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SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

Note by the Secretariat

The present note has been drawn up by the secretariat of the Arrangement in accordance with the terms of Article IV, paragraph 1(a), thereof. The note presents a summary of the international situation and outlook for bovine meat and specific elements of the world beef economy on a country-by-country basis. (Summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat will be published as an addendum.) In the preparation of this document, the following sources, inter alia, have been used: several USDA reports; and various issues of In Brief, Australian Meat and Livestock Corporation; Australian Agriculture and Resources Quarterly, September 1991; European Weekly Market Survey, Meat and Livestock Commission; Informe Ganadero, Buenos Aires; Marché International du Bétail et des Viandes, CFCE; the Drovers Journal, various issues; Market Commentary, Agriculture Canada, September 1991; and responses to the questionnaire submitted by 29 November 1991; Guia Financiera, October 1991, Uruguay.

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/79, has been reproduced.

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I. MAJOR FEATURES OF THE ECONOMIC SITUATION AND OUTLOOK

1. In 1991, estimated world economic growth continued, but at a mere 1 per cent¹ compared to an already low 2 per cent growth in 1990. As the IMF indicates, this is the lowest growth rate since the industrial country recession in 1982. Major causes for this meagre result were the small output growth in the industrial countries (+1.25 per cent) due to decreased economic activity in many of them, and a decline in developing countries' output as the result of a sharp reductions in Central and Eastern Europe and in the USSR, as well as in the Middle East provoked by the Gulf crisis.

2. Global economic growth was expected to recover moderately by 2.75 per cent in 1992. This forecast was based, among other factors, on expectations of a recovery from recession in the United States and some other major industrial countries. However, recent economic indicators in the United States do not give evident signals of an ongoing recovery and many observers fear a fall back in recession. In these conditions, and even if other factors such as lower oil prices and the end of the Middle East conflict will tend to push economic activity, a word of caution is required. The output growth for 1992 in the industrial countries may average somewhere below the projected 2.75 per cent. Inflation in industrial countries is projected to decline further, but at the light of a slow recovery of economic activity, unemployment will remain a worrying problem in these countries.

3. In the developing countries other than the Central and Eastern European ones and the USSR, economic growth could pick up to 4.75 per cent in 1992, due to a recovery of economic activity in the Middle East and a stable or strengthened growth in Africa, Asia and South America. Output is expected to begin recovering in Central and Eastern European countries, but to fall further in the Soviet Union. Average inflation is expected to decline significantly as the result of sharp reductions in some Central and Eastern European countries and Latin American ones.

4. As regards trade and according to GATT experts, the world volume of merchandise trade is estimated to have fallen from 7 per cent in 1989 to 5 per cent in 1990 (13 per cent in value terms, due to the "valuation effect" of the dollar's depreciation against the major European currencies) and a further marked slowdown is expected for this year. Among other reasons behind last year's trade slowdown were weak import demand in the United States, falling demand in Central and Eastern Europe and in the USSR. A similar picture emerges for the first half of 1991, with the addition of weakened demand in Japan and Western Europe in spite of the booming import demand in Germany. While developing economies in Asia continued to strengthen, trade performances in Central and Eastern European countries and the USSR have again deteriorated sharply. While world trade has not been seriously affected by the Gulf crisis, it is noted that the loss of trade for some individual countries (such as Jordan, Turkey, Romania, India and Yugoslavia) was appreciable, while the severe drop of worker remittances from Iraq and Kuwait had an important economic effect in countries such as India, Bangladesh, Pakistan Sri Lanka and the Philippines.

TABLE I
THE BEEF SECTOR AT A GLANCE^{1/}

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
CATTLE NUMBERS ^{2/}	506,853.0	515,207.0	1.6	520,415.0	1.0
PRODUCTION ^{3/}	31,933.7	32,758.4	2.6	32,547.9	-0.6
CONSUMPTION ^{3/}	29,260.7	29,973.1	2.4	30,303.8	1.1
IMPORTS ^{3/}	2,699.4	2,786.9	3.2	2,722.8	-2.3
EXPORTS ^{3/}	4,157.8	4,259.4	2.4	4,141.4	-2.8
STOCKS ^{3/}	1,030.6	1,332.7	29.3	1,237.3	-7.2

^{1/} Participating countries only. The table contains a number of secretariat estimates and forecasts. Figures should only be considered as an indication of trends, rather than absolute volumes.

^{2/} Thousand heads.

^{3/} Thousand tons. Stocks at the beginning of the year.

II. INTERNATIONAL SITUATION AND OUTLOOK IN THE BOVINE MEAT SECTOR

Situation in 1991: similar to the one in 1986 ...

1. The bovine meat sector situation in this beginning of the 1990's has a number of similarities with the mid-1980's situation and 1991, in particular, resembles 1986 for more than one aspects. First, the general economic situation is far from brilliant. A number of industrial countries are only now beginning to recover from recession, and the risk of a fall-back in recession is not entirely out of the way. Output in the USSR and the Central and Eastern European countries contracted and economic activity in the Middle East is just beginning to resume. Unemployment is rising in a number of countries and, even if positive developments occurred, inflation remains a major problem in many developing nations.

2. Second, in the beef sector, a number of large producing countries are rebuilding cattle herds in response to relatively firm prices and production potential continues to grow. Third along with the trend for reduced beef and veal consumption in a rising number of countries, large availabilities of all kinds of meats prevail. Fourth, Brazil, for reasons similar to those in 1986, is again relatively absent from the beef export scene and is importing increased quantities of bovine meat. Fifth, the European Community is faced with record beef stocks and, such as in 1986, had recourse a number of times this year to large scale operations at low prices, benefiting from increased export restitutions (including to Brazil). Sixth, the situation in the USSR is one of decline of overall meat output and need of increased imports (at least in the short run) in order to supply major urban areas.

... not equal, but ...

3. In 1991, the beef markets situation had also its differences with the one in 1986. First, world beef prices were not as depressed in the beginning of this year as they were at the threshold of 1986. Second, the situation (especially in the Foot-and-Mouth Disease (FMD) free area) is by far better than in 1986 when, among other problems, major impacts from milk reduction programmes were culminating. Third, the expansion rate of cattle herds today is in most cases lower than in the past. Fourth, cattle numbers are rising especially in the FMD free area. In the infected area, inventories are declining in the EC and rises, so far, occurred only in Argentina (where the trend is uncertain) and Brazil, among the major producing countries. Fifth, beef output in Eastern and Central European countries is declining and export availabilities shrinking. Indeed, most of these countries are importing increased quantities of beef. Sixth, sales to the USSR are increasingly dependent nowadays on import credits, food aid arrangements, triangular operations, barter deals, or the like. Seventh, the situation in the Middle East is improving and this allowed for increased export sales to this region.

... again the situation in one single market may have avoided a crisis

4. However, like in 1986, and in a moment of mounting pressure, the international beef trade has this year, essentially benefited from the difficult market situation in one single market: the USSR. After a large 100 thousand tons sale to Brazil, the European Community was able to export an estimated 250 thousand tons to the Soviet Union and another (French) barter deal regarding 100 thousand tons was agreed. In other words, at a moment of growing surpluses, the situation in one single market allowed for the disposal of large quantities of beef (more than 10 per cent of the world trade in bovine meat). In the meantime, some of the other Central and Eastern European countries, last year and in the beginning of 1991 still faced with large availabilities, are more or less rapidly becoming significant beef importers.

In the FMD free area some weakening signals too ...

5. Most of these events affect the market situation especially in the FMD area. However, the situation in the "free" area although still relatively sound, has also shown weakening signals. One was the (probably momentary) decline of Japanese imports. Faced with accumulating stocks since last year, the LIPC released them to the market since last June and imports decreased. Another signal was the cattle prices' decline in North America, reflecting increased domestic and imported beef supplies. Finally, "Voluntary" Restraint Agreements (VRAs) by the United States were imposed on imports from Australia and New Zealand.

... weakening international prices reflect the situation in both areas

6. In 1991, beef prices decreased somewhat but, on average remained relatively firm. In the FMD free area, prices begun to decline by the middle of the year following the price trends in the United States, which play the leading rôle in price formation in this area. It may well be that reduced imports by Japan also played a "direct" rôle in the price decline as, along with rising imports through the years, Japan too tends to play an increasing rôle in price formation in the FMD free zone (the "indirect" effect of reduced Japanese imports on prices may have taken the form of diverted Australian exports to the United States, adding price pressure there). In the FMD zone, export prices by Uruguay and Argentina appear to have increased. However, this seems to be only due to the fact that they are average prices. Indeed, they include high quality beef prices, which have increased and are often ten times higher than the manufacturing beef ones'. Prices for this type of beef, as well as for canned and cooked beef are estimated to have declined by at least 15-20 per cent.

TABLE II
SELECTED COUNTRIES' TRADE IN BEEF^{1/}

A. Exports

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
ARGENTINA	451.1	360.0	-20.2	380.0	5.6
AUSTRALIA	1,181.1	1,000.0	-15.3	1,010.0	1.0
BRAZIL	230.0	230.0	0.0	250.0 ^{2/}	8.7
CANADA	109.1	104.0	-4.7	110.0	5.8
EC	782.0	1,160.0	48.3	1,000.0	-13.8
NEW ZEALAND	417.5	435.0	4.2	425.0	-2.3
UNITED STATES	456.0	522.0	14.5	565.0	8.2
URUGUAY	192.0	126.0	-34.4	119.0	-5.6
OTHERS ^{3/}	339.0	322.4	-4.9	282.4	-12.4
TOTAL	4,157.8	4,259.4	2.4	4,141.4	-2.8

A. Imports

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
BRAZIL	230.0	330.0	43.5	230.0	-30.3
CANADA	188.9	196.4	4.0	170.0	-13.4
EC	399.0	435.0	9.0	440.0	1.1
JAPAN	557.0	510.0	-8.4	570.0	11.8
UNITED STATES	1,069.0	1,050.0	-1.8	1,034.0	-1.5
USSR ^{2/} , ^{4/}	250.0	260.0	4.0	300.0	15.4
AFRICA ^{5/}	158.0	152.1	-3.7	156.4	2.8
OTHER ASIA ^{4/}	271.0	317.0	17.0	333.0	5.0
MIDDLE EAST ^{4/}	59.0	77.0	30.5	73.0	-5.2
CENT. E. EUR. ^{2/} , ^{4/}	112.4	191.5	70.4	194.0	1.3
OTHER EUROPE ^{2/}	26.9	17.9	-33.5	15.4	-14.0
TOTAL	3,321.2	3,536.9	6.5	3,515.8	-0.6

^{1/} Thousand 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. Secretariat estimates.

^{4/} USDA, World Livestock Situation, F.A.S., FL&P 4-91, November 1991.

^{5/} Egypt, South Africa, Tunisia.

Outlook

While sanitary barriers persist, trade pattern not to change

8. A first commentary is that while sanitary barriers will persist as they actually do, market developments will continue to have a pattern similar to the past and present ones, i.e., a strong price difference between the two areas and a more predictable outlook for countries operating in the FMD free area than for those operating in the other one.

Risk of meat oversupply in the medium term? ...

9. According to recent OECD data, beef production in OECD countries up to 1996 is projected to exceed the 1990 levels by 9.5 per cent, while the production of pigmeat and poultry meat could rise by 7.4 per cent and 16.1 per cent. In the meantime consumption is also expected to grow, but at a lower pace than production for beef (+8 per cent), with the poultry meat share in total meat consumption increasing further. This means growing export availabilities in the OECD in the medium term.

... in the short-term the pressure could level-off ...

10. The outlook in non-OECD countries seems to be for a beef production slow down in Argentina and Uruguay, where cattle herd rebuilding may be beginning, while projections regarding Brazil remain particularly difficult. Beef production in this country has risen constantly in the last few years, but so did consumption. The guess would nevertheless be that Brazil would remain a net beef importer in the medium term. The situation in the Central and Eastern European countries is another source of instability. In the short run the trend in these countries seems to be for an overall decline of meat output. The effects of price reforms in this region lead the meat sector there into a difficult adjustment process and a quick recovery of the livestock sector seems unlikely. Further reductions in meat output, consumption and both exports and imports appear as the most probable evolution in the next 2-3 years at least. In the USSR, future developments are, at this stage, unpredictable. At best, it can be stated that if higher retail prices continue to discourage consumption in large urban and industrialized areas, a more balanced market situation could emerge there. In the agricultural regions an improvement of the meat market situation is expected. Meat imports could consequently decrease in the future. Although import demand is resuming in the Middle East and prospects for increased beef demand in a number of Asian countries remain valid, it is doubtful that other developing countries will be in a position to import increased quantities of beef.

... but structural changes are needed to guarantee a sound future

12. In summary, the medium term prospects suggest that a situation like the one lived in 1986 and again in 1991, i.e., large supplies finding one (or two) single market to absorb large quantities of meat, may not occur again. In these conditions, and in a market where global demand for beef seems to be shrinking, the only answer appears to be an adaptation of supply to the actual level of demand. Conjunctural changes in a number of countries seem to be producing this effect in the short-term. But, without a structural adaptation (which seems to begin in some major producing areas, and should be continued) world beef markets may well be once again faced with another oversupply crisis in the medium term.

III. COUNTRY-BY-COUNTRY ANALYSIS

European Community

Cattle numbers fall

1. The last June cattle census confirms the declining trend in inventories observed in December 1990. If the former East Germany is excluded, the Community cattle herd diminished by almost 1 per cent. Between December 1990 and June 1991 cattle numbers in the former German Democratic Republic fell by 24 per cent. As a result, total EC cattle herd contracted. The breeding herd evolution followed a similar pattern with inventories excluding former East Germany decreasing slightly while numbers in the ex-GDR registered a significant drop. Between July 1990 and June 1991, EC dairy cow numbers fell by 5 per cent, outweighing the rise in beef cows which continued to expand throughout the EC, with the exception of Germany.

