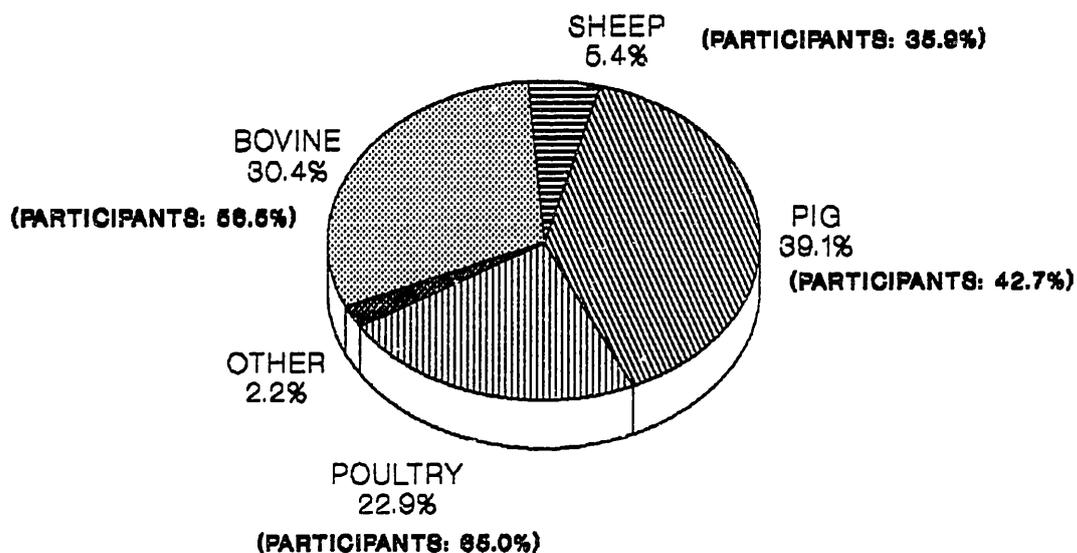
SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

Note by the Secretariat

Addendum

This addendum includes summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat.

1990 WORLD MEAT PRODUCTION SHARES OF DIFFERENT TYPES OF MEAT



TOTAL MEAT PRODUCTION:

171.4 Million tons

Based on FAO estimates

PIGMEAT SITUATION IN SELECTED COUNTRIES 1)

PRODUCTION

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
CHINA 2)	21,228.0	22,700.0	6.9	23,500.0	3.5
EC	13,044.0	13,103.0	0.5	14,500.0 3)	10.7
UNITED STATES	7,173.0	6,965.0	-2.9	7,191.0	3.2
USSR 2)	6,700.0	6,800.0	1.5	6,800.0	0.0
JAPAN	1,596.0	1,555.0	-2.6	1,530.0 4)	-1.6

CONSUMPTION

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
CHINA 2)	21,025.0	22,577.0	7.4	23,250.0	3.0
EC	12,665.0	12,736.0	0.6	13,750.0 3)	8.0
UNITED STATES	7,516.0	7,272.0	-3.2	7,475.0	2.8
USSR 2)	6,915.0	7,075.0	2.3	7,095.0	0.3
JAPAN	2,076.0	2,072.0	-0.2	2,103.0 4)	1.5

EXPORTS

	1989	1990	%Change 1990/89	Forecast 1991	Change 1991/90
EC	537.0	478.0	-11.0	800.0 3)	67.4
GERMANY, D.R. 2)	340.0	250.0	-26.5	-	-
CANADA	283.7	295.6	4.2	290.0	-1.9
CHINA 2)	203.0	124.0	-38.9	250.0	101.6
TAIWAN 2)	160.0	210.0	31.3	200.0	-4.8

IMPORTS

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
UNITED STATES	406.0	407.0	0.2	429.0	5.4
JAPAN	492.0	491.0	-0.2	530.0 4)	7.9
USSR 2)	220.0	280.0	27.3	300.0	7.1
HONG KONG 2)	217.0	215.0	-0.9	215.0	0.0
EC	120.0	111.0	-7.5	90.0 3)	-18.9

1) '000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals.

2) Source: USDA, World Livestock Situation, April 1991.

3) Including the new German Federal States. Exports estimated by the secretariat.

4) Secretariat estimates.

I. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT SECTOR

1. Countries participating in the Arrangement Regarding Bovine Meat represent about 45-50 per cent of the world pigmeat production. The two major producing countries not signatories to the Arrangement are China, which ranks as first leading producer (more than 30 per cent of world production) and the USSR (about 10 per cent). At 28.6 million tons, production in member countries last year fell by 5.5 per cent compared to 1989. In China production is estimated to have increased by 7 per cent, reflecting increased inventories (which, contrary to earlier estimates, are estimated to have risen by 3 per cent, to close to 353 million head) and despite feeding problems. Pigmeat production in the Soviet Union is estimated by the USDA to have increased somewhat last year, but the FAO reports a 3.5 per cent decline due to the effects of economic restructuring.

2. In the European Community the pig herd expanded in response to increased prices in 1989 and during the first half of 1990 and to lower feed costs. However, prices have declined steadily since August partly because of large domestic supplies, but also because of large imports from former East Germany and in one case (Belgium) due to the outbreak of swine fever. However, in the first months of the current year prices strengthened again (partly reflecting the Private Storage measures introduced beginning January until the end of February) and now average similar levels of those in 1990. Meanwhile, feed costs continued to fall. The pigmeat sector in the Community (especially Germany and the Netherlands) has been affected by the appearance of a mysterious disease which so far had limited impact on the market. In 1991, the Community pigmeat production should increase by close to 2 per cent (more than 10 per cent including the new German Federal States).

3. In the United States, the third major world producing country, increased prices and generally favourable returns to hog producers led to some expansion of breeding herds, despite somewhat higher corn prices. Pigmeat production last year decreased by 3 per cent reaching the lowest level since 1987. This year the continuation of favourable returns should continue to encourage producers to expand breeding herds. Production is nevertheless expected to expand by about 3 per cent in 1991. In Canada pigmeat output fell by 2.7 per cent and could decline further this year although at a much slower pace. Hog prices are expected to average somewhat below last year, but remain more stable throughout the year. The countervailing duties imposed by the United States on pigmeat imports from Canada continue to be a cause for uncertainty in the Canadian market.

4. In Japan pigmeat production declined by 2.6 per cent in 1990, as the pigmeat sector was affected by rising feed costs, falls in prices and competing imports. In Poland, where increased pig slaughtering in the last quarter 1989 had allowed for some production rise last year, breeding sow figures increased and resulted in a higher piglet population. Pigmeat production, earlier expected to decline, seems to have remained stable in response to high domestic prices. This year production is expected to rise due to increased pig numbers.

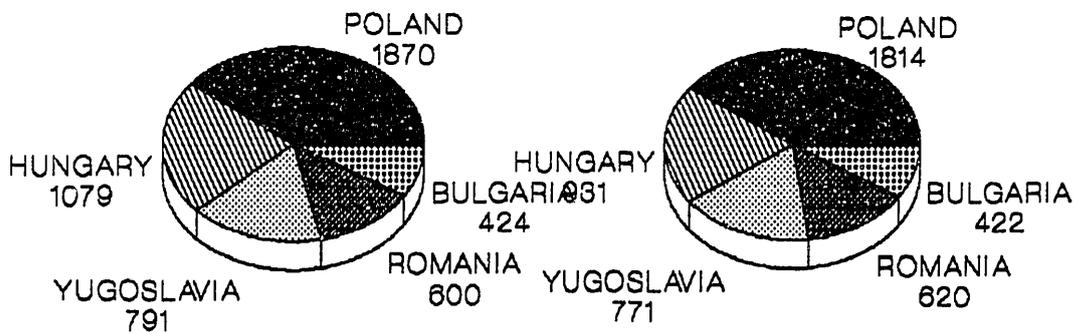
5. Pigmeat consumption in 1990 in the country members to the Arrangement totalled 29.2 million tons, a decrease of 0.8 per cent on year earlier. However, with the exception of the United States and Canada, it was up in all major consumer countries. In Japan consumption fell in the last quarter, but on an annual basis demand remained strong as did imports. In the European Community the consumption rise remained marginal because lower producer prices in the second half of the year did not reflect at the consumer level. In Central and Eastern Europe consumption is estimated to have fallen at least in Hungary due to reduced incomes and to the continuation of moves towards cheaper poultry meat which have occurred in the last few years.

6. In 1990, and after years of uninterrupted growth, pigmeat exports of participating countries, estimated at 1.44 million tons (-2 per cent), fell for the second consecutive year. The fall was primarily due to reduced exports of the EC, but also reflects lower exports by the United States and Sweden. The export decline in the EC was related to the herd expansion and the attractive internal prices during the first half of the year. Due to the depreciation of both the United States dollar and the yen, lower export returns seem to have affected Danish sales to the United States and Japan, despite significantly increased export refunds (Danish exports to Japan in the first quarter of the year ran to almost 60 per cent above year earlier, but fell sharply afterwards and by mid-1990, they were at the same level as in 1989).

