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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, as well as summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat. In the preparation of this document, *inter alia*, the following sources have been used: *USDA* reports; Canadian Cattle Buyer; Medium Term Outlook, July 1994, Agriculture and Agri-Food, Canada; the *National Cattle Market Bulletin*, Cattle Council of Australia; *Australia Commodities and Issues* (ABARE); *World Commodity Markets and Trade* (ABARE); *Meat and Livestock Review*, Australian Meat and Livestock Corporation; *New Zealand Meat Board News*; *European Weekly Market Survey Commentary*, Meat and Livestock Commission, United Kingdom; *Informe Ganadero*, Buenos Aires; PROCAR, *Sistema de Información de Mercados, Argentina*; *Preços Agrícolas*, Boletim Mensal, Brazil; *Agra Europe* and responses to the questionnaire submitted by 1 December 1994.

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/95, has been reproduced.

Oceania and Asia

Australia	.	.	.	.	.	.	.	35
New Zealand	.	.	.	.	.	.	.	36
Japan	38

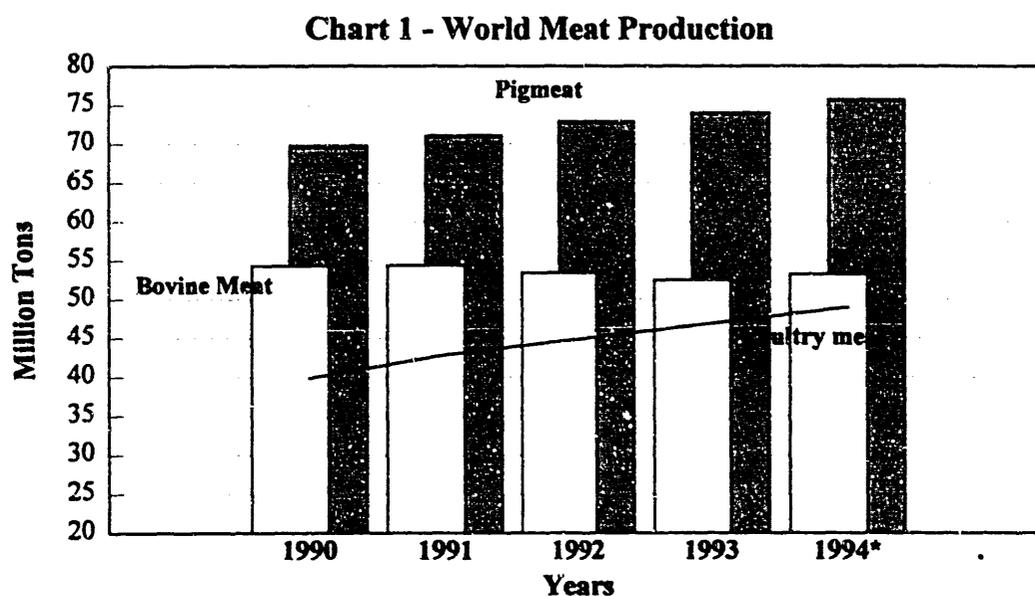
THE INTERNATIONAL MARKETS FOR PIGMEAT, POULTRY MEAT AND SHEEPM EAT

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THE INTERNATIONAL MARKETS FOR MEAT

Overview

1. In 1994, the world meat economy was characterized by large supplies of the different types of meat (Chart 1) and a demand, in particular for bovine meat, which in the face of the economic



Source: FAO; * Forecast

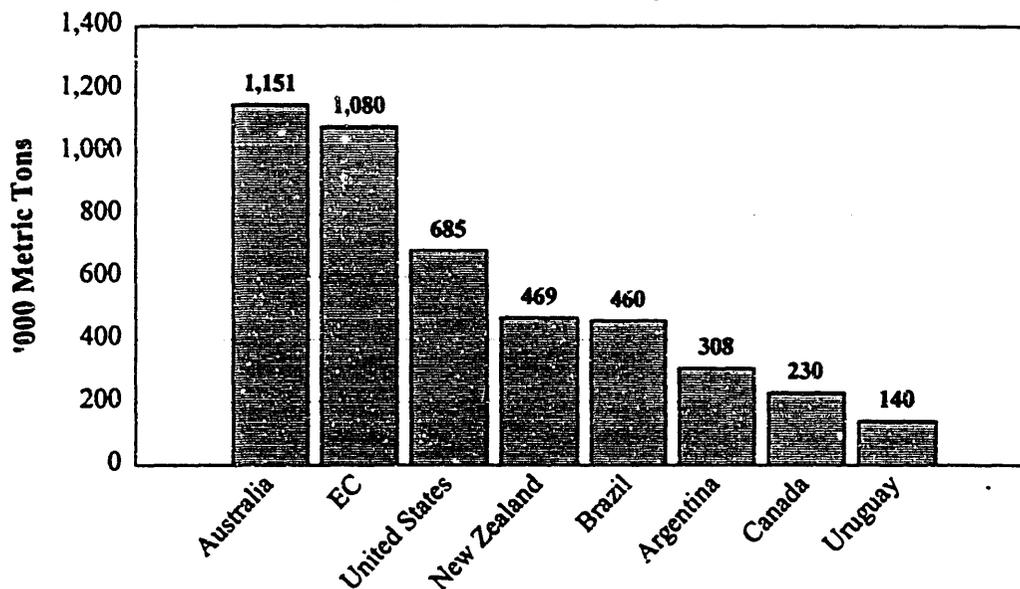
recovery. Led by the Republic of Korea and to a lesser extent this year, by Japan, East Asian markets continued to be the most buoyant, with strong demand for beef and poultry meat in particular. In contrast, although there are some signs of recovery, the meat sector in the Commonwealth of Independent States (CIS) and most Eastern and Central European countries continued to be affected by sharply reduced herds and abrupt cuts in domestic demand following dramatic price increase. In North America, record meat supplies resulted in lower prices and strengthened domestic demand, restrained market access and an increased US share in world meat exports (Chart L2). Despite strengthening demand, international meat prices in 1994 remained under pressure due to large supplies of meat.

2. The adjustment of the EC meat industry to the CAP reform led to the stabilisation of the beef sector, illustrated by sharply reduced stocks and lower exports. The situation is less encouraging on the demand side, where marginal increases in poultry meat consumption are far from compensating faltering beef and pigmeat consumption. In South America, high cattle inventories allowed Uruguay to fully benefit from improved export demand for beef, while export growth in Argentina reflected lower domestic consumption. The new Brazilian economic plan has been so far successful in lowering inflation, which has given a strong stimulus to domestic beef demand. In need of substantial productivity enhancing investment, the Brazilian bovine meat industry seems not to be in a position to fully satisfy

competitiveness of beef and poultry meat, especially in Australia. Meat output, especially poultry meat and pigmeat, is believed to have recovered somewhat in some African countries, while once again drought severely affected beef and veal production in others. South Africa, profiting from improved weather conditions, initiated herd rebuilding which has led to a sharp price increase.