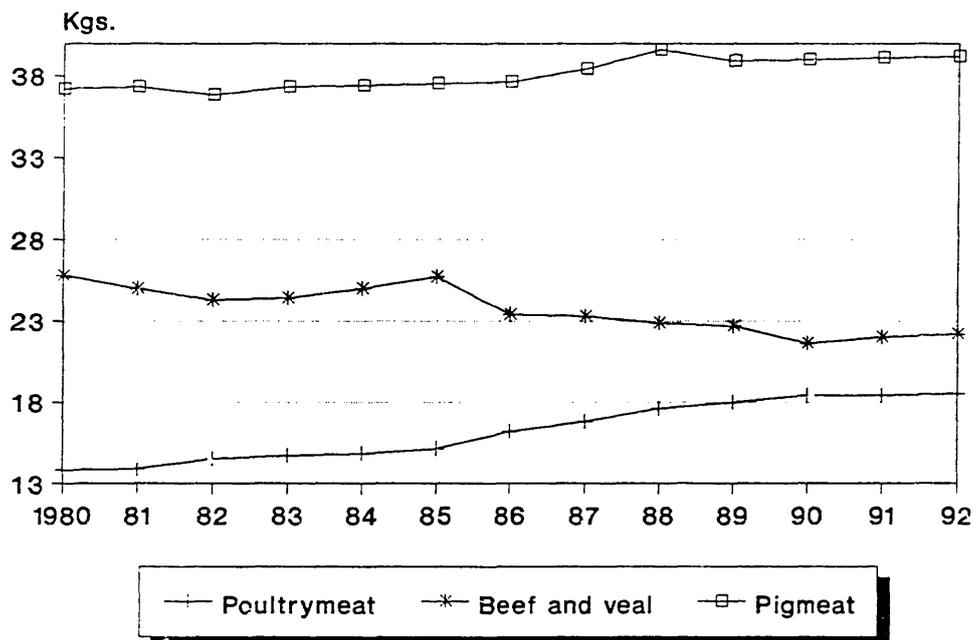
Cattle slaughter increases in 1991, but should fall next year

2. During the first half of the year, cattle slaughter went up by 9.5 per cent. Most of the growth was due to a 23 per cent rise in German slaughtering, reflecting herd restructuring in the new German Federal States. Cattle slaughter is estimated to have slowed down in the second half of the year and by the year end a 3 per cent decline was expected for the Community. In 1992 slaughters are forecast to fall by 4.2 per cent. The fall largely signifies that the restructuration phase of the new German Federal States is achieved and that slaughter levels in Germany will be back to normal levels.

Production and consumption up

3. Reflecting increased slaughter, estimated beef and veal production in the Community rose by 2-3 per cent to approximate 8.6 million tons (7.9-8 million tons if the ex-RDA is excluded). The increase was partly offset by an estimated similar percentage growth of consumption which nevertheless, in per capita terms, remains relatively low (400 grs. more than year earlier). This is believed to be partly linked to the poor image that consumers have of the product. At least in some EC countries this also appears to be related with a deficient transmission of price signals from the wholesale to the retail level, especially the wholesale prices

EC - PER CAPITA MEAT CONSUMPTION



decreases, in supermarkets. However, after the reduction in beef consumption which last year affected the EC, particularly the United Kingdom largely because of the BSE fears, it is encouraging to observe that, according to the United Kingdom Meat and Livestock Commission (MLC), between May and September 1991 purchases of all categories of beef in this country were up on last year levels, almost reaching their 1989 levels¹, even if it is recognized that low prices have helped to stimulate demand¹. Promotion campaigns seem to also have played an important rôle in the consumption recovery. While beef production is expected to fall next year as a result of lower cattle slaughter, beef consumption is forecast to rise again.

Producer prices down

4. Live cattle prices, although rising in the first few months of the year, have been constantly below last year's levels. Although the situation varied between the different EC countries, real prices were on average more than 10 per cent lower compared to year earlier. However, the positive sign is that, although low, prices would not have declined further through the Autumn as they normally do. In other words, this suggests that beef supply did not increase which could be an indication for a beginning of price recovery which, taking into account production forecasts, could strengthen further in 1992.

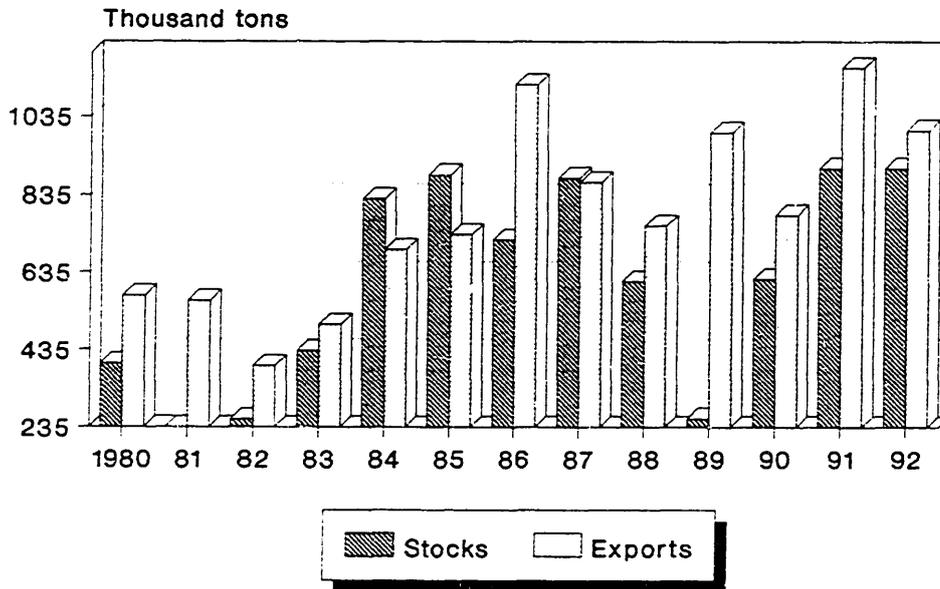
¹MLC, Economic Information Service, Meat Demand Trends, November 1991

Stocks and exports increased

5. The difficult market situation with which the Community was met last year (BSE, Middle East, live cattle and meat from Eastern Europe, enlargement of Germany, increased production, decreased exports ...) resulted in sharply increased stock levels by the end of 1990. Some of the causes behind last year's situation continued to be felt during part of 1991 and the result has been continuous growth of stocks which totalled 760 thousand tons at the end of June.

6. Faced with increased production and rising stocks, the EC has expanded exports in 1991. Although no details are available, and apart from the 100 thousand tons sold to Brazil in the beginning of the year, sales to North Africa and the Middle East would have increased (namely to Iran). Regarding exports to the USSR, a number of large sales have been negotiated through the year. The last two sales were announced last September, being composed of 25 thousand tons from Germany and 40 thousand tons from Ireland. The announced French sale of 100 thousand tons should not be accomplished before the end of the year. Overall exports to the Soviet Union would have reached about 250 thousand tons this year. Relatively large sales to Poland and Albania also took place.

**EUROPEAN COMMUNITY
BEEF STOCKS AND EXPORTS**



7. As it appears from the last August unofficial data available, even if stocks at 616 thousand tons remained much higher than last year, they decreased since June. However, from January to August 1991, the improved export performance has not totally checked beef stockpiling because even if

intervention sales were fairly higher than year earlier, purchases were even higher. Year end intervention stocks (which do not reflect the French sale) are forecast to reach 903 thousand tons. If current prospects for next year's production and consumption prove accurate, the projections for a similar level of beef stocks next year may be overestimated. In line with the different concessionary import schemes, estimated imports by the Community this year should rise by 9 per cent to 435 thousand tons.

Policy developments

8. Regarding the ban imposed on meat from the United States, following continuing bilateral consultations between the two participants, the EC Agriculture Council agreed last September to authorise three American plants to resume beef offal exports to the Community. The Commission was also empowered to authorise ten other plants to resume exports as soon as the United States authorities have provided all the required guarantees.

9. The Community decided to finance "triangular operations" concerning the sale to the Soviet Union of beef (and also sheepmeat) originating in Poland, Czechoslovakia and Hungary. The quantities involved in the sales will be deducted from the tonnages allowed into the Community originating in the three countries. The recent credit of 500 million ECU granted by the EC to the Soviet Union may be used for these operations.

10. Negotiations between the EC and Poland, Hungary and Czechoslovakia under the Association Agreements include increased access to the Community for beef, sheep meat and pig meat. Although details are still under discussion, current balance sheet import quota for calves would be considered as the starting point for increased access over the next five years, while the starting point for increased access for beef will be an average for imports from the three countries.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} (excl. ex-GDR)	...	84,575.0	...	82,630.0	-2.3
	80,205.0	79,406.0	-1.0		
Beef and veal ^{3/} :					
Production ^{2/} (excl. ex-GDR)	...	8,560.0	...	8,210.0	-4.1
	7,790.0	7,900.0	1.4		
Consumption ^{2/} (excl. ex-GDR)	...	7,550.0	...	7,650.0	1.3
	7,045.0	7,200.0	2.2		
Imports	399.0	435.0	9.0	440.0	1.1
Exports	782.0	1,160.0	48.3	1,000.0	-13.8
Intervention Stocks ^{3/}	618.0	903.0	46.1	903.0	0.0

^{1/} '000 head, December of preceding year

^{2/} '000 tons

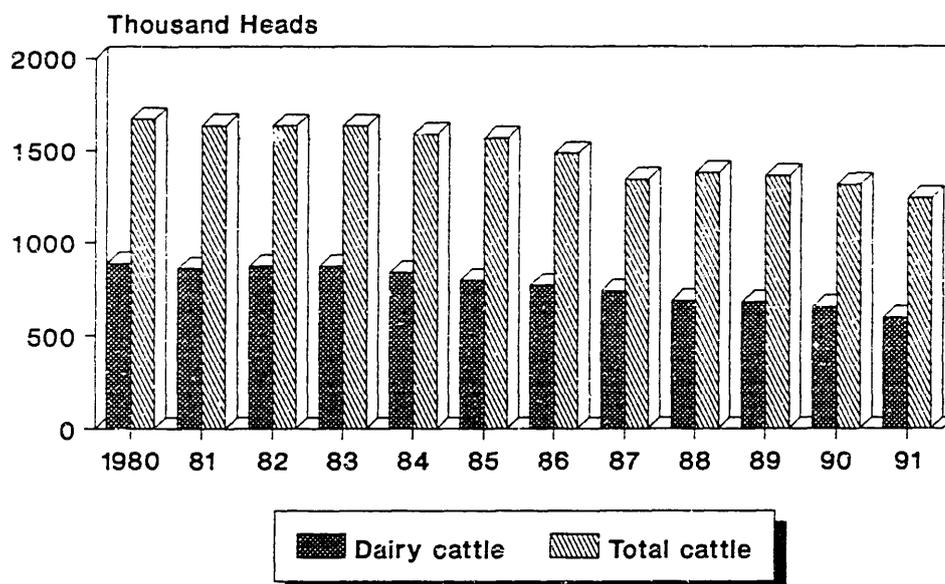
^{3/} Total stocks, 31 December

Finland

Milk output reduction programmes continue to reduce cattle numbers

11. As a result of the operation of the dairy quotas and especially of the milk bonus scheme (under which 45 thousand cows were withdrawn from milk production in the first quarter of 1991), cattle numbers decreased by about 6 per cent last June, compared to June 1990. Beef cow numbers increased but account for no more than 5 per cent of the total herd.

FINLAND CATTLE NUMBERS



Beef production to rise

12. Reflecting the milk bonus scheme effect, cow slaughter increased by 16 per cent during the first half of 1991. Coupled with higher slaughter weights, and despite lower male cattle slaughter, this resulted in a 9 per cent beef production growth during this period. However, slaughter levels are expected to decline during the second half of the year, and the production growth for the year as a whole could thus be limited to 2.2 per cent.

13. Increased production has resulted in lower producer prices from January to June 1991 (-16 per cent in real terms), which remained (since mid-1990) well below the target price level. Subsidized exports are resorted to when the domestic producer price falls below the target price. However, the move to fixed export subsidies introduced in 1990 resulted in reduced export support, reducing export profitability, and thus keeping the downward pressure in producer prices, especially at a moment when world market prices are declining.

Consumption up

14. Despite an economic growth slowdown, per capita beef consumption showed a modest increase during the first six months of the year apparently due to lower real retail prices. It can be questioned whether a planned change in taxation closer to the Value Added Tax system, which would lower the retail price of commodities other than meat, eggs and dairy products

may have hampered beef consumption to rise further. Per capita consumption growth is expected to show only a marginal increase (+200 grs.) and to stagnate in 1992.

15. Self-sufficient in beef, Finland imports small quantities of high quality cuts in response to consumer preferences. During the first six months of 1991 small quantities were imported mainly from the United States and it is estimated that total imports this year will remain stable at 500 tons. The estimated surplus production, 11 thousand tons, will be exported with Sweden appearing so far to be the major destination for fresh beef, while Mexico is taking most of the frozen product. During the first half of the year, export prices averaged US\$1,415 per ton f.o.b., 33 per cent below the same period of 1990.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers:	1,315.4 ^{1/}	1,242.0 ^{2/}	-5.6	1,200.0 ^{3/}	-3.4
Beef and veal ^{4/} :					
Production	118.2	121.0	2.4	110.0	-9.1
Consumption	108.4	110.0	1.5	110.0	0.0
Exports	10.0	10.9	9.0	2.0	-81.7

^{1/}, '000 head, 1 December ^{2/}, '000 head, 1 June ^{3/} Source: OECD
^{4/}, '000 tons

Sweden*

Decline of cattle numbers resume

16. The effects of the termination of the two-price system for milk as of 1 January 1989 continued to be felt through 1990 and probably 1991. With a rise of close to 3 per cent last year, cattle numbers totalled 1.7 million head in June. After three years of significant falls, dairy cow numbers were up by 2.9 per cent, accounting for 33.6 per cent of the total cattle herd. However, they should fall back again by close to 9 per cent this year. Indeed, despite the cattle herd increase in 1990, it can be expected that sharp decreases will occur at least in the next two years, due to the new food policy which will enter into force on 1 July 1991.