7. Contrary to earlier estimates, Canadian exports last year increased despite lower supplies and higher domestic prices. Sales to the United States (65 per cent of the total) were up by 7 per cent. Canada is diversifying its export markets (the Soviet Union is an example of a new market) and although sales to Japan decreased, exports to all other countries, including Mexico, were up. Chinese exports were expected to increase, reflecting this country's efforts to earn more hard foreign currency. However, larger sales of Chinese pigmeat are also dependent on barter deals with the USSR. The USDA estimates that after all Chinese exports last year may have fallen by almost 40 per cent. Former East Germany, the third world exporter of pigmeat, was faced with a 200 thousand ton oversupply situation. Part of the problem would have been solved by pigmeat sales to the USSR (100 thousand tons) and 800 thousand pigs to other countries via (West) Germany slaughterhouses.

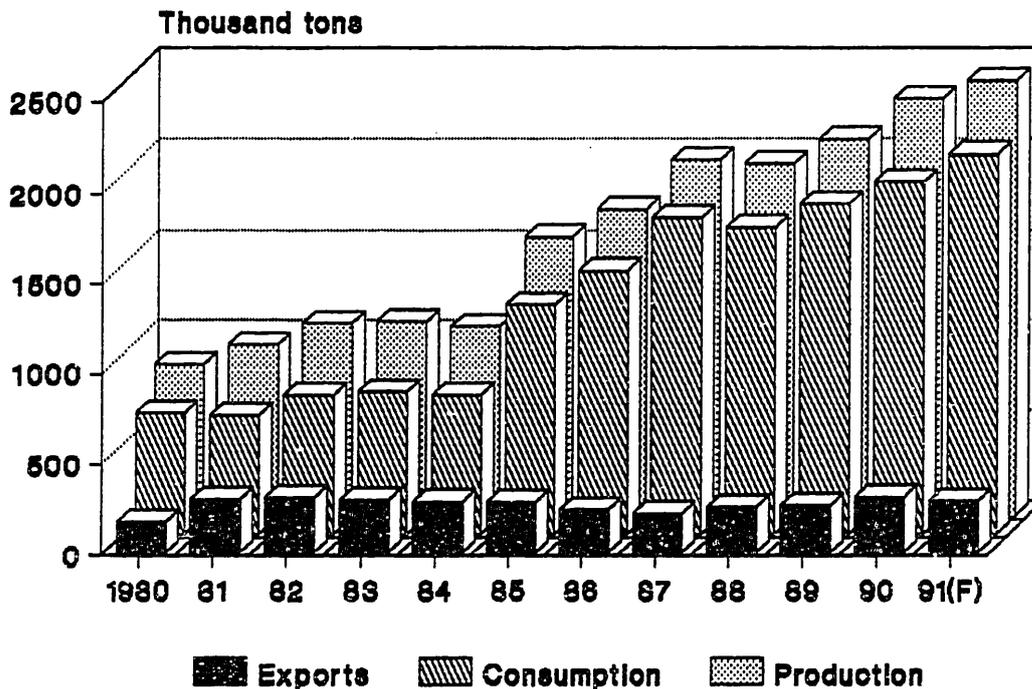
CENTRAL AND EASTERN EUROPE PIGMEAT PRODUCTION

(Countries participating in the Arrangement)



Thousand tons, Source: USDA

BRAZIL - POULTRYMEAT INDUSTRY



POULTRY MEAT SITUATION IN SELECTED COUNTRIES 1)

PRODUCTION

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
UNITED STATES	10,106.0	10,884.0	7.7	11,426.0	5.0
EC	6,121.0	6,307.0	3.0	6,556.0 3)	3.9
USSR 2)	3,300.0	3,350.0	1.5	3,480.0	3.9
BRAZIL	2,080.0	2,300.0	10.6	2,400.0	4.3
JAPAN	1,442.0	1,427.0 4)	-1.0	1,415.0 4)	-0.8

CONSUMPTION

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
UNITED STATES	9,698.0	10,248.0	5.7	10,944.0	6.8
EC	5,849.0	5,987.0	2.4	6,236.0 3)	4.2
USSR 2)	3,510.0	3,590.0	2.3	3,650.0	1.7
BRAZIL	1,832.0	1,950.0	6.4	2,100.0	7.7
JAPAN	1,717.0	1,734.0 4)	1.0	1,751.0 4)	1.0