3. In 1995, world meat production is forecast to expand further, due to increased output of all meats, with the probable exception of sheepmeat. Nonetheless, conditions seem to be set for a relatively

Chart 2 - Major World Beef Exporters - 1994



good year in the international meat markets. With economic indicators pointing to a sustained economic recovery, meat demand can be expected to strengthen. Given very low beef stocks, and limited output growth in the European Communities, and foreseeable strong import demand from Brazil, international prices in the Atlantic markets can be expected to strengthen. In the Pacific rim markets, beef prices will be sustained by continued import demand in Asian markets, while increased market access opportunities in the United States, resulting from the Uruguay Round, should result in higher beef imports. Increased pigmeat production in major areas, particularly in China and the United States, is expected to keep pigmeat prices under pressure, strong demand for poultry meat should be enough to absorb increased production. The results of the Uruguay Round negotiations (see separate draft note prepared by the Secretariat), in particular improved market access opportunities and reductions in subsidized exports, should also begin to be felt in other markets in 1995, contributing to meat trade expansion and strengthening international prices.

The Bovine Meat Market

Production

4. The FAO forecasts world meat production in 1994 at 191.8 million tons, 2.5 per cent up on 1993. With some 53 million tons, bovine meat production is expected to have increased by 1-2 per cent¹. In the European Communities, cattle numbers stagnated after two years of decline and the shift from dairy to beef cows slowed down. Beef and veal production stagnated with heavier cattle compensating for decreased slaughter. Production decreased significantly in two of the three countries which will join the European Communities as from 1 January 1995, Sweden and Finland, while it increased marginally in Austria. In Central and Eastern Europe, despite improvements brought about by ongoing privatization, production is expected to decline further. In some of the CIS states, particularly in Russia, beef output in small private units is resuming, while large state owned farms continued to struggle with overcapacity and debt problems. In North America, beef output was boosted by increased slaughter and record weights due to favourable weather and abundant grain supplies. The situation differed significantly in South America. In Argentina beef production fell due to reduced cattle inventories and declining productivity, while the opposite occurred in Uruguay where strong herd rebuilding since 1991 allowed for higher output. Sharply higher domestic prices and persistent drought led Brazilian producers to withhold cattle, further affecting production. In Oceania, Australian beef production was affected by a severe drought, while low supplies in New Zealand reflected herd rebuilding. In Japan, where the shift from dairy breeds to beef cattle continued, production stabilized.

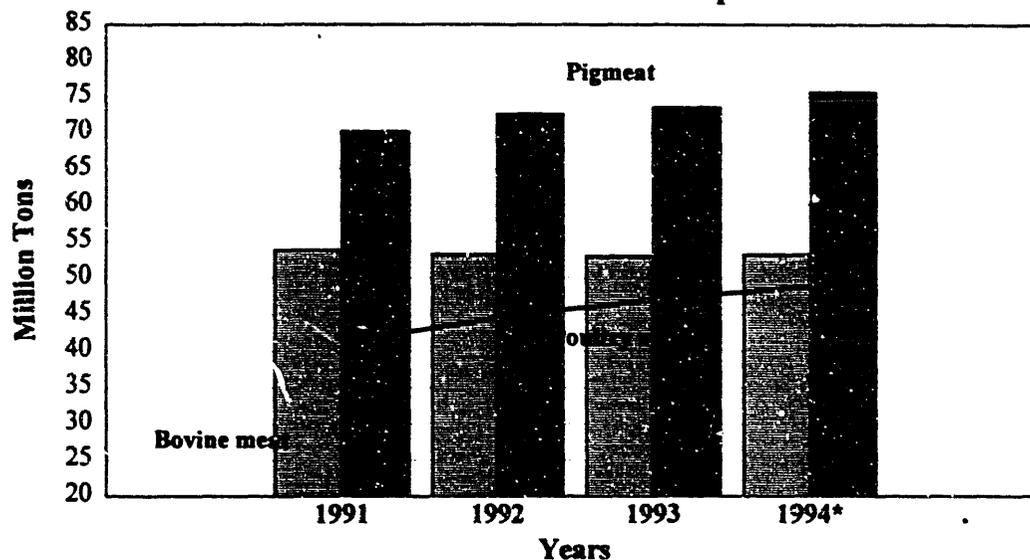
Consumption

5. In most industrialized countries, beef and veal consumption continued to be affected by changing consumption patterns (Chart 3). While the shift away from red meats to white meats has continued, consumption of beef has often moved to leaner cuts. Price relativities in a period of still hesitant and slow economic recovery, were generally the major factor behind the boost of poultry meat consumption, the less expensive type of meat. Aside from fears provoked by specific diseases, nowadays so clearly illustrated by BSE, wrongly addressed health concerns may be less influential than generally believed (indeed, limited consumer dietary knowledge often induces a wrong diet). In contrast, the larger variety of easy-to-cook cuts and ready meals are factors which greatly favour the consumption of poultry meat. However, even if other factors such as ageing population, image, etc. also affect red meat consumption, there were encouraging signs of recovering beef intake in 1994, in particular in North America. Declining beef prices in conjunction with strong economic recovery induced increased per capita beef consumption for the first time in the last ten years. In Canada, the price decline was apparently not sufficient to trigger a growth in beef consumption, but a recovery is expected for 1995. In South America, Uruguayans took the lead from Argentinians as the world's first beef consumers. Health related concerns seem to be the major factor behind falling beef consumption in Argentina, while in Uruguay, competing beef prices compared to other meats are the major reason for the rise.

6. In the European Communities the benefits of economic recovery were jeopardized by renewed BSE developments and a particularly warm summer. Largely fed by press coverage during the first half of the year, BSE fears were probably again the major cause for the fall in beef and veal consumption. The situation seems to have improved somewhat since the summer following press and promotion campaigns particularly in Germany, but any significant consumption growth was delayed. As in Europe, in Japan the beef demand was affected by a hot summer, but demand is expected to recover seasonally

¹See page 40 for developments in the pigmeat market; page 45 for developments in the poultry meat market and page 50 for developments in the sheepmeat market.

Chart 3 - World Meat Consumption



Source: FAO; * Forecast

in the last quarter of the year. Korean beef demand is rising sharply and in general, the trend towards increased beef consumption continued in most Asian markets. In contrast, beef consumption in most Central European countries and the CIS continued to be hindered by sharply increased prices and commercial demand remained depressed. Beef consumption in Africa is believed to continue to suffer from difficult economic developments and reduced output.

Trade

7. In 1994, significantly reduced EC beef exports, and lower sales by Australia and possibly Brazil², were offset by increased exports by the other five major world exporters, and in particular the United States (Table 1). At approximately 4.6 million tons, representing some 9 per cent of global production, world beef and veal exports remained stable. Below 1 million tons for the first time since 1991, EC beef and veal exports benefitted from lower export refunds than in 1993 and decreased notably in line with stable production, sharply reduced intervention stocks and higher live cattle sales. With market prices averaging higher than further reduced intervention prices (in line with the CAP reform), there were no intervention purchases through most of the year. Following significant sales to Russia and Iran since the summer, beef stocks should fall to an historical 120,000 tons low by the end of the year. This represents no more than some 2.5 per cent of world beef trade, and about 10 per cent of the 1992 record level which at 1.1 million tons represented close to 25 per cent of world trade.