Production and consumption to increase

17. After declining since 1986, cattle and calf slaughter resumed in 1989. The increase was of an estimated 7 per cent, due to higher dairy cow and calf slaughter. Cattle slaughter in 1990 and 1991 should rise by a further annual 2-3 per cent. Estimated beef and veal production increased by 6.5 per cent last year to 147 thousand tons, reflecting again higher numbers of beef cows, increased cattle slaughter and carcass weights and a growing utilization of calves for beef production. A further rise is expected to occur next year in line with increased cattle slaughter. Thereafter production should fall back again.

18. With the exclusion of sheepmeat, where a decline was foreseen in response to the abolishment of consumer subsidies, consumption of all meats was expected to increase: pigmeat, reflecting lower retail prices; poultry meat, due to lower domestic feed prices which should also allow for lower retail prices; and beef and veal, reflecting increased production. Per capita consumption of the latter grew marginally to some 17.2 kg. in 1990 (+0.6 per cent). Consumption of all types of meat could grow further in the future as the result of the new agricultural policy.

Phase-out of export subsidies as from July 1991 and sharp export fall in 1992

19. In 1989, bovine meat imports reached 14.3 thousand tons, compared to 21 thousand tons in 1988, reflecting the production rise. In 1990 the market was relatively well balanced again, and estimated imports totalled 15 thousand tons. Frozen beef accounts on average for 60-80 per cent of total imports and Poland, Australia and Yugoslavia have been the major suppliers in the last few years. In 1989, exports of frozen meat totalled 4.6 thousand tons, 53 per cent of which went to Mexico and 21 per cent to the United States. Canned and cooked meat exports totalled 4 thousand tons, 65 per cent of which went to the Federal Republic of Germany. At an estimated 13 thousand tons, exports last year increased by 49 per cent, but remained far below the record levels (around 35 thousand tons) of the first half of the eighties. One of the aspects of the new agricultural policy to be implemented next July is the discontinuation of export subsidies.

20. However, taking into account other aspects of the new policy in the dairy sector (which should lead to the liquidation of 60 to 100 thousand dairy cows) and foreseen difficulties in limiting surplus production in the pigmeat sector, exports will still be granted some support. This support, will be lower than current subsidies and will be totally phased out in three years. Current estimates continue to show an export rise this year, followed by a significant export decrease in 1992, to some 7 thousand tons.

Policy developments

21. A new agricultural policy will be introduced on 1 July 1991 and will be fully implemented after a five-year transitional period. It is based on the principle that agriculture should be subject to the same conditions as

other sectors. Producers should only be paid for goods and services for which there is a demand. The main elements of the new policy concern border protection, mainly variable import levies, which will remain unchanged pending the outcome of the Uruguay Round negotiations, and the phase out of internal market regulations starting on 1 July 1991. As a result collective financing of agricultural exports will, by and large, be discontinued. Thus, in the meat sector, internal support measures and export subsidies will be abolished on 1 July 1991. However, due to parallel adjustment measures in the dairy sector and the foreseen difficulties in reducing pigmeat production, public means to assist exports will still be granted during a transitional period of three years (1991/1992 - SEK 200 million; 1992/93 - SEK 150 million; 1993/94 - SEK 100 million).

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers: ^{1/}	1,672.0	1,716.0	2.6	1,635.0	-4.7
Beef and veal: ^{2/}					
Production	138.0	147.0	6.5	152.0	3.4
Consumption	144.0	147.0	2.1	148.0	0.7
Imports	14.3	15.0	4.9	10.0	-33.3
Exports	8.7	13.0	49.4	15.0	15.4

^{1/},000 head, June

^{2/},000 tons

Norway

Cattle herd reduction continues along with more stringent dairy reduction schemes

22. In 1990, the cattle herd in Norway decreased by 1.2 thousand head, due to declining dairy cattle numbers and despite rising numbers of bulls and calves. Dairy cattle accounted for 52.5 per cent of the total herd. This year the cattle herd evolution is expected to follow exactly the same pattern, with a slight decrease in the total herd reflecting falling dairy cattle numbers, which should nevertheless represent the same proportion of the herd.

23. Falling dairy cattle numbers are related to reductions in milk quotas and the tightening of the two-price system for milk. As a result of both measures to control milk production, dairy cattle slaughter increased by 9.6 per cent last year, leading to a total cattle slaughter rise of 6.8 per cent. This year again, through the operation of those mechanisms to reduce milk deliveries, dairy cattle slaughter, not yet available, should increase.

Beef production rise likely

24. Average cattle slaughter has increased steadily in the last few years. Higher slaughter levels and increased weights can be expected to result in some beef production rise, even if modest. Current projections for a decline could consequently be outdated and an increase of around 1 per cent seems more likely to occur. A further growth is projected for 1992, but on a longer term, the policies pursued in order to curb milk production will also result in a somewhat reduced bovine meat output.

Consumption rises significantly

25. In 1990, per capita beef consumption increased (+3.4 per cent) reflecting increased consumer's disposable income and a decline in real retail prices. This year the per capita consumption growth is estimated to be even stronger (+5 per cent) than last year and may well reflect another decline in retail prices. Indeed, the consumption of the other meats (including the consumption of sheepmeat which had fallen slightly in 1990) is also seen to have risen in 1991. Next year, beef and sheepmeat consumption could decrease somewhat, while poultry meat intake is expected to stagnate and pigmeat to rise further. While imports are relatively low, poultry meat and pigmeat consumption growth may be hampered by production levels, which are controlled by the limitation of farm sizes.

Sharp export reduction

26. The estimated strong beef consumption growth this year allowed for a small production surplus which, if a 1.2 per cent production growth intervened, would be limited to 2.1 thousand tons. In other words, beef and veal export availability this year would fall short from last year's record level. Current estimates are for exports to total 2 thousand tons in 1991. Export destinations or prices are not yet available, but it can be noted that major destinations last year were Mexico and Angola and export prices averaged US\$1,400 per ton f.o.b.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	1,001.5	1,000.3	-0.1	998.2	-0.2
Beef and veal ^{2/} :					
Production	81.6	79.9	-2.1	83.6	4.6
Consumption	76.4	80.5	5.4	79.0	-1.9
Imports	1.4	1.5	7.1	0.0	-
Exports	7.9	2.0	-74.7	3.0	50.0
^{1/} '000 head, 1 January				^{2/} '000 tons	

Switzerland*

Cattle herd stable

27. According to the last April cattle census, the Swiss cattle herd increased only marginally in 1990 to 1,855 thousand head (+0.3 per cent), apparently due to an approximately 10 per cent increase in producer prices for the second consecutive year (at SWF552 per 100 kgs., producer prices were 10 per cent below the average minimum price guaranteed to the producer). Despite a 2 per cent increase in calf numbers (which represent about a third of the total herd) and dairy heifers, a 1.2 per cent decline in dairy cow numbers (51 per cent of the herd) was responsible for the relatively unchanged situation of the herd.

Production increases

28. Slaughter of both female cattle and adult male cattle went up last year reflecting falling prices and although calf slaughter declined somewhat, the overall slaughter increase was 2.2 per cent. Average slaughter weights for all categories of cattle was also up reflecting good feeding conditions and this, along with a larger participation of adult cattle in the slaughter mix, resulted in a 5.7 per cent rise in production, to 164 thousand tons. In 1991 cattle cull is expected to decrease somewhat, resulting in lower beef production, although veal output may increase slightly following higher calf carcass weights.

Consumption rises as a result of lower retail price

29. Beef retail prices declined by about 1 per cent last year, while pigmeat prices rose by 6.7 per cent favouring the consumption of beef. While per capita pigmeat intake registered a 4.3 per cent set back, beef and veal consumption went up by 1.6 per cent. Nevertheless pigmeat remained the Swiss consumers' preferred meat (39.8 kgs.) followed by beef and veal (25.1 kgs.) and poultrymeat (10.7 kgs., -4.5 per cent).

Imports stagnate in 1990, fall in 1991

30. Despite the production rise, Switzerland still remains a deficit beef producer (self-sufficiency is close to 92 per cent). The result are limited import of quantities every year, floating around 10-12 thousand tons. In 1990, they remained unchanged compared to year earlier, at 10.5 thousand tons, of which 6.2 thousand were fresh and chilled, 2.3 thousand frozen and the rest canned meat. Major suppliers of the fresh or chilled product were Argentina, the EC and Brazil. Frozen beef came mostly from Argentina and canned meat from the European Community. Live cattle imports totalled 4.5 thousand head, coming virtually all coming from the Community. The average import price for frozen boneless beef was US\$5,940 per ton c.i.f.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/}	1,850.3	1,855.2	0.3	1,850.0	-0.3
Beef and veal ^{2/} :					
Production	155.2	164.0	5.7	162.0	-1.2
Consumption	173.9	178.6	2.7	175.0	-2.0
Imports	10.5	10.5	0.0	10.0	-4.8
	^{1/} ,000 head, 21 April	^{2/} ,000 tons			

Austria

Cattle herd expansion to end?

31. Cattle herd rebuilding is under way in Austria since 1989. Last year, by December, total cattle numbers reached 2.6 million head, up by 0.9 per cent. Herd expansion was virtually all due to rising beef cattle numbers which went up by 17.4 per cent, to represent around 12 per cent of the

total herd. While dairy cattle decreased by 1.7 per cent, the numbers of bulls diminished by 31.5 per cent.

32. However, official slaughter data suggests the approaching end of the herd expansion. Total cattle slaughter increased by 5 per cent last year, with female cattle cull showing a 12 per cent rise. Indeed, unofficial data suggests that cattle numbers could decline this year by close to 3 per cent.

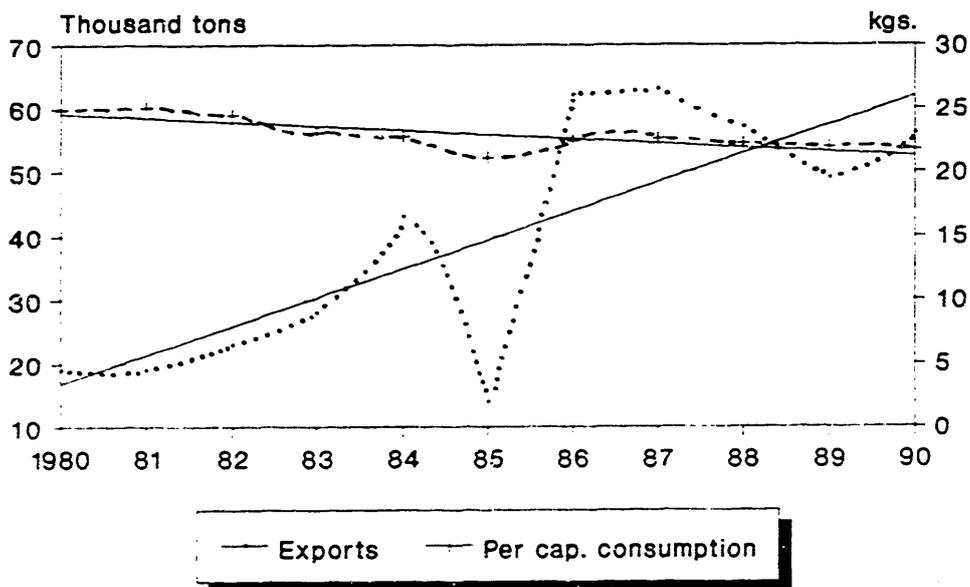
Beef production up

33. In 1990, beef and veal production went up by 1.4 per cent, due to increased slaughter. There is no official estimates regarding 1991, nor forecasts for the short terms. The fact that in Austria cattle herd expansion phases tend to last about four years, a new reduction phase is possibly beginning. As indicated, higher cattle slaughter last year supports this reasoning and it can be imagined that slaughter will rise further this year and maybe in 1992 underlining a new herd reduction phase. In these conditions beef and veal production may be expected to rise in the short term.

Consumption down and exports up

34. Beef and veal consumption, in a down trend since 1987/88, is estimated to have fallen to 21.7 kgs. per capita (-0.9 per cent) in 1989/90 (last available data). The major reason for this trend seems to be increased retail prices at a moment when prices of pigmeat, by far the Austrians

AUSTRIA BEEF CONSUMPTION AND EXPORTS



preferred meat (51.8 kgs.), increased comparatively less (even if this seems to have also led to lower pigmeat consumption in favour of cheaper poultrymeat). After three years of constant rise, beef producer prices declined last year by 1.1 per cent.

35. In 1990, beef and veal exports totalled 56 thousand tons, 14 per cent above year earlier. In the same period, exports of live cattle pursued their declining trend and reached no more than 2 thousand head, virtually all going to Italy. Beef and veal exports were composed mostly of fresh and chilled meat, 68.5 per cent of which went to Italy and 24 per cent to Germany. The average export price was US\$3,481 per ton f.o.b. The secretariat estimates exports to rise further in 1991 and 1992.