EXPORTS

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
EC	449.0	430.0	-4.2	430.0	0.0
UNITED STATES	398.3	554.3	39.2	501.2	-9.6
HUNGARY	180.0	180.0	0.0	180.0	0.0
BRAZIL	260.0	305.0	17.3	285.0	-6.6
THAILAND 2)	111.0	135.0	21.6	155.0	14.8

IMPORTS

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
JAPAN	267.0	297.0 4)	11.2	317.0	6.7
SAUDI ARABIA 2)	194.0	203.0	4.6	205.0	1.0
USSR 2)	210.0	240.0	14.3	170.0	-29.2
HONG KONG 2)	198.0	231.0	16.7	235.0	1.7
EC	116.0	125.0	7.8	130.0	4.0

- 1) '000 tons, ready-to-cook basis.
- 2) Source: USDA, World Poultry Situation, April 1991.
- 3) Including the new German Federal States.
- 4) Secretariat estimates.

II. SITUATION AND OUTLOOK IN THE INTERNATIONAL POULTRY MEAT SECTOR

8. In 1990, estimated poultry meat production in countries participating in the Arrangement Regarding Bovine Meat reached 25.4 million tons, a 5 per cent rise compared to 1989. The FAO estimated a 3.6 per cent rise in world production last year, to 39.3 million tons, followed by another 2.3 per cent increase in 1991. Participating countries accordingly accounted for some 65 per cent of world production. Among those countries, poultry meat output in 1990 fell only in Bulgaria, New Zealand and Poland. In all other countries it increased or remained unchanged. The estimated world production rise reflects a particularly higher output in the four major producing countries: United States, European Community, USSR and Brazil.

9. In the United States, which account for almost a third of world production, the growth was due to an output rise of both turkey (+9 per cent) and broiler (+7 per cent). As a result of such increases in supply, prices last year averaged somewhat lower than in 1989. However, they allowed for continuing strong profits which should encourage further, even if slower output growth this year. In the EC, poultry meat production growth was more moderate at 3.3 per cent. The rise, which reflects a 10.3 per cent turkey meat production growth and 3.2 per cent chicken output increase, was limited by the fall of duck supply, related to health problems and a modest domestic consumption rise. Disturbed feeding and marketing conditions, as well as lower poultry numbers, seem to have been the reasons behind an FAO estimated 1.5 per cent output drop in the USSR last year. Despite the fact that the poultry meat sector remains the most dynamic within the meat economy in this country, production is expected to slow down further in 1991.

10. In Brazil increased domestic demand, related to the situation in the beef sector, and higher exports boosted output, despite rising feed costs. This year the output growth is expected to slow down probably, reflecting a low maize crop this year which may nevertheless be offset by increased (and often cheaper) maize imports from Argentina or Uruguay. In Japan production fell despite increased domestic demand. Increased costs and higher imports reflecting the April 1989 tariff cuts for most chicken meat, may have limited the output rise. In the Middle East the rise in oil prices may have had, as in the past, a positive impact on poultry meat production. In Saudi Arabia production should have grown, while in Egypt, where the poultry industry is estimated to operate at about 50 per cent of its capacity, it may at best have stabilized.

11. In 1990, estimated poultry meat consumption in member countries was, at 24.2 million tons, up by 4.5 per cent compared to 1989. Despite repeated assumptions that per capita consumption may have reached a saturation point in many countries (and especially developed countries), the only countries where a decrease was registered last year were Egypt, Poland, Switzerland and possibly South Africa.

12. The largest producer, the United States, is also and by far, the largest consuming country of poultry. Per capita consumption is estimated

to have increased by another 5 per cent in 1990, to 40.8 kg. Far behind, the second major consumer is Canada with "only" 27.1 kg. and the third world major consumer country is Australia with 25.1 kg. per capita. In the European Community the annual growth is one of the lowest among participants, at approximately one per cent and with 17.9 kg., remaining relatively low compared to the United States, Canada or Australia. Undoubtedly poultry meat intake still has good days ahead, particularly among developing countries. An illustration of this is the evolution of consumption in Brazil where, from 9 kg. in 1980, it now reaches 12-13 kg., coming close to beef consumption levels. Poultry meat industry in this country grew by an estimated 800 per cent in the last twenty years and now offers more than 200 different cuts to consumers. With a drastic economic plan affecting day-by-day life, cheaper poultry meat seems to have been, even more than in the recent past, the best alternative for a consumer frustrated by a deficient supply of beef. Another example of the good perspectives ahead for this industry is the USSR, where the authorities stated their will to double per capita consumption of poultry meat (estimated at 12.6 kg. last year) in the next ten years.