8. In 1994, the Australian beef export performance was adversely affected by drought and reduced access in North American markets. Exports fell by an estimated 1.5 per cent, but due to the more important drop in EC sales, Australia recovered its place as the major beef exporter in the world. Limited access into the North American markets also hindered beef exports from New Zealand. The

²Brazilian export levels in Table 1 are a forecast submitted for the June 1994 IMC meeting. Since June, Brazilian exports have fallen sharply and the small increase registered during the first half of the year (indeed, a decrease if expressed in product weight) suggest a decline for the year as a whole, rather than a 7 per cent growth.

highest export growth in 1994 was observed in the United States. Boosted by sales to Korea, Japan and Mexico, US exports are estimated to have increased by approximately 19 per cent. A strong yen and duty-free trade with Mexico under the NAFTA largely explain this performance. In Japan, low beef demand during the hot summer may, nonetheless, have resulted in a more moderate import growth in 1994. Lower beef production in Argentina limited the export growth, while the export dependence on Hilton beef to the European Communities seems to have accentuated. Uruguayan beef exports rose in line with higher output, while Brazilian exports seem to have been inhibited by the strength of the new currency since its introduction.

Table 1 - Beef Exports of Selected Countries ('000 tons carcass weight equivalent)*

	Estimates		Forecast	% Change	
	1993	1994	1995	1994/93	1995/94
Argentina ¹	280	308	300	10.0	-2.6
Australia	1,169	1,151	1,194	-1.5	3.7
Brazil ¹	420	460	400	7.2	-13.0
Canada	190	230	200	21.1	-13.0
EC	1,239	1,080	900	-12.9	-16.7
New Zealand	464	469	505	1.1	7.7
United States	578	685	721	18.5	5.3
Uruguay	105	140	180	33.3	28.6
Others	181	180	175	-0.6	-2.8
Total	4,635	4,703	4,575	0.0	-2.6

* Includes fresh, chilled, frozen, cooked, canned and otherwise prepared bovine meat; excludes carcass weight equivalent of live cattle. "Others" includes Secretariat estimates of other countries participating in the Arrangement Regarding Bovine Meat.

¹1995, Secretariat forecast.

International Prices

9. International beef prices have probably weakened in 1994. Reasons for the decline diverged between the Pacific-rim markets and the Atlantic markets. While developments in the United States domestic market is critical in price formation in the former, the evolution in the European Communities plays a major rôle in the latter. In 1994, despite improved beef demand, US cattle prices dropped due to strong pressure from ample supplies of all types of meat (Chart 1). This entailed lower Australian and New Zealand export prices which were further aggravated by an unfavourable exchange rate and less buoyant import demand in Japan. In the Atlantic markets the improved market situation in the European Community, reflected in lower beef exports and virtually disappearing stocks, could have been expected to result in higher international prices. However, the EC beef market was affected by slack demand triggered by BSE fears and a hot summer which accentuated the cyclical cattle price downturn since the third quarter (Chart 4). Export prices to the EC market were consequently affected and increased volumes of South American exports of high quality beef to the European Communities were traded at lower prices. Reflecting a weaker currency and greater market diversification than Argentina, Uruguay seems to have experienced better export prices than its neighbour. Another development with major implications for beef prices in the Atlantic markets is the situation in Brazil.

While export availabilities seem to be depleted, import demand is growing and high cattle prices have in the last weeks, had a healthy effect in neighbouring exporting countries.

Policy developments

10. The year 1994 was a fertile one regarding policy actions in the bovine meat sector. In North America, and for the fourth consecutive year, the United States, introduced VER agreements on exports from Australia and New Zealand, providing lower market access to both countries. Moreover, based on charges by the United States meat industry that Korea is using non-tariff measures to restrict market access which violate the agreement reached in July 1993, US authorities decided last October to launch a Section 301 investigation against Korea. Canada's GATT Article XIX safeguard action regarding beef imports from countries other than NAFTA was pursued this year with a tariff quota which limited the entry of Australian and New Zealand beef in particular. The quota was extended in May and certain cuts were exempted from it in October. On 3 June 1994, sharply increased US beef exports to Mexico led the Mexican authorities, at the request of the "Confederación Nacional Ganadera", to initiate an anti-dumping investigation on beef imports from the United States. Australian beef exports to its major markets (United States, Canada, Japan and Korea) have been seriously affected recently by findings of insecticide residues in meat. Because of the drought, some producers used waste of cotton plants which had been treated with pesticides to feed their cattle.

BOVINE MEAT MARKETS BY COUNTRIES

Austria

11. All categories of Austrian cattle, except beef cows, declined since the mid 1980s. Dairy cow numbers fell by almost 12 per cent since 1990 while beef cow inventories rose significantly (by 81 per cent). Beef cows are expected to reach 85,000 head by the end of 1994 and increase to 90,000 head in the forthcoming year. Total cattle inventories are forecast to reach 2.3 million head at the December 1994 census. The Austrian cattle herd is expected to decrease to 2.29 million head in 1995.

12. Beef production is the second most important production within Austrian agriculture, accounting for 18 per cent of total agricultural output. However, over recent years lower cattle and calf slaughter resulted in reduced bovine meat production. In 1994 beef and veal production is forecast to fall to 224,000 tons. Total bovine meat consumption is also decreasing. The main reason for this declining trend appears to be higher retail prices for beef. However, more attractive prices for pigmeat, Austrians' favoured meat, contribute to accelerate the declining process. Total consumption is forecast to decrease by a further 3 per cent while per capita disappearance will be around 20.5 kgs. by the end of the year. A modest recovery in consumption is expected to take place in 1995.

13. Austria is traditionally a beef exporter. Beef and veal exports absorb almost 25 per cent of bovine meat production. The country has shipped an averaged 59,000 tons per year of fresh and chilled beef and veal since 1990. In 1993 exports totalled 59,400 tons and were destined for Italy and Germany. A slight increase to 60,000 tons is expected in 1994. Austrian live cattle exports more than tripled over the last four years and are forecast to reach 36,000 head by the end of 1994. Italy is the main importer of live bovine cattle for slaughtering. Following the results of Uruguay Round negotiations, Austria's meat tariff quotas will total 1,084 tons in the first year of implementation. Final tariff quotas will total 3,170 tons of beef and 1,164 tons of edible offal. Export subsidies for bovine meat (including live animals) will decrease from a maximum of 90,054 tons to 63,882 in the year 2000.