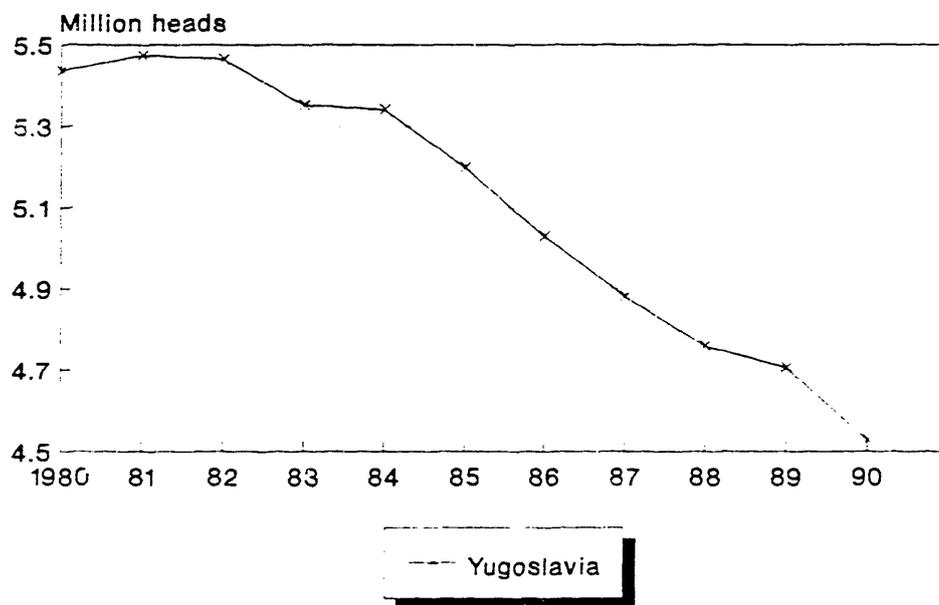
	1990	Estimates 1991 ^{3/}	% Change 1990/89	Forecast 1992 ^{3/}	% Change 1991/92
Cattle and calf numbers ^{1/} :	2,584.0	2,513.0	-2.7	2,500.0	-0.5
Beef and veal ^{2/} :					
Production	231.8	235.0	1.4	238.0	1.3
Consumption	166.0	166.0	0.0	165.0	-0.6
Exports	56.0	59.0	5.4	62.0	5.1
^{1/} '000 head	^{2/} '000 tons	^{3/} Secretariat estimates			

Yugoslavia

Cattle numbers fall again

36. The cattle numbers decrease initiated in 1982 continued last year when the cattle herd reached only 4.5 million head, 3.7 per cent below its 1989 level, and 1 million head less than in 1982. Last year's fall was again due to declining numbers of all categories of cattle (except bulls) with particular emphasis on dairy heifers whose inventory fell by 10.6 per cent. Herd liquidation is due to the sector's low profitability and insufficient feed supplies.

CENTRAL AND EAST EUROPEAN COUNTRIES CATTLE NUMBERS



Production rises

37. However, increased corn production as a result of better crops in 1989/90, allowed for improved average slaughter weights which, added to higher slaughter levels (+13.6 per cent), resulted in an 3 per cent production growth to 383 thousand tons. Producer prices have increased since the dismantling of the State price control system, but the rise seems solely to reflect extremely high inflation rates. Indeed, it would seem that producers income has diminished in real terms reflecting the production growth and the general difficult economic situation.

Consumption rises and trade deficit grows

38. There is no consumption data available for last year, but unofficial sources have estimated beef intake to have increased. This estimate is supported by production and trade figures. While production rose, exports fell and imports increased significantly. The bovine meat trade deficit observed in the last two years widened sharply in volume (21.2 thousand tons and 28.6 thousand in 1988 and 1989 respectively and 52 thousand tons in 1990) but for the first time a deficit in the export value of almost US\$200,000 was also observed. As is traditionally the case, the bulk of Yugoslavia's bovine meat exports went to the European Community (about 85 per cent), while imports from the EC amounted to 41 per cent of the total, the rest coming mostly from Poland and Hungary.

39. In 1990, while live cattle imports increased quite substantially (+20 per cent), exports declined even more so (-31 per cent). In recent years the pattern of Yugoslav exports had changed and declining quantities of exported bovine meat have corresponded to higher levels of live cattle sales abroad. However, the live cattle exports decline last year was the second one for two years in a row, clearly illustrating, along with trends in the meat trade, the difficulties through which the bovine meat sector is going in Yugoslavia.

	1989	1990	% Change 1990/89	Estimate 1991	% Change 1991/90
Cattle and calf numbers ^{1/} :	4,705.0	4,527.0	-3.8	..	..
Beef and veal ^{2/} :					
Production	354.0	383.0	8.2	..	..
Consumption	321.0	325.0 ^{3/}	1.2	..	..
Imports	63.7	79.0	24.0	..	..
Exports	35.1	27.0	-23.1	..	..

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

Bulgaria

Cattle herd depleted

40. Cattle herd depletion in Bulgaria continued in 1990 and even accelerated. At 1.46 million head, estimated cattle numbers by January 1991 were down by 7.5 per cent, reaching a new record low in sixteen years. The decrease is directly related to continuous serious cattle feeding difficulties following weak harvests and hard currency availability problems which led to an almost uninterrupted bovine meat production fall since 1985. It is also clear that the overall situation of the Bulgarian economy has a share of responsibility in this evolution. The economy is characterized by deep imbalances, including the disruption of the internal markets, increasing internal and external debts and deteriorated terms of trade.

Meat production falls sharply, but consumption up

41. In 1990, overall meat production is believed to have decreased by about 9 per cent, and beef output fell by 8-9 per cent to some 126 thousand tons. Preliminary data for the first quarter of 1991 show a dramatic total meat production drop of 46.4 per cent, compared to year earlier. In other words, the declining trend registered in 1990 continued this year and probably even accelerated. Estimated at 13.1 kgs last year, a marginal decline when compared to 1989, per capita bovine meat consumption has increased since 1987 in spite of the unfavorable economic environment.

Imports and exports fall

42. Last year, and at 8.5 thousand tons, imports were 64 per cent below 1989. Representing 41 per cent of the total, Poland was the major supplier, followed by Ireland (33 per cent) and Denmark. In 1988, after ten years of trade surplus, Bulgaria again became a net importer of bovine meat. Current trends (only 400 thousand tons of beef imported and no exports during the first quarter 1991), suggest that trade will continue to shrink this year.

43. Exports amounted to only 3 thousand tons in 1990. Of these, 2.3 thousand tons went to Jordan. Bulgaria, where pigmeat consumption is more than three times higher than that of beef, has nevertheless been able to keep a relative self-sufficiency in bovine meat largely dependent, however, on heavy imports of cattle feed. Live cattle exports have fallen for the second consecutive year from 23.5 thousand head in 1989, to 20.8 thousand head last year. Lebanon, representing 46 per cent of the total, was the first export market followed by Greece and Tunisia.

Policy developments

44. As indicated in the previous reports, Bulgaria is going through major political and economic changes. From February 1991, a comprehensive price reform, which eliminated almost all restrictions on producer and consumer prices was implemented. The government, which continues to monitor price developments, assessed new market prices regarding essential foodstuffs, including meat, which on average increased six-fold. External trade has been substantially liberalized but, in connexion to acute domestic shortages, the government has temporarily introduced last February a 30 per cent export tax on the export prices of live cattle, meat (including meat products) and chicken meat.

45. Fixed minimum export prices for exports of live cattle, meat and meat products as well as dairy products, were implemented last June aiming at avoiding exports at prices below the international prices. By the end of February the Bill on Land reform was adopted. It removes all the restrictions on the sales of land, except to foreigners, and land may be transferred back to former owners. A third to one half of the eligible land is intended to be returned within the period of one year.

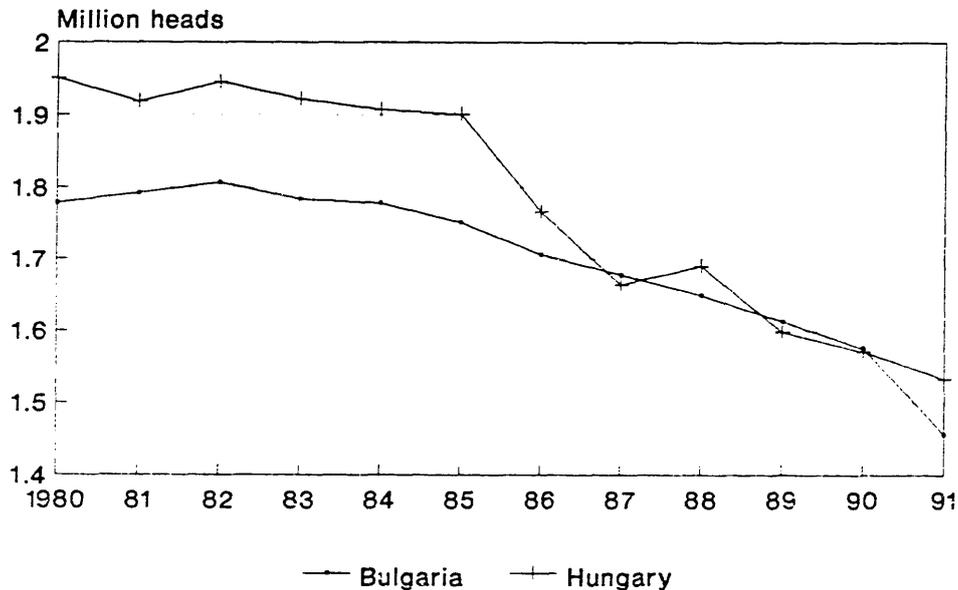
	1989	1990	% Change 1990/89	Estimates 1991	% Change 1991/90
Cattle and calf numbers ^{1/} :	1,613.0	1,575.0	-2.4	1,457.0	-7.5
Beef and veal ^{2/} :					
Production	136.0 ^{3/}	126.0 ^{4/}	-7.4	126.0 ^{3/}	0.0
Consumption ^{3/}	133.0	131.0	-1.5	120.0	-8.4
Imports	23.4	8.5	-63.7	...	...
Exports	9.0	3.0	-66.7	...	...
^{1/} ,000 head, 1 January				^{2/} ,000 tons	
^{3/} USDA estimates or forecasts				^{4/} Secretariat estimate	

Hungary

Herd depletion continues

46. At 1,571 head, cattle numbers in Hungary continued their downward trend, reaching the lowest level in the last thirty years. Although in March 1991 there was a small seasonal increase, estimated cattle numbers this year show a further 2.3 per cent decline. This evolution, which was accentuated by last years' drought, is partly due to the problems of the dairy sector where substantial price rises led to a contraction of demand and increasing difficulties to sell the products. As a result, the Hungarian authorities have decided to offer a bonus to milk producers in order to stimulate dairy cow slaughtering.

CENTRAL AND EAST EUROPEAN COUNTRIES CATTLE NUMBERS



Production rises in 1990, but declines in 1991

47. Slaughtering did increase and this led to a 3 per cent production rise last year. However, data for the first quarter 1991 shows that this production increase may have only been temporary. Indeed, in response to increased marketing problems (it is recognised that marketing techniques need to be improved), the purchase of cattle for slaughtering has decreased by almost 20 per cent during this period, compared to year earlier. Other constraints affecting beef production and the meat sectors more generally are the high inflation rate which is not reflected in animal prices, high interest rates, rising energy prices and increased feed prices. As in the dairy sector, retail prices for meats and meat products rose sharply resulting in the contraction of domestic beef demand. Unofficial sources suggest a 9 per cent consumption drop in 1990 and a further decline this year.

Total live cattle and beef exports and imports fall

48. The difficult situation created by increased supplies, difficulties in external markets and lower domestic demand resulted in beef imports decreasing in 1990, to a low 4 thousand tons. Live cattle exports were down by as much as 37 per cent, to a weight equivalent of 47.5 thousand

tons. The major market remained the USSR but there were also substantial sales to Yugoslavia. Exports to the other traditional markets, Italy and Lebanon decreased. The sharp decrease of live cattle exports was partly offset by increased sales of beef which rose from 40.8 thousand tons, to 45.6 thousand tons. The Soviet Union was also the major market for beef but there was a serious setback in exports to that market, -24 per cent, a market in which maintenance is an important issue for the Hungarian cattle and beef industry. On the contrary, sales to Yugoslavia were up and, with 11.7 thousand tons it was by far, after the USSR, the major market for beef last year. There are no indications regarding trade performance this year, but production trends suggest that exports could decrease consistently and imports increase.

	1989	Estimates 1990	% Change 1990/89	Forecast 1991	% Change 1991/90
Cattle and calf numbers ^{1/} :	1,598.0	1,571.0	-1.7	1,533.3	-2.3
Beef and veal ^{2/} :					
Production	98.0	101.0	3.1	90.0	-10.9
Consumption	78.0	71.0	-9.0	69.0 ^{3/}	-2.8
Exports	40.8	45.6	11.8	39.0 ^{3/}	-14.5
Imports	11.9	3.9	-67.2	5.0 ^{3/}	28.2

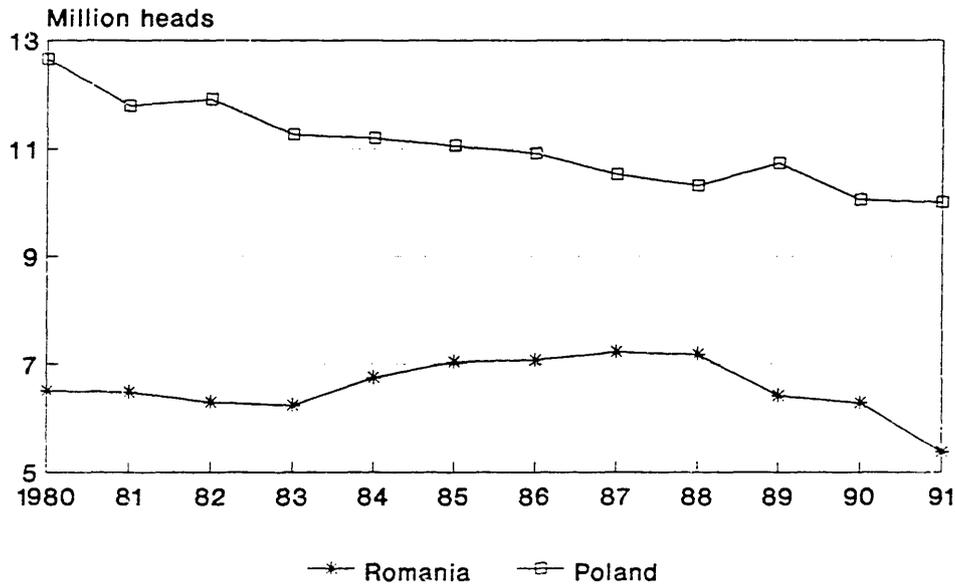
^{1/}, '000 head, 1 January ^{2/}, '000 tons ^{3/} USDA estimates

Romania

Cattle numbers falling

49. After rising between 1987 and 1989, cattle numbers in 1990 fell by 2 per cent last year and the estimated fall for the beginning of this year is close to 15 per cent, a fall of almost 1 million head. Seventy per cent of the cattle numbers reduction last year was due to decreased inventories in state and cooperative farms which was not fully offset by increases in private farms. As the result of the ongoing liberalization of the economy and land reform, the existing state cattle farms represented no more than 18.2 per cent of overall livestock farms. Last year's cattle herd reduction reflected increased slaughter and a sharp drop in female cattle inventories (-345.9 thousand head) which indicates further herd reductions for the near future.