13. Participating countries exports amounted to 1.6 million tons last year, a 10.3 per cent rise, close to 80 per cent of the world total. The United States became the major world exporter, displacing the European Community, where sales abroad decreased. The United States exports were constituted by approximately 95 per cent broilers and 5 per cent turkeys. Its major market last year was by far the Soviet Union (25 per cent of total poultrymeat exports) followed by Japan (17.5 per cent), Hong Kong (15.3 per cent), Mexico and Canada. EC exports fell by around 4 per cent. France is the major EC exporter (and indeed, ranking second or third in the world, depending on the Brazilian performance) and traditionally sells broilers to the Middle East markets (especially Saudi Arabia, the United Arab Emirates, Oman and also Egypt).

14. In Brazil, despite the difficult economic situation, the poultry meat sector, unlike other agricultural sectors, continued to grow allowing for expanded exports last year to record levels (+17.3 per cent). Brazil looked for new markets such as Cuba, the USSR and Japan, thus reducing its dependence on Middle Eastern countries but was faced with the financial problems in the Soviet Union and may not export to this market any further this year. Some problems have also arisen with Cuba and exports to this market fell last year. In 1991, exports to the Middle East may resume to some extent and total export levels are expected to remain high, although decreasing somewhat. Thailand, which has displaced Romania as the fifth largest world exporter (with Japan absorbing 84 per cent of its total sales), increased shipments by 21.6 per cent last year. According to the USDA, the Hungarian exports fell by 8 per cent, possibly due to continuing lower sales to the USSR. On the import side, the major event of the last eighteen months was the emergence of the USSR as a major importer of poultry meat from western countries and primarily from the United States.

SHEEPMEAT SITUATION IN SELECTED COUNTRIES 1)

PRODUCTION

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
EC	1,095.0	1,145.0	4.6	1,182.0 3)	4.6
USSR 2)	1,000.0	1,000.0	0.0	1,000.0	0.0
CHINA 2)	962.0	1,090.0	13.3	1,100.0	13.3
NEW ZEALAND	574.6	562.8	-2.1	570.0	-2.1
AUSTRALIA	582.5	648.7	11.4	720.9	11.4

CONSUMPTION

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
EC	1,326.0	1,389.0	4.8	1,430.0 3)	3.0
USSR 2)	1,014.0	1,014.0	0.0	1,009.0	-0.5
CHINA 2)	961.0	1,087.0	13.1	1,098.0	1.0
INDIA 2)	542.0	563.0	3.9	577.0	2.5
AUSTRALIA	390.7	362.8	-7.1	391.2	7.8

EXPORTS

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
NEW ZEALAND	472.6	403.3	-14.7	460.0	14.1
AUSTRALIA	188.5	268.5	42.4	307.8	14.6
ROMANIA 2)	50.0	20.0	-60.0	30.0	50.0
KOREA, Rep. of 2)	26.0	22.0	-15.4	25.0	13.6
TURKEY 2)	16.0	15.0	-6.3	15.0	0.0

IMPORTS

	1989	1990	%Change 1990/89	Forecast 1991	%Change 1991/90
EC	258.0	256.0	-0.8	254.0 3)	-0.8
JAPAN	117.0	102.0	-12.8	103.0	1.0
UNITED STATES	29.0	27.0	-6.9	27.0	0.0
KOREA, Rep. of 2)	26.0	22.0	-15.4	25.0	13.6
USSR 2)	15.0	15.0	0.0	10.0	-33.3

1) '000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals.

2) Source: USDA, World Livestock Situation, April 1991.

3) Including the new German Federal States.

III. SITUATION AND OUTLOOK IN THE INTERNATIONAL SHEEPMEAT SECTOR

15. The FAO estimated the world production of sheepmeat (including goatmeat) in 1990 to have totalled 9.2 million tons, 2.3 per cent above 1989. Production in the twenty-one countries participating in the Arrangement Regarding Bovine Meat for which information is available totalled 3.33 million tons, an increase of 4.8 per cent since 1988. The wool market continued to be a dominant factor in the sheepmeat sector last year. World wool stocks reached record levels, reflecting continuing increased production and falling demand. This fall resulted from the situation in China where the sheep flock and sheepmeat production have been in constant expansion in recent years. Another factor affecting the wool market would have been the fall in the USSR imports due to the shortage of hard currencies. These developments led to strongly weakening wool prices.