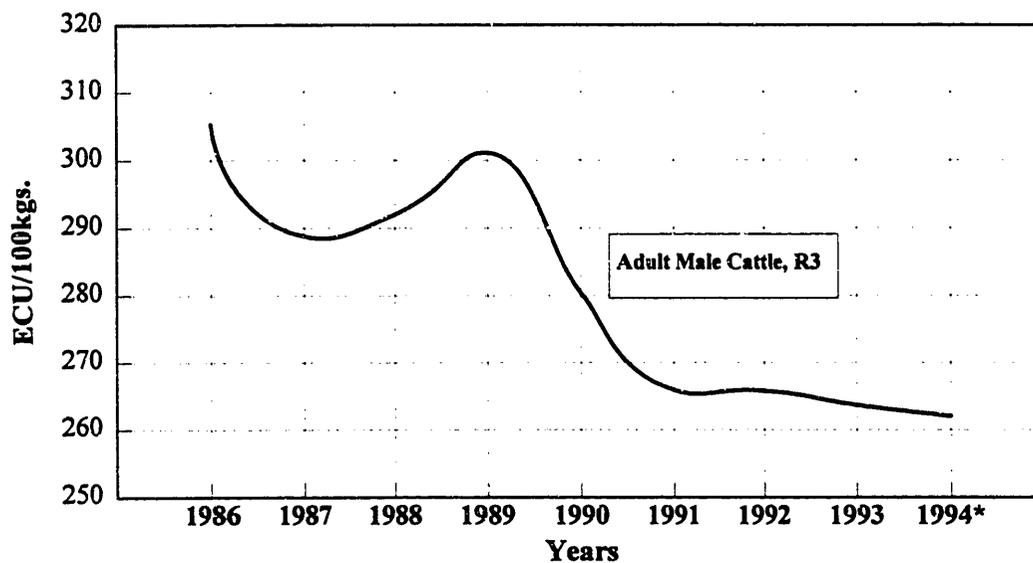
14. Following the positive outcome of the June referendum, Austria will join the European Communities as from 1 January 1995. As with Finland and Norway, Austria will be compensated for the immediate alignment of its higher producer prices to those in the European Communities by a five- year financial aid scheme. It is estimated that Austrian farm prices will fall by 19 per cent upon entry to the European Communities, resulting in a 14 per cent drop in farm incomes. According to the Treaty of Accession ratified by the European Parliament last May, the suckler cow premium will apply to 325,000 head while the beef special premium will cover 423,400 head.

Austria		Forecast			% Change	
	Unit	1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	2,334	2,320	2,290	-0.6	-1.3
Beef and Veal						
Production	'000 t	222.3	224	220.9	0.8	-1.4
Consumption	'000 t	164.9	160	165	-3.0	3.1
per capita	kgs.	20.9	20.5	20.9	-1.9	1.9
Exports	'000 t	59.5	61	71	2.5	16.4

European Communities

15. Since the beginning of the 1990's, cattle price movements in the European Communities have been characterized by a downward trend (Chart 4). In 1993 this trend was arrested and prices recovered until the seasonal autumn decrease set in. Prices recovered again by the end of the year through the first half of 1994, due to low cattle inventories and increased live cattle exports. Since the summer, prices have initiated their cyclical downward trend again and, despite reduced cattle supplies, slowly recovering beef production, low beef demand and falling live cattle exports resulted in lower prices for adult male cattle, quality R3, than last year. At an average ECU 256.50, prices for the second half of the year are now expected to average 2.2 per cent below their 1993 level. The price fall seems to be limited to adult male cattle, but fat cow prices stagnated and the rise of young bull and steer prices was limited. These price developments, supported by the 5 per cent reduction of intervention prices under the CAP reform since 1 July, seem also related to lower demand resulting from an unusually hot summer and consumers' concerns about Bovine Spongiform Encephalopathy (BSE).

Chart 4 - EC - Cattle Prices



* Forecast

16. In 1994, beef consumption in the European Communities is expected to diminish, despite the economic upturn in most of its member States. This may denote consumers still lacking confidence in the economic recovery and the large availabilities of less expensive pigmeat and poultry meat, but it seems especially related to spreading fears of BSE. The publicity in relation to United Kingdom exports to Germany seems to have had a significant negative impact in demand not only in these two countries, but apparently also in France. In the United Kingdom, beef consumption was previously expected to rise by 6 per cent for the year as a whole. According to the Meat and Livestock Commission (MLC), despite lower retail prices, renewed BSE fears resulted in a 11 per cent reduction of beef purchases during the second quarter of 1994. Estimated consumption remained stagnant in the third

quarter. In Germany, beef demand was significantly reduced (20-25 per cent?) badly affecting both the domestic and the imported product. The new BSE related export rules introduced by the EC Commission on 28 July 1994³ and vigorous publicity, press and promotion campaigns in Germany seem to have appeased the consumers' anxiety somewhat and consumption is resuming. In 1995, provided that the BSE effect continues to fade away, expected continued economic growth through the European Communities, including its new member States, is expected to result in a beef consumption recovery.

17. There are continuing signs of the effects of the CAP reform on the EC beef industry, but the trend towards increased beef cows slowed down in some member States. In contrast to the situation in Germany, where the stabilization of the cattle herd reflects increased suckler cow numbers and lower dairy cow inventories, France and Belgium forecast lower beef cow inventories this year. On the other hand, beef heifer numbers continued to rise. The suckler cow premium, in some cases complemented by national supplements, is still encouraging the shift from dairy to beef production, a trend expected to continue in 1995. However, the decline in the dairy cow herd is levelling off. Indeed, dairy cow numbers are increasing again in some member States and overall cow numbers are expected to decrease marginally to 31.8 million head in 1994. At 78.6 million head, total cattle numbers should remain stable. Cattle slaughter is declining, but increased average slaughter weights are expected to result in almost unchanged beef production this year. Increased cattle supplies are forecast to result in a 2.2 per cent production rise in 1995.

18. The most significant development in the European Communities beef market in the last few months has been the sharp reduction of intervention stocks. With market prices averaging higher than the intervention price, and steady exports of live cattle, there were no intervention purchases during the first half of the year and beef stocks are expected to fall from 1.1 million tons at the end of 1992, to 120,000 tonnes by the end of 1994. (Although intervention for steer beef was opened in the United Kingdom and Ireland in recent weeks and could be opened in Germany, no purchases have occurred so far. It is estimated that if they do occur, it will be for minimal quantities).

19. At the end of July 1994, 64 per cent of the European Communities intervention stocks were held by Ireland and 27 per cent by the United Kingdom. In other member States stock levels were reduced to close to nil by exports to third countries and, in some cases, by sales in the domestic markets in response to faltering supplies of manufacturing beef. Remaining intervention stocks in Ireland are expected to be sharply reduced by the end of the year, following major sales to Iran and Russia. United Kingdom exports to third countries seem to have suffered less from BSE fears than its sales to other EC member States and it is expected that by the end of the year stocks will also be reduced to a minimal tonnage.

20. In line with stabilized production and decreased stocks, EC beef exports are expected to fall below 1 million tons for the first time since 1991. Reduced beef exports also reflect lower export refunds and higher live cattle sales (which could rise by 8 per cent in 1994). Despite indications that Iraq banned imports of British beef, BSE concerns seem to have had a limited impact on European Communities' beef sales to third countries. The bulk of EC exports was shipped to traditional markets in the Middle East, North Africa and the Commonwealth of Independent States (CIS). While sales to Egypt seem to have declined, important export contracts were negotiated with Iran and Russia. As a result of the Uruguay Round commitments with respect to volume of subsidized exports, EC subsidized beef exports will be limited to a maximum of 1,118,700 tons in 1995 (when the current forecast for total exports is 760,000 tons) and 817,100 tons in 2000.