CENTRAL AND EAST EUROPEAN COUNTRIES CATTLE NUMBERS



Production rises

50. Higher slaughter but also to some extent improved efficiency and the recourse of increased imports of animal fodder resulted in a strong production rise last year, more than 20 per cent. The same reasons allow a provision for further production growth during the current year. However, herd reduction will probably begin to be felt in the near future and it can be questioned as to whether improved efficiency will be enough to offset this decline in cattle inventories. Already the production growth this year will be much lower than in 1990 and it may be expected that in the following years beef output will decline significantly, unless the declining trend in cattle numbers is reversed. Romania is apparently also confronted with sanitary problems and the strong cattle killing last year and probably in 1991, also seems related to these sanitary deficiencies.

Consumption up

51. Per capita beef consumption increased from 7.2 kgs. in 1989, to 12.3 per cent last year. The reasons for the apparently astonishing rise lay on the fact that although through a phase of economic liberalization, retail prices for a number of products including meat, considered of primordial importance for consumers, remained practically unchanged in state markets. These prices attracted an enlarged part of consumers' expenditure from products which, because their prices were liberalized, became too expensive. The consumption of other food items for which prices

were non liberalized has met similar developments. Since April 1991, all these items were liberalized but, in order to contain inflation, maximum price ceilings or increased indexes were provisionally introduced. Beef prices were thus liberalized but they cannot exceed a price which has doubled from its level before liberalization.

Exports suspended, imports down

52. In 1990 exports of food products, including live cattle and bovine meat, were suspended due to domestic shortages. Imports, non-existent in previous years, totalled 57.5 thousand tons, of which 17.5 thousand took the form of food-aid. In order to avoid shortages in the domestic market, the Romanian authorities introduced export quotas on live cattle (40 thousand tons, live weight), beef (5 thousand tons), pigmeat (20 thousand tons) and a number of meat sub-products. The exportation of certain bovine products remained suspended.

Policy developments

53. The Romanian presentation at the last IMC meeting explained in detail last policy developments. Copies of the statement were distributed and a summary of these measures are included above. A more detailed version will be included in the annual meat situation and outlook report.

	1989	1990	% Change 1990/89	Estimates 1991	% Change 1991/90
Cattle and calf numbers ^{1/} :	6,416.0	6,291.0	-1.9	5,381.0	-14.5
Beef and veal ^{2/} :					
Production	351.0	425.0	21.1	440.0	3.5
Consumption ^{3/}	167.0	285.4	70.9	310.0	8.6
Imports	0.0	57.5	...	35.0 ^{3/}	-12.5

^{1/} '000 head, January

^{2/} '000 tons

^{3/} Secretariat estimates. Consumption figures are based on official per capita data multiplied by estimated population. However, the market situation in Romania suggest that they may be underestimated.

South Africa

Herd rebuilding slows down

54. Cattle, sheep and goat are primarily farmed under extensive conditions in South Africa. In the last decade, the cattle cycle has consequently been largely affected by uncertain rain fall cycles. After a long herd reduction phase of seven years followed by a rebuilding phase of ten years since the beginning of the sixties, the period between 1979 and 1986 was characterised by strong fluctuations due to changing climatic conditions. Since 1987, improved weather has allowed for a more "normal" cattle cycle pattern and cattle numbers have been rising since then. The last August census showed a 1.1 per cent rise in cattle numbers, compared to last year, to 3.8 million head. The herd growth is now slowing down, announcing the end of the rebuilding phase which is expected to occur by 1993.

Beef production to rise?

55. Despite lower adult male cattle cull, total slaughter this year is expected to rise by 6 per cent, reflecting a strong increase of female cattle kill, which would account for 41 per cent of the total slaughter. This is the highest percentage of the last few years and constitutes a clear indication of the approaching end of herd rebuilding. Forecasts suggest a similar trend of cow slaughter for the next two years, i.e., increasing slaughter and a continuing high participation in the total mix.

56. Good grazing conditions have allowed for improved slaughter weights during the first half of 1991, resulting in a 3.2 per cent production rise, despite the lower participation of adult male animals in the slaughter mix. However, forecasts suggest a slight decline of production by the year end, regardless of the expected 6 per cent rise in slaughter. This could be due to a lower average slaughter weight resulting from the increased participation of cows in the slaughter mix but, according to forecasts, average slaughter weights are expected to increase. Under these conditions, it appears that production projections for this year and 1992 are underestimated (indeed, the projected cattle slaughter multiplied by the average weight suggests a production rise not far from 8 per cent in 1991 and 4.5 per cent next year). This projection seems to be more in line with the trend verified in the first half of this year.

Consumption grows reflecting lower retail prices

57. In 1991 bovine meat consumption is expected to show a 2.2 per cent growth, to 18.2 kgs. This is the third year of rising beef intake and it appears related to a strong retail price decrease (-21.4 per cent in real terms during the first six months of the year). This retail price drop reflects a 12.8 per cent fall of producer and wholesale prices. As explained in the last report, a very restrictive scheme for butchers operated by the South African Meat Board had the effect of limiting competition at the retail level. As a result, changes in the wholesale

prices were not fully reflected in the retail prices. The scheme was phased out in the last months of 1990, and market signals now appear to be more clearly transmitted. Current projections see per capita beef consumption stabilizing at around 18 kgs. in the next two years, while poultrymeat consumption, once seen as quickly catching up and surpassing beef, seems now to have stagnated at a level around 14.5-15 kgs. per capita.

Imports to show little change

58. Beef and veal imports during the first half of the year went up to 9.7 thousand tons, from 8 thousand tons the previous year, reflecting increased consumption and a slightly higher beef deficit than in 1990. By the end of 1991 imports (at 22.1 thousand tons) are nevertheless expected to show little change from last year and forecasts until 1993 are for a relative stabilization around this level. In the meantime, live cattle imports which this year could reach 133 thousand head (+9 per cent), are foreseen to remain stable next year, but possibly rise to 141 thousand head in 1993. A large share of South African imports traditionally comes from neighbouring countries in the form of frozen and chilled quarters and live cattle and import quantities are determined through mutual arrangements between controlled areas and the States concerned.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	8,711.0	8,806.0	1.1	8,888.0	0.9
Beef and veal ^{2/} :					
Production	664.7	662.9	-0.3	652.5	-1.6
Consumption	667.9	677.3	1.4	668.3	-1.3
Imports	23.1	22.1	-4.3	23.0	4.1
^{1/} ,000 head, 31 August		^{2/} ,000 tons			

Tunisia

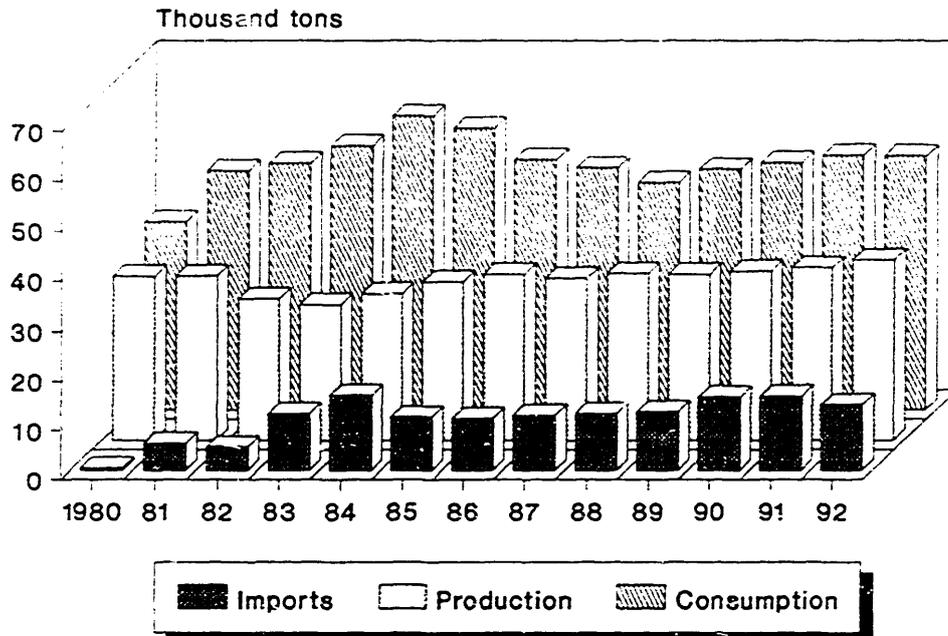
Herd expansion to begin

59. Cattle numbers in Tunisia, 80 per cent of which are concentrated in the north of the country, fell from 1988 to 1990 and are now expected to start building up again this year when they should reach 626.5 thousand head. Another growth is foreseen for next year. Indicative of the beginning of a cattle herd rebuilding phase were lower cow (inspected) slaughter levels last year (- 24 per cent), even though the fall relates to a 1989 abnormally high level of cow slaughter.

Beef production does not meet the objectives of the plan

60. Lower slaughter levels in 1990 were compensated by increased weights which allowed for production to rise slightly. This year production is again expected to increase by 2 per cent, to 34.6 thousand tons. However, the production growth did not meet the objectives of the Seventh Plan (1987-1991) which was expected to provide for a substantial expansion of cattle farming with the aim of the attainment of self-sufficiency in meat. In 1986 the self-sufficiency bovine meat ratio was 66.3 per cent and in 1991 it is expected to be only 67.8 per cent.

TUNISIA - BEEF INDUSTRY



Consumption stagnates but imports increase

61. The slight improvement of the self-sufficiency ratio was not due to a stronger growth of consumption when compared to that of production. Indeed, both production and consumption practically stagnated between 1987 and 1990. State controlled retail prices have been kept unchanged since 1989, and yet difficult general economic conditions have checked beef consumption which, in a per capita basis, has even decreased slightly since 1987. No significant changes are foreseen this year or in 1992.

62. Beef and veal imports grew by 3 thousand tons in 1990, reaching its 1984 record level, 15 thousand tons, while live cattle imports fell to an historical low of 5.7 thousand head, suggesting that Tunisia has been changing its import policy from live cattle to beef. The large majority of beef imports (78.5 per cent) were fresh and chilled beef which originated in France, while live cattle came from Poland and Bulgaria. Similar import trends and volumes are expected this year and in 1992.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	622.0	626.5	0.7	628.3	0.3
Beef and veal ^{2/} :					
Production	33.9	34.6	2.1	36.1	4.3
Consumption	49.6	51.1	3.0	51.0	-0.2
Imports	14.9	15.0	0.7	13.4	-10.7
^{1/} ,000 head		^{2/} ,000 tons			

Argentina

Herd rebuilding on its way

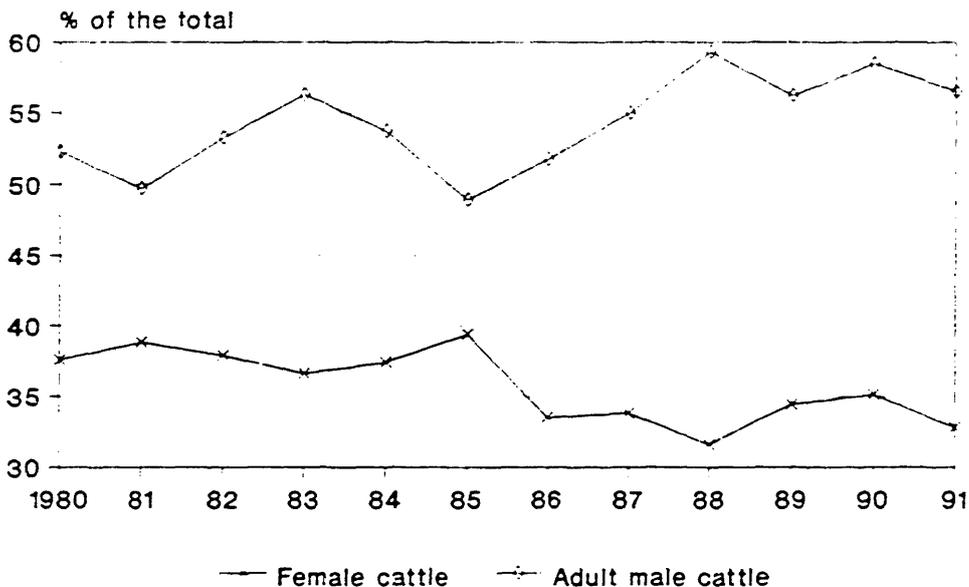
63. Between 1977 and 1989, the Argentinian cattle herd decreased by almost 10 million head. The decrease was related to depressed international beef prices during part of this period, but also with frequently changing macroeconomic orientations (and constantly high interest rates) and sectorial instability provoked by low investment, the introduction of high import duties and especially export taxes and differential exchange rates.