16. Australia, which represents 30-35 per cent of world exports, was particularly hit by this situation, especially during the second half of the year. Further affected by a strong Australian dollar and rising oil prices, Australian producers were faced with depressed wool prices and finally a number of measures to discourage wool production. All this led to the supplementary slaughter of 15 to 30 million old sheep (unsuitable for sale) last year. Normal sheep slaughter was also higher and, despite lower lamb slaughtering, the Australian sheepmeat production rose by 11.4 per cent in 1990. In 1991 and 1992 adult sheep slaughtering is expected to rise again somewhat due to the continuation of the producers' movement to reduce flock sizes because of low returns.

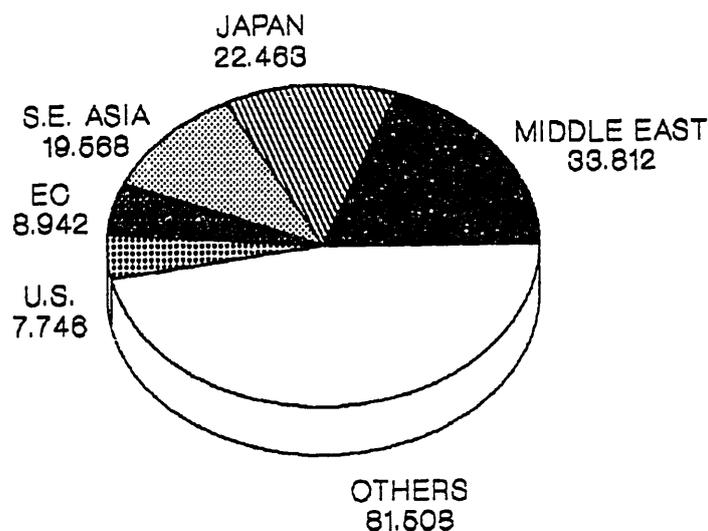
17. The rise in the Australian output last year was partly offset by a decline in New Zealand sheepmeat production, reflecting lower sheep numbers and emphasis being put on breeding to rebuild flock numbers following the drought. In the European Community production continued to expand, despite the reductions in the EC market support following the implementation of the new sheepmeat régime on 1 January 1990. While the Community output is expected to expand further this year, another output contraction is forecast in New Zealand.

18. Estimated total consumption in participating countries increased somewhat in 1990 for the second year in a row (+0.6 per cent). This growth was well below the 5.8 per cent rise of 1989 due to a significant consumption drop in Australia and New Zealand. Sheepmeat intake is now well below a continuously rising poultry meat consumption in most participating countries. However, larger sheepmeat supplies and falling prices in line with the shrinking demand for wool, may act as a consumption incentive in the short term. In Australia, for instance, per capita consumption is expected to recover as from this year and rise further in 1992, as the result of increased production and lower prices. On the contrary, the estimated consumption fall in New Zealand was due to lower production and increased retail prices and intake could stagnate this year. In the European Community consumption is relatively balanced with production increasing last year and probably continuing to increase through 1991.

19. A 15 per cent drop in New Zealand exports last year was practically offset by a rise in those of Australia, which limited to 0.6 per cent the fall of participating countries' exports last year (accounting for about 83 per cent of world exports). In line with lower sheep numbers and sheepmeat production, New Zealand sheepmeat exports have been falling in the last few years. Producer returns in 1989-90 were up on the previous season. In the 1990-91 season export lamb production is expected to rise by around 10 per cent, reflecting an increased lamb crop, but producer returns are nevertheless expected to fall somewhat. Export mutton production is forecast to fall by 2.7 per cent, reflecting a continuing decline in sheep numbers and mutton prices are seen at 39 per cent below the 1989-90 season.

20. Australia, the second major world exporter, has seen its sales increase by more than 42 per cent last year. Boosted by increasing wool prices since the mid-1980s, the Australian sheep flock grew fast in response to increased profitability. This allowed for large export availabilities. Last year lower New Zealand output left room for increased Australian sales abroad. However, higher sales abroad do not necessarily mean increased profitability and the high slaughtering level in Australia may well be one of the factors affecting world sheepmeat prices in 1990-91. Live sheep exports to Saudi Arabia resumed and this means increased competition with New Zealand in this market. The end of the Middle-East crisis should allow increased sales to the region.

AUSTRALIA - MUTTON EXPORTS -1991 MAIN DESTINATIONS



Thousand tons