³Bone-in beef exports from the United Kingdom to the other EC member States, are not allowed if not accompanied by specific certification confirming that it originates from a holding free of BSE for the previous six years. Boneless beef exports are not restricted if adherent tissue, including nervous and lymphatic tissues, have been removed.

21. Intra-EC trade was more negatively affected by the BSE issue than extra-EC trade. The publicity around United Kingdom exports to Germany and the consequent measures introduced by the EC Commission, had an immediate effect of cutting by half, in August, UK beef exports to other member states, in particular France. The situation has slowly improved since then, but British sales, which from January to July run at higher levels than in 1993, may decline significantly for the rest of the year. The United Kingdom exports were not the only ones affected by BSE concerns. Irish beef sales to Germany were also affected and are expected to decline in 1994. However, exports to other member States do not appear to have been influenced. Exports to the UK and Italy are stable and sales to France have increased.

22. Live cattle exports are expanding not only to third countries, but also within the European Communities. However, this trade has been affected recently by the rejection of ferry operators in the United Kingdom to continue shipping live animals to the continent on grounds of animal welfare issues. Aside from being a new serious problem for the already tormented British meat industry, the transport ban is also causing difficulties in other member States, in particular France, Ireland and the Netherlands. Beef and veal imports into the European Communities are expected to rise in 1994 and 1995. Despite a forecast output rise in 1995, sharply reduced intervention stocks and firm demand for manufacturing beef may lead to the re-opening of the "manufacturing beef balance quota" for the first time in four years. The quota volume can reach 50,000 tons, levy-free. One consequence would be that the imports of an equivalent quantity of high quality beef (11,430 tons in 1994) would be lowered accordingly.

23. As a result of the Uruguay Round negotiations, the European Communities consolidated its concessionary import schemes under current access opportunities, including the possibility to convert the beef balance quota into an equivalent quantity of high quality beef. The total annual tariff quota for beef will be 161,050 tons, including 20,000 tons under minimum access opportunities.

European Communities	Unit	Estimates		Forecast	% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	79,320	78,580	78,600	-0.9	0.0
Beef and Veal						
Production	'000 t	7,743	7,750	7,920	0.1	2.2
Consumption	'000 t	7,692	7,625	7,690	-0.9	0.9
per capita	kgs.	22.1	21.8	21.9	-1.4	0.5
Exports	'000 t	1,085	920	760	-15.2	-17.4
Imports	'000 t	419	440	460	5.0	4.5
Stocks	'000 t	474	120	50	-74.7	-58.3

Finland

24. In 1993, the Finnish cattle herd increased for the first time to 1.25 million head since the implementation of the milk output reduction programme in the early 1980s. This was due to higher numbers of dairy heifers and beef cows. Finland encourages beef production rather than milk output

through various incentives, such as the beef premium. However, dairy herd still represents one third of total cattle indicating that bovine meat production continues to be a complement of the dairy industry.

25. In 1994, beef and veal production is forecast to decline slightly to 106,000 tons. Bovine meat production has fallen significantly in recent years, decreasing by 9½ per cent in 1993. The main reason appears to be the economic difficulties faced by Finnish slaughterhouses due to a decline in slaughtered animals. Beef and veal output is expected to fall further since the number of slaughter cattle continues to decline and can no longer be offset by increases in slaughter weights.

26. Domestic recession, changing consumption patterns and altered prices for other meats has posed serious difficulties for the sector. Bovine meat consumption fell by 14 per cent from 1990 to 1994. Total consumption in 1994 is forecast at 93,300 tons, falling in per capita terms to 18.4 kgs.

27. Meat trade has only a residual rôle in Finland's highly protected agriculture. Excess supplies of beef are exported. In 1993, reflecting lower production, beef and veal exports continued on a downward trend to 14,660 tons. Fresh and chilled beef accounted for 47 per cent of total exports and were delivered mainly to Sweden, Poland and Hungary. Prepared beef and veal were shipped to the European Communities and Russia, with an average export price of US\$1,420. Forecasts indicate a further reduction of 11 per cent in Finnish exports to 13,000 tons by the end of the year. The authorities have increased the farmers' share of the costs of exporting overproduction. Following the Uruguay Round negotiations, Finland's subsidized maximum allowable export volumes for beef will drop from 9,800 tons to 2,500 by the end of the implementation period. Bovine meat imports grew significantly in 1993 with a prediction of 6,000 tons for the whole of 1994.

28. Finnish producer prices increased slightly in the first three months of 1994, but have otherwise fallen since 1989. As from 1 January 1995, when the country joins the European Communities, the meat sector will face major challenges. Lower EC prices will imply a 50 per cent cut of Finnish producer prices and, in addition, lower export subsidies. Although Finland qualifies for ECU 457 million as temporary financial aid, its competitiveness on EC markets relies on the rationalization of the meat industry. This will probably require a significant restructuring of the sector, leading to a smaller number of modern slaughterhouses and farms. According to the Treaty of Accession concluded in June 1994, the suckler cow premium will apply to 55,000 head while the beef special premium concerns 250,000 head.

Finland		Estimates		Forecast	% Change	
	Unit	1992	1993	1994	1993/92	1994/93
Cattle numbers	'000 head	1,232	1,252	n.a.	1.7	n.a.
Beef and Veal						
Production	'000 t	116.8	105.6	106	-9.6	-0.4
Consumption	'000 t	99	95.1	93	-3.9	-2.2
per capita	kgs.	19.7	18.8	18.4	-4.6	-2.1
Exports	'000 t	15.3	14.7	13	-3.9	-11.6

Norway

29. In 1994, the reduction in the Norwegian dairy cow and calf numbers is expected to result in a slight decline in cattle inventories. Total herd is forecast to fall further in 1995 to 988,000 head. In 1994, an expected 3 per cent decrease in veal production is likely to be offset by the rise in beef output. Therefore, total bovine meat production is forecast to expand to almost 86,000 tons. In spite of a national preference for pigmeat, beef and veal, per capita consumption will presumably increase. The rise in consumption appears to be due to lower meat prices and improving economic conditions. Total domestic disappearance is expected to grow to 85,800 tons.

30. In Norway, meat production aims at meeting the domestic demand. Excess supplies of beef and veal are exported. In 1994, exports of bovine meat are expected to halve to 1,400 tons. In 1993, frozen beef and veal, mainly destined for the United States and Mexico, accounted for 74 per cent of total exports. Preserved meat was delivered mostly to Sweden and to the United Kingdom. Norway is almost self sufficient in meat. Quantitative restrictions and a licences based system are applied to meat imports. However, according to the Norwegian Agricultural Agreement, quotas are opened up to secure market coverage whenever needed. Beef and veal have been declining in recent years. In 1994, only 1,300 tons of meat, mostly coming from Sweden and Denmark, will be supplied to the country. Following the results of the Uruguay Round negotiations, Norwegian trade should increase. Current access for bovine meat will amount to 105 tons. There will be additional minimum access opportunities for bovine meat which will rise from 0 to 1,084 tons over six years. Norway's ceiling for subsidized exports of bovine meat will be 3,258 tons in 1995 decreasing to 1,497 tons in the year 2000.