64. Since mid-1989 the economic orientation has changed and in 1990 domestic prices began to stabilize. This became even more evident after April 1991, when the "Convertibility Law" (which pegs the Austral to the United States dollar) was implemented. In the meantime inflation declined sharply, interest rates were reduced and domestic cattle prices improved. As a consequence, the cattle herd reduction came to a halt and rebuilding commenced last year. Estimated cattle numbers in August 1991 reached 51 million head, 1.6 per cent above last year.

Production to rise in response to increased weights

65. Intense cattle slaughter between 1977 and 1989, coupled with higher cattle yields (mostly due to the increasing utilisation of European cross breeds), has allowed for beef production in 1989 to be only 220 thousand tons below its 1977 level, despite the 10 million head reduction of the cattle herd. In 1991 estimated production was 1.4 per cent higher than last year, reaching 2.85 million tons. The rise may be due to some increase in cattle slaughter for the year as a whole, but appears more to be related to higher slaughter weights reflecting good pasture conditions. Indeed, after increasing during the first five months of the year, cattle cull has declined since then. The participation of female cattle in the inspected slaughter mix during the first nine months of the year has also fallen to 32.7 per cent, compared to 34.5 per cent in 1990, confirming herd rebuilding trends.

ARGENTINA - PARTICIPATION OF ADULT MALE AND FEMALE CATTLE IN TOTAL SLAUGHTER



66. Argentina is well known for being the world's major beef consuming country reaching 90 kgs. per capita in the early sixties and seventies. However, in the last decade consumption was irregular but since 1986 it has continuously decreased, reaching "only" some 70 kgs. last year and an estimated 73 kgs. In 1991 (cattle slaughter for domestic consumption increased by 10 per cent during the first eight months of the year). The decline in consumption from 1986 to 1990 is related to lower production and falling consumer incomes, but also to stronger export demand, and hence firmer export prices, which directed the product to the export markets. This year a recovering economy is apparently leading to the strengthening of consumers' demand and the domestic market prices are increasingly more attractive than those abroad.

Exports decline substantially

67. This suggests that beef price formation in Argentina is closely related to the demand situation in both the domestic and export markets: when domestic demand is weak, export markets play a major rôle in price formation and attract the product; when, as it seems to be presently the case, internal prices rise to a level higher than that of export, then the product is increasingly directed to the domestic market and exports fall. In 1991 estimated beef exports fell by 20 per cent, to 360 thousand tons. The export fall this year is also to be related to the fixed exchange rate. Furthermore, it is too soon to see if the very recent withdrawal of the export tax, which can only but favour an export growth, will be enough to render the export markets more attractive again than the internal market. In any case, in this new environment and from now onwards, any further export price rise now can only occur if international prices increase.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	50,200.0	51,000.0	1.6	51,500.0	1.0
Beef and veal ^{2/} :					
Production	2,810.0	2,850.0	1.4	2,900.0	1.8
Consumption	2,405.0	2,490.0 ^{3/}	3.5	2,520.0 ^{3/}	1.2
Exports	451.1	360.0	-20.2	380.0	5.6
	^{1/} '000 head, 30 June	^{2/} '000 tons		^{3/} Secretariat estimate	

Brazil*

Cattle numbers' expansion continues

68. Estimated cattle and calf numbers in Brazil were up by 2 per cent last year to 139.6 million head. The economic instability in Brazil was partly responsible for the decline in the cattle herd growth rate from 3.5 per cent in the 1970s to the current 1.5 to 2 per cent. Last year and as in 1986 and 1989, the Brazilian cattle industry was once more heavily affected by the general economic situation. Following his election, the Brazilian president introduced a new economic plan, the "New Brazil Plan" on 16 March 1990. The plan imposed an eighteen-month freeze on saving accounts, introduced a new currency (the "Cruzeiro"), and thus sharply reduced the availability of money. In the same period, it imposed a price freeze, including meat retail prices.

Low prices inhibit cattle commercialization

69. The meat retail price freeze inhibited cattle commercialization especially in the first half of the year (the normal production period in Brazil). Producers retained cattle from slaughter and the value of replacement and breeding cattle increased. Reduced cattle commercialization led to shortages of beef favouring imports and the consumption of poultry meat, while increased cattle prices rendered exports less attractive. In September 1990 slaughter cattle price had jumped to Cr\$3,000, from Cr\$500 in January. Only the importation of meat and the abundant offer of poultry meat, along with the deterioration of consumer's purchasing power, was able to force prices down again.

70. In 1990, cattle slaughter decreased by 2.6 per cent, to 13.1 million head. However, average weight was 3.4 per cent higher than year earlier and, as a result, beef and veal production increased by 0.9 per cent, to 2.8 million tons. Forecast production for 1991 is expected to remain at a similar level. (It could be noted that recent official research on cattle hide numbers between 1986 and 1989, has put into question data provided by the authorities regarding cattle slaughter and production based on a monthly counting of slaughters. According to the research in 1989, 21.8 million head were slaughtered, against only 13.5 million revealed by the normal monthly slaughter counting. This means that in 1989 beef production would have totalled 4.2 million tons, or 53 per cent more than production calculated on the basis of the monthly counting. Furthermore, this also signifies that apparent consumption would have been 27.9 kg. per capita, more than 57 per cent above estimates. It should be stressed that the differences do not result from an increased production of cattle hides since 1986, but probably means that all the data supplied in the past should be revised retrospectively). Despite declining incomes, beef and veal consumption is believed to have increased last year by around 4 per cent to 18.4 kg. This seems to be due to higher spending of consumer savings.

Beef exports remain low; imports rise due to a large purchase from the EC

71. The situation in the internal market had serious implications for Brazilian bovine meat trade. Domestic prices were more attractive than those in the international market and, despite the export liberalization measures implemented, Brazilian exports fell by 29 per cent. Furthermore, the Cruzeiro re-evaluated sharply with the implementation of the Plan and it did not favour exports. Thus, a number of export contracts were cancelled and last year total beef and veal exports totalled only 230 thousand tons. Meanwhile beef and veal imports, also liberalized by the new Government, rose and reached a level similar to that of exports, up by 20 per cent over the previous year.

72. However, rising herd retention by producers also meant higher availabilities, that is as long as the low population incomes persist (and should the exchange rate policy become more favourable) Brazil may be back on the international market at any time. Brazil will also have to solve the sanitary problems which also affected its sales of canned meat to the United States last year, if it wants to fulfil this target. In any case, current forecasts for 1991 are for relatively unchanged export levels. In the meantime, Brazilian imports this year will rise significantly, reflecting the importation of 100 thousand tons of beef from the European Community (of which at least 20 thousand would have already left the EC at the time of writing). Apart from this operation, which is directed to the formation of official buffer stocks, import levels this year are not expected to differ much from 1990.

Policy developments

73. Meat retail prices remain frozen, but they may be liberalised or readjusted at any moment, depending on the evolution of the official programme to control inflation. Following the price freeze and in order to try to avoid beef shortages, the authorities eliminated the bovine meat import duties and decided to import the above mentioned 100 thousand tons of EC beef for the formation of buffer stocks. In 30 January 1990, new "farm laws" were adopted. Among other things, these laws implemented countervailing duties on the importation of subsidized agricultural products representing unfair competition for the domestic products (with respect to the 100 thousand tons of beef imported from the EC, the Brazilian producers have requested the Government to apply the countervailing duties provided by the law). Finally, on the sanitary field, the Ministry of Agriculture has launched a Programme regarding the control of biologic residues on meats in order to meet importing countries requests and the consumers protection.

	1990	Estimates 1991	%Change 1991/90	Forecast 1992	%Change 1992/91
Cattle and calf numbers ^{1/} :	136,814.0	139,550.0	2.0	142,000.0	1.8
Beef and veal ^{2/} :					
Production	2,775.0	2,800.0	0.9	2,800.0	0.0
Consumption	2,641.0	2,810.0	6.4	2,800.0	-0.4
Imports	192.0	230.0	19.8	330.0	43.5
Exports	323.0	230.0	-28.8	230.0	0.0
^{1/} ,000 head		^{2/} ,000 tons			

Paraguay

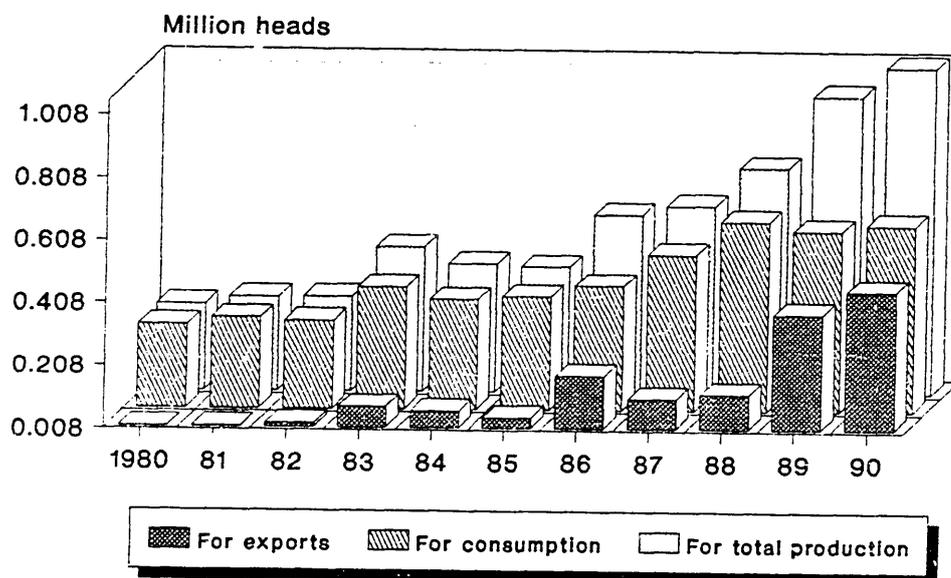
Cattle herd in a long upward trend

74. According to the FAO data, the cattle herd in Paraguay has been rising almost uninterruptedly since the 1960's (1971, 1979 and 1982 were the only years for which a decline was reported). The data now supplied to the GATT Secretariat begins in 1986 and shows that the rise continued, with cattle numbers totalling 8.3 million head last year. This corresponds to an annual average increase of 2.1 per cent during the last thirty years. Data regarding the different types of cattle is available since 1986 and shows that, at least since then, all categories of cattle have seen numbers rising steadily. Cows and heifers account for about 55 per cent of the total herd.

Production rises in line with increased slaughter

75. Data for cattle slaughter shows significant fluctuations since 1971 (first available year) until 1985, followed by a constant rise since then. Despite the absence of the production tonnage, it is clear that, like in many other countries of extensive pasture conditions, production levels are closely linked with climatic conditions and subject to strong fluctuations. Despite rising slaughter levels since 1985, the comparison of the quantities of meat exported and the number of cattle slaughtered for export suggests that slaughter weights have varied considerably and so probably did beef production.

PARAGUAY CATTLE SLAUGHTER



Consumption may be declining

76. The FAO data also suggests significant annual fluctuations of per capita beef consumption in the last few years. In the last decade it would have varied between 31 and 46 kgs. Data regarding cattle slaughtered for internal consumption indicates a constant rise of total consumption since 1985 (with the exception of 1989, when a small drop seems to have occurred).

Exports in significant expansion

77. Available data regarding cattle slaughtered for export purposes is up since 1971 and, to a certain extent appears as a surprise. According to the export data so far published by the FAO, Paraguay did not seem to export significant quantities of meat. Yet, cattle slaughtered for export between 1971 and 1978 averaged 170 thousand head annually, which would correspond to more than 30 thousand tons per year. Between 1979 and 1985 export cattle slaughter fell to 34 thousand head per year and, since then, it recovered strongly again, reaching a record level of 446.6 thousand head last year or 99.6 thousand tons. As in many countries operating in the foot-and-mouth disease area, average export prices increased between 1986 and 1988, levelled off in 1989 and recovered somewhat in 1990, to US\$1,341 per ton f.o.b. (+3.7 per cent). Ninety-five per cent of the Paraguayan beef exports went to Brazil last year (94.9 thousand tons). Most of the product was chilled beef bone-in. Among other export destinations are the European Community, Chile, Israel, Switzerland and Iraq.

	1988	1989	% Change 1989/86	1990	% Change 1990/89
Cattle and calf numbers: ^{1/}	7,780.0	8,074.0	3.8	8,254.0	2.2
Beef and veal:					
Production ^{2/}	729.5	956.9	31.2	1,050.0	9.7
Consumption ^{2/}	613.4	584.2	-4.8	603.0	3.2
Exports ^{3/}	15.9	71.4	349.1	99.6	39.5

^{1/},000 head, 20 August

^{2/} Number of heads slaughtered for production and consumption

^{3/},000 tons

Uruguay

Cattle herd at lowest level in 20 years...

78. On 30 June 1991, cattle numbers in Uruguay were estimated at 8.6 million head, to have reached their lowest level in the last twenty years. In the meantime estimated beef production this year, 303 thousand tons, is also back to its 1970s' levels after having risen to 450 thousand tons in 1983. As in Argentina, the cattle-raising activity in Uruguay has been closely linked with macroeconomic developments in the country. High interest rates have discouraged investment and reduced the

producers' capacity to modernize their facilities, consumption controls have affected demand and the occasional closure of internal cattle markets brought instability to the sector. All this, added to a few years of severe drought, has resulted in the reduction of the cattle herd and the decline of production.