Norway		Estimates		Forecast		% Change
	Unit	1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	1,008.4	1,003.1	988.1	-0.5	-1.5
Beef and Veal						
Production	'000 t	83.7	85.9	84.6	2.6	-1.5
Consumption	'000 t	82.2	85.8	83.9	4.4	-2.2
per capita	kgs.	19.1	19.8	19.3	3.7	-2.5
Exports	'000 t	3.6	1.4	1.4	-61.1	0.0

Sweden

31. Swedish total cattle and calf numbers are forecast to increase slightly to 1.83 million head by the end of 1994. Cattle herd is being restructured reflecting the 1990 reform of the agricultural policy. Dairy cow numbers are declining while beef cow inventories continue their upward trend. Beef cattle figures more than doubled since 1990, and 1994 they are expected to rise by a further 7 per cent.

32. Lower slaughterings and weights are expected to result in a 3 per cent decrease of beef production in 1994 but bovine meat output is forecast to stabilize around 136,000 tons in 1995. The deterioration in consumers' purchasing power due to the recession, along with a preference for pigmeat, affects beef and veal consumption which is forecast to decrease modestly by the end of 1994.

33. Direct payments to farmers, as a compensation for the abolition of export refunds in 1991, have been prolonged until the end of 1994 instead of ending in fiscal year 1993/94. The total amount paid will be Skr 550 million. Lower beef production and little change in consumption are likely to result in a decline in export levels in the forthcoming years. Beef and veal exports dropped by 27 per cent in the first six months of 1994, compared to the same period of 1993. Meat was delivered mainly to the United States, Germany and other European countries at an average price of US\$2,141 per ton f.o.b. In 1993, the average export price was US\$2,130. Only 9,000 tons of meat will be exported by the end of the year. As a result of the Uruguay Round negotiations, Sweden's maximum allowable exports of subsidized bovine meat will be 8,700 tons in 1995, to be reduced to 7,100 tons in 2000.

34. Sweden's imports of meat have been declining since 1992. In spite of a growth in fresh and chilled meat imports in the first half of the year, total imports are expected to decrease to 17,000 tons by the end of the year. Poland, Hungary and Ireland were confirmed as traditional suppliers of frozen beef. Fresh and chilled beef and veal were imported mostly from Finland.

35. In December 1990, when Sweden applied for membership to the EC, the producer prices, support levels and production costs in the livestock sector were significantly higher than in the European Communities. Sweden will join the European Communities as from 1 January 1995. Unlike as in Finland and Austria, agricultural policies will integrate into the Common Agriculture Policy (CAP) fully as from the first day of accession, without benefiting from a transitional period. In compensation, Sweden will phase-in its budgetary commitments over four years. According to the Treaty of Accession the suckler cow premium will apply to 155,000 head and the beef special premium to 250,000 head. The majority of Swedish demands regarding animal health have been accepted. Unless otherwise guaranteed that the meat is free from salmonella, imports from European Communities' countries will be allowed only if the meat comes from certified slaughterhouses.

Sweden		Estimates		Forecast	% Change	
	Unit	1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	1,807	1,827	1,827	1.1	0.0
Beef and Veal						
Production	'000 t	141	136	136	-3.5	0.0
Consumption	'000 t	152	n.a.	n.a.	n.a.	0.7
per capita	kgs.	17.4	n.a.	n.a.	n.a.	1.8
Imports	'000 t	20	17	17	-15.0	0.0
Exports	000 t	12.3	9	9	-26.8	0.0

Switzerland

36. In 1994, total cattle inventories are forecast to drop modestly to 1.74 million head. The downward trend is expected to continue in 1995. The Swiss cattle herd has stabilized after a sharp decline over recent years due to governmental measures to curb milk production. Following a further

SwF 14 million cut in cattle elimination contributions last February, Swiss farmers are restructuring their herds. Beef cow and heifer numbers are expected to be at 85,000 head by the end of the year, nine times higher than in 1992. Beef cattle inventories are forecast to rise further in the forthcoming years, while dairy cattle numbers will presumably fall slightly to 1,055,000 head.

37. In spite of a modest increase in veal production, beef output is expected to decline by 5 per cent in 1994. This is due to a significant reduction in cow and heifer slaughtering which is not offset by the rise in slaughtered calves, adult males and higher weights. Bovine meat is forecast to remain stable at 144,000 tons in 1995. Domestic consumption is expected to rise to 173,000 tons by the end of the year.

38. In 1994 the expected drop in bovine meat production, along with an increase in consumption, will result in higher imports. Live cattle imports are forecast to double. Beef and veal imports are forecast to increase by 74 per cent to 13.6,000 tons. Traditional suppliers to the country are Brazil and the European Communities. Preserved meat is generally imported from Uruguay and Argentina. Following the results of Uruguay Round negotiations, Switzerland is committed to export beef without subsidies in the future.

Switzerland		Estimates		Forecast		% Change	
	Unit	1993	1994	1995	1994/93	1995/94	
Cattle numbers	'000 head	1,745	1,740	1,735	-0.3	-0.3	
Beef and Veal							
Production	'000t	152	144	144	-5.3	0.0	
Consumption	'000t	168	173	170	3.0	-1.7	
per capita	kgs.	24.1	24.0	24.0	-0.4	0.0	
Imports	'000t	7.8	13.6	10.5	74.3	-22.8	

Bulgaria

39. Following of drop in agricultural production in the magnitude of 16 to 20 per cent last year, the output situation is not likely to have improved in 1994. The grain harvest has been severely damaged by hailstorms and the meat industry is struggling with overcapacity and debt problems. Most of Bulgaria's fifty-four meat plants are facing bankruptcy. Bulgaria's agriculture is still dominated by state-owned farms, amongst them some of the largest in the world. Privatization proceeds with some delay as compared to other Central and Eastern European countries. While private agriculture has begun to contribute to domestic meat production, it has not compensated for lower production in the state sector. Livestock numbers on state farms declined by about 25 per cent in 1993. In April 1994, Bulgaria's cattle herd was estimated at 1.17 million head, including some 800,000 cows. Private farms accounted for some 500,000 of total cattle numbers.

40. Food production declined sharply in the first three quarters of 1994, with the dairy and meat sectors being particularly affected: production of meat and meat products is estimated at 75,000 tons, 44 per cent less than in the first half of 1993. The major share of Bulgaria's meat production is pork, followed by poultry meat. The Bulgarian government has recently made available US\$ 600,000 as subsidized investment credit for the livestock industry. As a result of the shrinking supplies, meat prices have increased at a faster rate in 1994 than inflation. The average wholesale price for beef

(manufacturing quality) rose by nearly 60 per cent from 332 leva per kg. in the first quarter of 1994 to 530 leva in the second quarter.

41. In recent years, Bulgaria has developed a brisk cattle trade with the Near East, in particular Lebanon and Syria. Live cattle exports were unusually high at 123,000 head in 1992 and fell back to 62,000 head in 1993. In the first half of 1994, exports reached 50,000 head. All live cattle exports are subject to non-automatic licensing. In order to safeguard Bulgaria's dwindling cattle herd, exports of breeding stock, i.e. live female cattle and ewes are currently banned. Following the outbreak of Foot-and-Mouth disease in neighbouring Greece in August 1994, Bulgaria banned imports of livestock and meat products from Greece. Last year, Bulgaria was one of the countries affected by the temporary EC ban on livestock, meat and dairy imports from Central and Eastern Europe and the CIS.

42. Bulgaria is currently negotiating its accession to the GATT.

Bulgaria		Estimates		% Change
	Unit	1992	1993	1993/92
Cattle numbers	'000 head	1,310	974	-26
Live cattle exports	'000 head	123	62	-50
Beef and Veal				
Production	'000 t	52	22	-58
Consumption	'000 t	n.a.	n.a.	n.a.
Imports	'000 t	0.4	20	4,900
Exports	'000 t	6.6	1.7	-74

Hungary

43. Hungary's livestock sector makes no exception in the general trend characterizing the four Central and Eastern European meat economies covered in this report. There has been a sharp decline in livestock numbers along with substantial cattle exports leading to structural over-capacities in the processing industry, a process driven by consumption cutbacks following the abolition of food subsidies. Cattle numbers declined from close to 2 million head in 1988 (i.e. before large scale economic restructuring began) to some 1.6 million head in 1989-90. End-of-year cattle number in 1993 are estimated at 990,000 head, 15 per cent less than in 1992. By mid-1994, cattle numbers were further reduced to 970,000 head. The resource base of Hungary's beef industry has shifted even more towards dairy cattle, with some 700,000 head of the total cattle stock being dairy heifers and cows (as of December 1993). Losses and liquidity problems plague the large-scale state-owned slaughterhouses; they often operate at not more than 30-40 per cent capacity.

44. Preliminary estimates indicate that beef production declined further in 1994 and reached some 50,000 tons during the first six months of 1994. Factors contributing to the persisting contraction include the downturn of the dairy industry and exports of calves and heifers. Meat consumption has decreased sharply in Hungary over the past few years. Per capita consumption of beef was estimated at 4.5 kgs. in 1993, approximately half of what it used to be during the late 1970s.

45. Hungary became a net importer of beef in 1993, though for live cattle it remains a net exporter. Combined, Hungary's beef/live cattle exports are estimated at 39,000 tons for 1993, down from 62,000 tons in 1992. Beef exports benefitted from a 30 per cent export subsidy on the export value. With the collapse of the Comecon, Hungary's obligatory shipments to the former Soviet Union were terminated, while a significant hard currency trade has not yet developed. The EC has become an alternative export market for Hungary. The market access arrangements of the EC Association Agreements with the Central and Eastern European countries provide for tariff quotas for beef at reduced levies, which in the past quota period 1993/94 were not even half filled (Table 2). Hungary's beef exports were mainly destined for Germany and Italy. Under supplementary protocols which were added last year. Salami, dry sausages and pork cuts also benefit from reduced levies.

46. Hungary's cattle exports are significant compared to the remaining stock. Live cattle exports in 1993 totalled 85,000 head, as compared to 80,000 in 1992. Most of these live cattle shipments were destined for Italy. Exports of bovine cattle were supported by a 10 per cent subsidy, and an additional temporary 10 per cent subsidy after the EC meat embargo in April 1993, which followed a Foot-and-Mouth (FMD) disease outbreak in Eastern Europe.

47. Hungary's beef imports increased to 24,000 tons (product weight) in 1993. Most imports were frozen beef from France and Germany. For certain products, Hungary decided on the early implementation of Uruguay Round tariffs, effective 1 November 1994. Unbound tariffs were, for example, raised to 61 per cent for poultry meat (corresponding to the Uruguay Round base rate of duty) and 59 per cent for live pigs. Under its Uruguay Round market access commitments, Hungary is committed to establish an annual tariff quota of 13,595 tons of beef and open increased access opportunities for pigmeat, poultry meat and edible offal of bovine animals and pigs.

Hungary	Unit	Estimates		% Change
		1992	1993	1993/92
Cattle numbers	'000 head	1,159	1,050	- 14.6
Live cattle exports	'000	80.4	84.6	5.2
Beef and Veal				
Production	'000 t	110	96	- 12.7
Consumption	'000 t	60	47	- 21.7
per capita	kgs.	5.7	4.5	- 21.1
Exports	'000 t	37.9	13.1	- 65.4
Imports	'000 t	12	24	100

Poland

48. After a sharp drop in livestock numbers in 1993, Poland's cattle and pig numbers appear to have stabilized during 1994. While considerably lower than end-of-year numbers in 1993, cattle numbers in the third quarter of 1994 were estimated at 6.7 million head, almost unchanged compared to the same period in 1993. The cow herd continued to decline to 3.5 million head, reflecting poor returns in the dairy sector. Cattle prices have stabilized. Beef and veal production for 1994 is estimated 429,000 tons, 5.5 per cent lower than in 1993.

49. Meat consumption in Poland is estimated to have declined from 73 kgs. per capita in 1991 to 68 kgs. in 1993. Pigmeat consumption has traditionally been higher than beef consumption but the gap has widened in recent years. In the second half of the 1980s, beef and veal consumption was approximately 16 kgs. per capita and pigmeat consumption about 38 kgs. By 1993, beef consumption had declined to 11 kgs. and consumption of pigmeat had increased to 40 kgs.

Table 2: Beef and Veal Access Opportunities under the EC Association Agreements (1 July 1993 to 30 June 1994)

	Quota Access (tons)	Used Access (tons)
Hungary	5,600	3,471
Poland	4,800	550
Czech Rep.	2,330	894
Slovak Rep.	1,170	706
TOTAL	13,900	5,626

Source: MLC.

50. Live cattle exports decreased from a record 723,000 head in 1990 to 240,000 head in 1993. Preliminary estimates for 1994 indicate an increase to 340,000 head. Beef and veal exports in 1994 are estimated at 15,000 tons. Major export destinations in 1993 were the European Communities, notably Germany, and Sweden. In June 1994, Poland introduced new import levies, so-called equalization payments, on a number of agricultural products, including pigmeat and poultry meat.

51. Under the Uruguay Round market access commitments, Poland will establish tariff quotas for beef (including edible offal, prepared meat products and live cattle) totalling 22,200 tons in 1995 and rising to 36,900 tons by 2000.

Poland	Unit	Estimate	Forecast		% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head (1 January)	7,643	n.a.	n.a.	n.a.	n.a.
Beef and veal						
Production	'000t	454	429	394	- 5.5	- 8.2
Consumption	'000t	436	400	380	- 8.3	- 5.0
per capita	kgs.	11.4	10.5	9.5	- 9.7	- 9.5
Imports (incl. live cattle)	'000t	50	45	n.a.	- 10.0	n.a.
Exports	'000t	38	40	n.a.	5.3	n.a.

Romania

52. Romania's agricultural production is estimated to have increased by 12 per cent in 1993. The recovery of Romanian agriculture has been in part the effect of land transfer into private ownership. By January 1994, some 90 per cent of the 9.1 million hectares due for allocation to private farmers under Romania's Land Law had been distributed.