...But to rebuild as from 1992

79. However, over the last two years signs of cattle herd rebuilding are clear and cattle numbers should recover as from 1992. Improved pasture conditions and better export returns are behind this evolution. While total cattle slaughter is seen to decrease by 18 per cent this year, estimated female cattle slaughter represents no more than 38 per cent of the total (from an abnormal and drought-induced 55 per cent in 1989).

Current forecasts are for a 5 per cent growth of the cattle herd next year, reflecting an increase in the numbers of virtually all the categories of cattle, with special recoveries of heifer and steer numbers by approximately 8 per cent respectively. Total cattle slaughter is expected to increase somewhat next year, but a lower percentage of adult male cattle in the total slaughter mix should result in lower slaughter weights and decreased production.

Consumption close to lowest levels

80. Uruguay has the highest beef consumption in the world after Argentina. The historical peak was reached in 1975 with 83 kgs. and, since 1984, it has evolved below 70 kgs. per year. In 1990 and 1991 the output decline has resulted in increased retail prices (which doubled during the first quarter 1991, when compared to the same period year earlier) and lower consumption which, at 59 kgs., was close to historical lows.

Exports to fall

81. Lower production this year also meant lower export levels. In contrast with what happened in 1990 when lower consumption had allowed for increased exports despite the reduced output. In 1991, with estimated consumption stabilized at the same level as last year, Uruguay had reduced export availabilities. The result was an estimated drop of sales abroad by at least 34 per cent, and more probably by 40 per cent, to some 115 thousand tons. However, exports to major "traditional" destinations remained relatively stable between 1 January and 5 November 1991 (EC 40,000 tons; Israel 20,000; United States 10,000; Canary Islands 5,000 and Hong Kong and Singapore 5,000) compared to year earlier. In the meantime average export prices increased by 15.6 per cent, to US\$1,473 per ton f.o.b.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	8,723.0	8,608.0	-1.3	9,023.0	4.8
Beef and veal ^{2/} :					
Production	359.0	303.0	-15.6	297.0	-2.0
Consumption	177.0	177.0	0.0	178.0	0.6
Exports	192.0	126.0	-34.4	119.0	-5.6

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

United States

Cattle herd expansion continues

82. According to the last July census, cattle herd expansion in the United States continued this year (+1.8 per cent, to 109.8 million head) reflecting continued positive returns to producers. Beef cow numbers were up by the same percentage, while beef heifers retention continued to rise even if at a slower rate than last year. Dairy cow numbers fell by 1 per cent, reflecting lower milk prices. In the meantime, the calf crop could rise by less than 1 per cent this year, but has remained practically unchanged since 1986.

83. Growing feeder cattle imports especially from Mexico and Canada, along with reduced calf slaughter and a slower fed cattle marketing pace are seen by the USDA experts to be among the reasons why, despite a stagnant calf crop since 1986, last July cattle on feed inventory was the highest since 1978 and feeder cattle outside feedlots continued to rise (1 per cent above year earlier). Cattle marketings are expected to remain large.

Cattle slaughter declines, but production rises

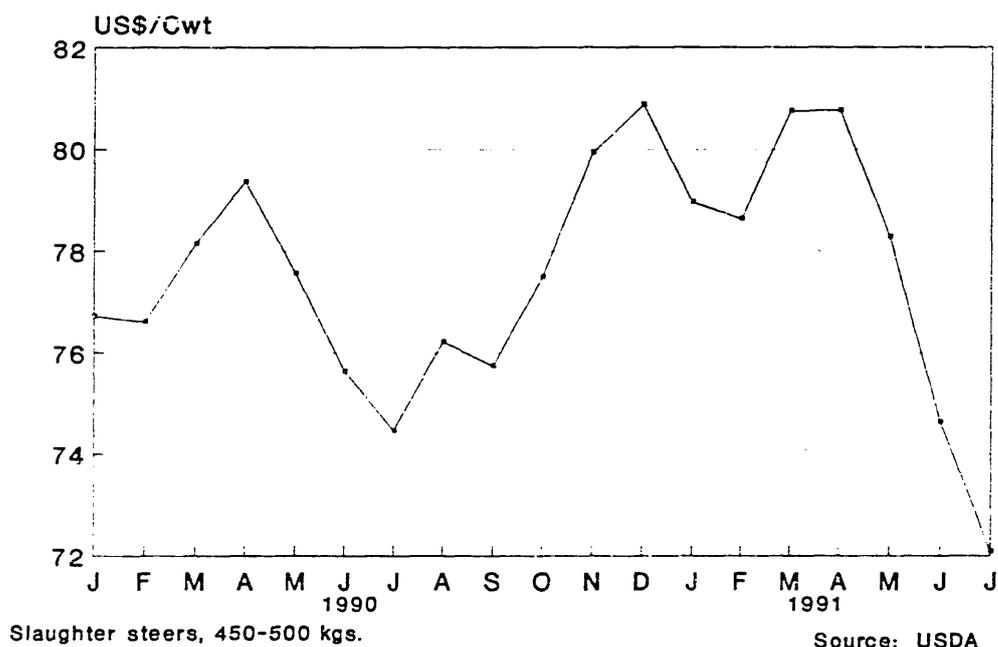
84. Total cattle slaughter fell by 4 per cent from January to June 1991, compared to last year. Nevertheless, during this period beef production decreased by only 1 per cent as the result of increased slaughter weights and a larger number of dairy cows in the slaughter mix. With the exception of dairy cows, all other categories of cattle slaughter decreased, with special emphasis on beef cows, for which killing declined by almost 11 per cent. Beef production was expected to increase in the second half of the year, again reflecting heavier cattle (318 tons per head on average) and year end output could rise by close to 1 per cent. In 1992, reflecting slightly higher cattle slaughter, beef production is expected to rise by a similar percentage with fed cattle slaughter accounting for about 80 per cent of total slaughter.

Cattle prices fall, but retail prices remain high and consumption stagnates

85. From January to May 1991, cattle prices remained on average 2.3 per cent above last year's level (slaughter steers, Omaha choice, 450-500 kgs). However, cattle prices fell in June and July by 2.2 per cent. The USDA sees the reasons for the decline to be partly related to a sharp drop in lean processing beef prices reflecting large exports of Australian beef to the United States due to a decrease in the Japanese demand for beef. Retail prices, although lower as from June 1991, remained higher than year earlier (+7 per cent from January to May 1991 and 3.3 per cent in June and July for Beef Choice). This resulted in a widening of the wholesale-to-retail spread. It was expected that retail prices declined in the fall, but the spread was foreseen to remain high. Regarding 1992, expectations are for both cattle and retail prices to remain high but slightly lower than this year. The wholesale-to-retail spread is also

foreseen to become narrower. High retail prices, a sluggish economy and continuing large supplies of alternative meats keep beef consumption under pressure. No major changes are expected to occur this year nor the next.

UNITED STATES CATTLE PRICES - OMAHA



Live cattle imports at record levels

86. Live cattle imports are expected to rise by 5 per cent this year and by a further 2 per cent in 1992. Although Mexico remains the major live cattle supplier, imports from this country decreased by almost 6 per cent in the first half of the year, while imports of slaughter cattle from Canada rose by 10 per cent. Part of the reason for increased imports from Canada is price related. More favourable feeder cattle prices in the United States are attracting more Canadian cattle. However, changing patterns in the Canadian industry also seem to play an important rôle in this development (see Canada, below). Live cattle exports by the United States have also risen in the first half of the year. They more than doubled to Mexico, and almost trebled to Canada.

Beef imports to decrease and exports up

87. Beef and veal imports rose by 7 per cent during the first half of the year. The rise was by and large due to increased imports from Australia and especially New Zealand. Large supplies in both countries and sustained prices in the American market attracted the product. Argentina also increased its sales of cooked beef to the United States, mostly offsetting

decreased sales by Brazil which only received clearance to resume exports to the United States last August. The 1991 trigger level for meat under the Meat Import Law was 598 thousand tons, product weight. As it became clear that import quotas would be required by the law if imports continued to rise at the same pace in the second half of the year, the United States negotiated "Voluntary" Restraint Agreements (VERs) with its two major suppliers, Australia and New Zealand. As a result, estimated year end imports will decline by close to 2 per cent in 1991.

88. Major world producer and importer of beef, the United States is also becoming one of the major world exporters of beef. Despite stagnant exports to Japan where the disposal of LIPC stocks had the effect of reducing import demand, sales to the Republic of Korea, Mexico and Canada went up significantly. Exports to Korea are the result of the measures introduced there to open the market; sales to Mexico are believed to be linked with growing consumer purchasing power; and exports to Canada seem to be related to the fact that the major consuming areas of this country are closer to major producing areas in the United States than to those in Canada.

Policy developments

89. As mentioned above, and as the result of the surge in imports since the beginning of the year, it became evident that the 1991 "trigger level" under the Meat Import Law was going to be exceeded. In order to avoid the implementation of import quotas, the United States formally requested, as they have done in the past under similar circumstances, that both Australia and New Zealand "voluntarily" restrict their exports there, which both countries did. Had they not done so, import quotas would have been implemented and their access to the North American market would have been 10 per cent lower than by the acceptance of the VERs.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	107,900.0	109,800.0 ^{3/}	1.8	113,000.0 ^{4/}	2.9
Beef and veal ^{2/} :					
Production	10,464.0	10,558.0	0.9	10,689.0	1.2
Consumption	11,048.0	11,113.0	0.6	11,165.0	0.5
Imports	1,069.0	1,050.0	-1.8	1,034.0	-1.5
Exports	456.0	522.0	14.5	565.0	8.2

^{1/} '000 head, 1 July

^{2/} '000 tons

^{3/} Actual

^{4/} Secretariat estimate

Canada

Herd rebuilding to accelerate

90. In 1991, Canada entered its fourth year of cattle herd expansion. Forecasts for January 1992 are for an acceleration, and by then total numbers could reach 11.4 million head, a 2 per cent growth. As noted in previous reports, despite relatively favourable returns to producers, herd rebuilding is occurring at a slower pace than in the past, and cattle numbers remain well below their level of the last herd rebuilding phase back in the mid-seventies. In the meantime, beef and veal production are comparatively higher than in the mid-1970s reflecting improved efficiency linked with increased feedgrain use and low feedgrain prices and the expanded use of European-crossed cattle breeds.

Cattle slaughter and production down

91. Estimated cattle and calf slaughter decreased by 5.2 per cent this year. Inspected cows and heifers slaughter decreased by 7 per cent and their participation in the total inspected slaughter mix decreased slightly again. The decline of the cattle slaughter was not only due to herd rebuilding, but apparently also, and more so, because of increased exports of live cattle to the United States (which last year represented about 35 per cent of the domestic slaughter). The result of lesser cattle in the market was an estimated beef production drop of 6 per cent below last year's level. In 1992 live cattle exports are expected to decrease and beef production should recover.

Cattle prices and consumption down, but to recover in 1992

92. Following developments in the United States, real slaughter cattle prices decreased by 5 per cent during the first half of 1991. However, prices would have now begun to recover, and it is expected that by the second quarter of 1992 they will reach similar levels compared to year earlier.

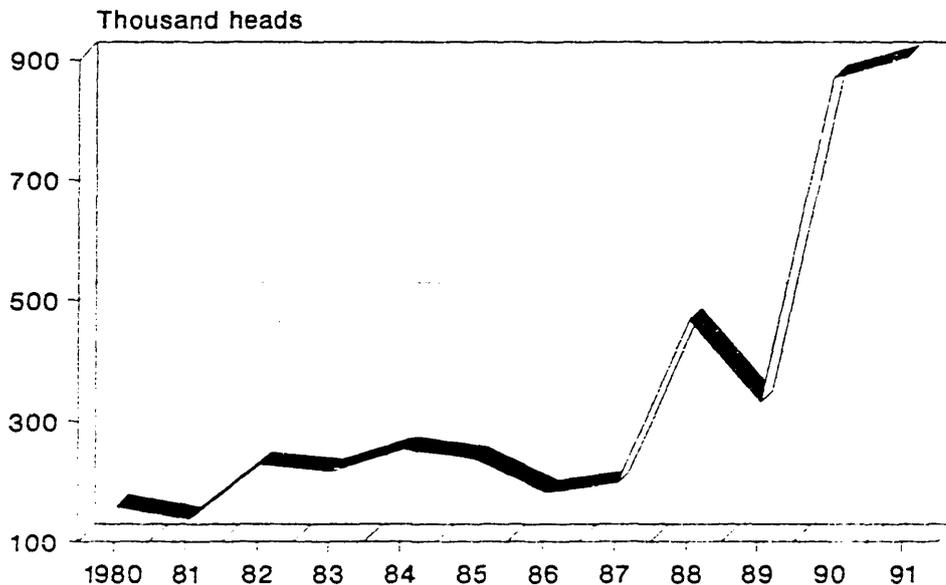
93. Lower production is expected to result in a consumption drop this year. Estimated per capita consumption fell from 37.8 kgs. last year to 35.8 kgs. Reflecting lower beef supply, real retail prices increased by 3.8 per cent. Pigmear prices increased by a similar percentage, but their relative lower prices kept per capita consumption at similar levels, the same happening with poultrymeat. A recovery of the consumption of the three kinds of meat is expected for next year.

Live cattle exports to the United States increase again

94. During the first half of the year, total cattle exports, virtually all to the United States, increased by 8.4 per cent. Slaughter cattle exports remained high and stable at 350 thousand heads, while feeder cattle exports

increased from 70 thousand head to 110 thousand head. Reportedly² "there appears to be three major reasons for the growth of live slaughter cattle exports to the United States in the last few years: first, Western Canadian beef is becoming less competitive in the major consuming areas of Canada; second, is the relative uncompetitiveness of the meat packing industry in Western Canada relative to high-capacity and low cost plants in the Pacific Northwest of the United States; third, is the virtual disappearance of cattle slaughtering facilities in the eastern part of the country (especially in the province of Ontario), in many cases the United States is the only significant outlet for some classes and qualities of cattle".

CANADA CATTLE EXPORTS TO THE U.S.A.



Beef imports up, exports down

95. Beef and veal imports rose by 3.8 per cent during the first half of the year and should show a similar percentage growth by the year end. Canadian imports of high grade beef from the United States is increasing significantly in the last few years and marked a further 20 per cent growth from January to June this year. Imports of manufacturing beef were down, -6.8 per cent, reflecting lower sales by Australia. In the last few years, Nicaragua has emerged as a major and growing beef supplier of the Canadian

²Canadian Federation of Agriculture presentation to the 18th Session of the International Federation of Agricultural Producers (IFAP) Group on Meats and Feeds, Buenos Aires, 14-15 November 1991.

reflects a much better market situation and outlook especially when compared to the wool and grain industries. Nevertheless, the rate of cattle herd expansion (+0.8 per cent) continued to be modest when compared to previous cattle cycles reflecting increased slaughter levels in 1990, which were induced by dry seasonal conditions in the beginning of the year.

1991 production and prices to decrease

99. In 1991 cattle slaughter is estimated to have slowed down but improved seasonal conditions led to increased average slaughter weights which limited the decline of beef production: -1.6 per cent, to 1.69 thousand tons. According to the data supplied to the Secretariat, estimated producer prices (a weighted average of prices in capital city saleyards) this year fell by 10.4 per cent. The data indicates that even if they are still attractive prices entered a declining trend this year. Estimated prices in the last quarter would have decreased again. This might be a result of the "voluntary" restraints on beef exports imposed by the United States to this market. Beef production is expected to decrease further next year and prices might recover as from the beginning of the year, also reflecting on expected price recovery in North America.

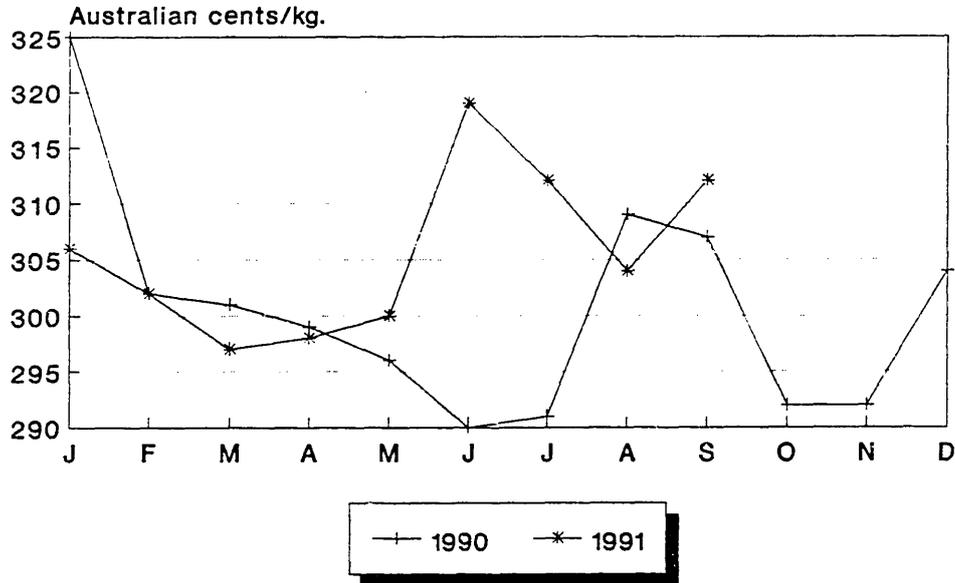
Consumption to fall this year, but to recover in 1992

100. Lower production is estimated to have resulted in higher retail prices leading, in times of only a moderate 1.5 per cent economic growth, to decreased consumption. With expectations for stronger incomes' improvement next year, beef consumption is expected to swing-up next year by 4.3 per cent, to 39 kgs. per head.

Exports to decline in 1991 and recover slightly in 1992

101. Estimated beef and veal exports fell by 15 per cent in 1991 reflecting decreased sales to Japan. From January to August 1991 exports to Japan fell by 8.8 per cent, while export prices to this market are believed to have levelled off somewhat as the result of the release of Japanese beef stocks to the domestic market, but also due to increased sales of United States beef there. Australian exports to the Japanese market are increasingly of chilled grain-fed beef as against frozen grass-fed beef. An illustration of this trend is the feedlot capacity for 1991, when compared to last year: approximately 428,000 head, a 27 per cent increase. However, in recent months reduced profitability has resulted in a slowdown of the feedlot activity and no dramatic changes from this trend are expected to occur in the next few months.

AUSTRALIA BEEF EXPORT PRICES



Boneless cow 90 CL to USA, FAS

102. As the result of the "Voluntary" Restraint Agreement (VER) on exports to the United States, Australian sales to this market this year should not surpass 377,727 tons (product weight). This would be 3.1 per cent above last year's export level. Sales to the United States were particularly high during the second and third quarters of 1991 (+2.3 per cent during the first eight months of the year). Prospects for increased beef supply in the United States next year suggest lower Australian export to this market. Since it began to liberalise its market, the Republic of Korea is emerging as another major destination for the Australian product (the third one in volume). Exports to Korea between January and August this year increased by 50 per cent, to 60 thousand tons (product weight). Demand from this country is also increasingly more for grain fed beef (after June 1991, 50 per cent of the tenders were for this type of beef). Exports to Taiwan, the fourth major market, reached about 20 thousand tons (product weight) during the same period, barely unchanged from last year. It is expected that total Australian exports will rise somewhat in 1992.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	23,163.0	23,347.0	0.8	23,500.0	0.7
Beef and veal ^{2/} :					
Production	1,717.3	1,689.5	-1.6	1,685.0	-0.3
Consumption	650.9	639.5	-1.8	686.0	7.3
Exports	1,181.1	1,000.0	-15.3	1,010.0 ^{3/}	1.0
^{1/} ,000 head, 31 March.		^{2/} ,000 tons		^{3/} Secretariat estimate	

New Zealand

Cattle herd expanding

103. At close to 8.3 million head, cattle herd in New Zealand increased by the second consecutive year after the 19889/89 drought. The rise is largely related to increased cow numbers and a rise in dairy calf retentions for beef (the proportion of which in total beef production reached 30 per cent in the 1980s, a trend likely to continue into the 1990s). Furthermore, falling returns in the sheep sector are encouraging a shift from sheep to beef farming.

Cattle slaughter and production increase

104. During the first half of the year, cattle slaughter rose by 10 per cent. The rise largely reflected increased cattle inventories. This trend was expected to continue through the rest of the year but at a slower pace and current estimates are for cattle slaughter to show a rise of around 4 per cent by the end of the year. In 1991, beef production is consequently expected to rise by some 5.2 per cent, to 536.3 thousand tons, reflecting higher bull beef production, mainly from the dairy herd. Dairy cow cull was also expected to rise as a result of lower milkfat prices. Current forecasts regarding 1992 are for a slight decline in both slaughter and production.

Consumption and exports to rise

105. Estimated per capita beef consumption rose by 11.3 per cent as a result of increased output. Estimated real disposable incomes remained stable, but real retail prices for beef diminished by close to 4 per cent,

while the prices of competing meats remained relatively unchanged or have even risen somewhat. Per capita beef consumption should remain stable next year.

106. Beef and veal exports increased by 16.2 per cent from January to June 1991. The rise was mostly due to increased exports of manufacturing beef to New Zealand's major market, the United States which, during this period represented 77 per cent of total exports. Sales to Canada were down, stable to Japan and increased to Taiwan and the Republic of Korea.

107. The situation in the United States market (see also above trade paragraphs under United States and Australia) led to decreasing export prices and the imposition of VERs on New Zealand exports to this market. As a result, estimated exports decreased during the second half of the year and could show an increase of only about 4 per cent by the end of the year. The Republic of Korea could reportedly become New Zealand's third major market this year, surpassing Japan, but no further information is available. Estimated export prices fell from US\$2,692 per ton f.o.b. last year, to US\$2,581 per ton f.o.b. in 1991. Exports are expected to show some decline next year.

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	8,065.0	8,250.0	2.3	8,400.0	1.8
Beef and veal ^{2/} :					
Production	509.9	536.3	5.2	533.5	-0.5
Consumption	109.2	121.7	11.4	122.5	0.7
Exports	417.5	435.0	4.2	425.0	-2.3

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

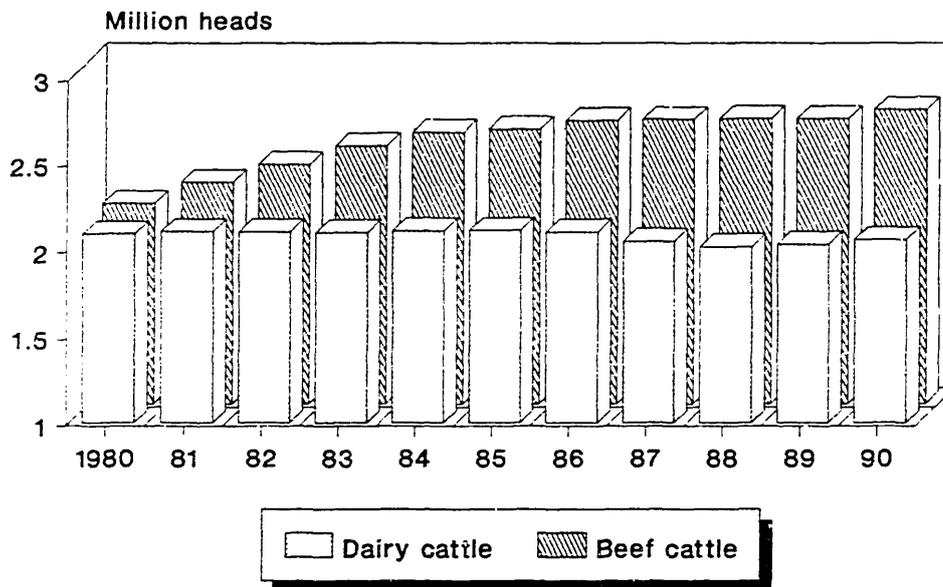
Japan

Herd expansion continues despite depressed prices

108. According to the last February census, cattle numbers in Japan reached close to 4.9 million head this year, 2.2 per cent above last year's level and a record level suggesting that the beef trade liberalisation has not, so far, eroded beef producers' confidence (it is true that tariff rates are

are still at 70 per cent). Nonetheless, higher cattle numbers were registered against a background of depressed cattle prices. Beef cattle numbers went up by 3.5 per cent (to 2.796 million head) while the farmers' sales price of Wagyu steer increased by only 1 per cent, and dairy cattle numbers rose, even if by a marginal 0.4 per cent (to 2.067 million head), despite a price fall of 8.7 per cent. Since the beginning of 1991, beef cattle prices have been irregular and dairy cattle prices have declined continuously. Both dairy and Wagyu cattle slaughter increased by close to 5 per cent in the first half of the year and a similar trend could occur during the rest of the year resulting in relatively unchanged cattle numbers by the year end.

JAPAN CATTLE NUMBERS



Beef production to grow and stocks down

109. Increased cattle slaughter and higher weights reflecting rising numbers of Wagyu cattle, led to higher beef production from January to June (+4.4 per cent) and a similar trend is expected for the rest of the year. Stocks which piled up last year, declined significantly since the LIPC decided to put them on the market (even if, reportedly, the LIPC has only been able to release an average of 3.3 thousand tons per month against its initial will to release 6 thousand tons).

Consumption up despite higher retail prices

110. Beef consumption is increasing steadily in line with the economic growth and consumption of imported beef in particular has increased by more than 15 per cent annually over the past four years. During the first four

months starting on 1 April 1991, the beginning of the market liberalization process, beef consumption increased by 5.4 per cent on average per month compared to a 3.5 per cent growth year earlier. However, this period is too short to allow for comparisons in terms of the liberalisation process. Indeed, the Japanese official statistics regarding retail prices for imported beef show a continuing retail price rise (17.8 per cent on average) between April 1991 and September compared to year earlier. Furthermore, the price rise for the (much cheaper) imported beef was well above the price rise of the domestic product (1.5 per cent). Finally, the variations of the wholesale market prices, which during the same period fell by 1.2 per cent, continue apparently, not to be entirely reflected in retail prices.

Imports fall in 1991, but should resume next year

111. During the first half of 1991, Japanese imports increased by 8 per cent. However, the accumulation of stocks and their subsequent release to the domestic market led to a reduction of imports since June (between June and August imports fell by 17.5 per cent, or 17 thousand tons). Such a trend seems to confirm unofficial sources' forecasts which see imports by the end of 1991 to be below last year's level. However, it is believed that in 1992, when LIPC stocks have been reabsorbed and import tariff rates will decrease to 60 per cent, beef imports will resume. Australia continues to be the major supplier of the Japanese market followed by the United States and far behind and decreasingly, New Zealand (see also above trade paragraphs under Australia and the United States).

	1990	Estimates 1991	% Change 1991/90	Forecast 1992	% Change 1992/91
Cattle and calf numbers ^{1/} :	4,760.0	4,863.0	2.2	4,878.0 ^{3/}	0.3
Beef and veal ^{2/} :					
Production	551.0	570.0 ^{3/}	3.4	575.0 ^{3/}	0.9
Consumption	1,067.0	1,130.0 ^{3/}	5.9	1,170.0 ^{3/}	3.5
Imports	557.0	510.0 ^{3/}	-8.4	570.0 ^{3/}	11.8
Stocks	165.0	97.4 ^{4/}	-12.4 ^{4/}	...	...

^{1/},000 head, 1 February

^{2/},000 tons

^{3/} Source: USDA

^{4/} Stocks and variation at the end of August.