53. Despite higher cattle slaughter, beef and veal production have fallen in recent years, except in 1990 when increased imports of fodder allowed a brief recovery in production. In 1993, there were first indications of stabilization in the meat sector. End-of-year cattle numbers are estimated to be only 2 per cent lower than in December 1992. It would also appear that beef production in 1993 increased compared to 1991-92. Beef consumption remains depressed, estimated at 9 kgs. per-capita in 1992-93. As in other Central and Eastern European countries, the drop in consumption was caused by sharply increased prices in the wake of the elimination of consumption subsidies beginning May 1993, as well as the overall economic crisis. In the first six months of 1994, beef prices at the retail level increased in line with overall inflation.

54. Romania has traditionally maintained an active trade in live cattle. In 1993, Romania decreed a temporary ban on live cattle exports, to counter a sharp increase in live cattle exports during 1991-92 (75,000 to 80,000 head). In the first six months of 1994, Romania exported 26,000 head, with Jordan and Italy being the main destinations. Romania's beef trade involves relatively small quantities. In the first six months of 1994, beef exports totalled 4,600 tons, as compared to a carcass equivalent of 8,200 tons of live cattle. Most beef exports (mainly canned or cooked) are destined for the EC, notably Germany. Since February 1991, livestock, meat and meat products have been subject to export quotas aimed at limiting domestic shortages. During the first nine months of 1993, in spite of increased export quotas, beef exports fell to 5 thousand tons, as compared to 8 thousand tons during the same period in 1992.

55. Romania is committed to establish, as part of its Uruguay Round market access commitments, an aggregate annual tariff quota of 19,000 tons for beef and pigmeat, including edible offals.

Romania	Unit	Estimates		% Change	
		1992	1993	1992/91	1993/92
Cattle numbers	'000 head (31 December)	3,683	3,597	-15.4	-2.3
Beef and veal					
Production	'000 t	n.a.	291	n.a.	n.a.
Consumption	'000 t	206	206	-19.7	0
per capita	kgs.	9.1	9.0	-19.5	-1.0
Imports	'000 t	11	n.a.	0.0	n.a.
Exports	'000 t	10.7	n.a.	72.6	n.a.

South Africa

56. In South Africa rainfall determines the carrying capacity of the cattle herd as breeding of slaughter animals is carried out on an extensive to semi-extensive basis. When average rainfall rises, the herd tends to increase with a two-year lag, and vice versa. In the 1991/92 season, South Africa was badly affected by a devastating drought. However, the drought did not severely upset the 'normal' 6-7 year production cycle as producers were able to resort to feed reserves. Around 60 per cent of all cattle are currently finished on feedlots. It had been expected that cattle slaughter would drop in 1993, however another drought in 1992/93 led only to a marginal decrease in slaughterings. The cattle liquidation phase during 1990-93 was accompanied by a sharp increase in female cattle cull, from 37 per cent in 1990 to 56 per cent in 1993.

57. In 1994, South Africa entered into the cattle herd rebuilding phase. A decrease in beef production was therefore anticipated, not however in the magnitude that eventuated. Total beef production for 1994 is now estimated at 580,000, a 17 per cent decrease over 1992. Concurrently, cattle prices increased sharply. Average producer prices in the first and second quarter of 1994 were 20 and 37 per cent, respectively, higher than in the corresponding quarters in 1993 (in nominal Rand terms). The upswing in the cattle cycle (herd re-building phase) is forecast to lead to another substantial decline in production in 1995. The peak of the cattle cycle is forecast for 1998.

58. Beef consumption in South Africa is a function, as in all other countries, of real disposable income, population growth, and price relativities. Food prices have been particularly hit by the rise in inflation in recent years, which has, of course, affected consumers' purchasing power. Consumer prices rose by almost 60 per cent in 1990-93. Meat prices, in particular for beef, were proportionally much less affected. According to the South African Meat Board⁴, beef prices increased by 11 per cent during 1990-93 while mutton and pork prices rose by 33 to 34 per cent. Nonetheless, beef has remained the price leader among the competing meats. In general, beef has a favorable but expensive image and is appreciated for its taste and tenderness. Per capita consumption of beef remained relatively steady at approximately 18.5 kgs in 1990-93 but was only second to poultry meat. Lamb and mutton consumption trails far behind beef (around 5-6 kgs. per capita in recent years) but sheepmeat has the best overall image among the competing red meats.

59. In 1994, beef prices began to rise sharply, ending the comparatively favourable price trend during 1990-93. In the first six months of 1994, retail prices of beef were 13 per cent higher than in the same period in 1993. For the second half of 1994, preliminary estimates indicated an even more dramatic increase in prices. Per-capita beef consumption is thus expected to decrease by 12 per cent in 1994, and is forecast to drop by another 15 per cent in 1995.

60. South Africa is a net importer of meat, in particular of beef and mutton. About 10 per cent of consumption is imported, the bulk of which is sourced from neighbouring countries in the customs union. These imports are mainly in the form of chilled or frozen carcasses as well as live cattle. In 1990-93, approximately half of total imports was beef and the other half was live cattle. In 1993, South African beef imports began to increase sharply and imports are forecast to have risen by another 40,000 tons in 1994 to a total of 72,000 tons. The EC is the major supplier of overseas beef imports which are mainly for processing. South African exports are controlled by the Meat Board under the Marketing Act and constitute only small quantities of frozen beef (1,000 to 3,000 tons in recent years). In spite of production cycles with recurrent over-supplies, South Africa has not developed a conspicuous export orientation.

61. South Africa is committed, under the Uruguay Round market access commitments, to establish an annual tariff quota of 26,254 tons of beef. The tariff quotas for pigmeat, sheepmeat and poultry meat, in particular, will be increased over the implementation period.

⁴The Meat Board, with the approval of the Minister, fixes floor prices at which it is prepared to buy dressed carcasses of cattle, sheep, goats and pigs at the auctions of classified abattoirs in the main urban centres. The Board purchases all carcasses which fail to reach the floor prices at these auctions.

South Africa	Unit	Estimates Forecast			% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head (1 January)	8,062	8,304	8,387	3.0	1.0
Beef and veal						
Production	'000 t	698	580	513	-16.9	-11.6
Consumption	'000 t	726	654	568	-9.9	-13.1
per capita	kgs.	18.4	16.2	13.8	-12.0	-14.8
Imports (incl. c.w.e. of live cattle)	'000 t	77	110	99.5	42.9	-9.5

Tunisia

62. In Tunisia, 80 per cent of the cattle is raised in the north of the country in the proximity of urban centres and where pasture conditions are relatively favourable. During the Seventh Plan (1986-1991), herd expansion fell short of the target rate. The average increase was less than 0.5 per cent as against a target rate of 4.2 per cent. This was largely attributable to two successive droughts in 1987-1988 and 1988-1989, and regulated retail prices. At the start of the planning period, producer prices had been relatively profitable but in the wake of the drought, feedstuff prices increased sharply. As retail prices for meat were fixed by the Government, cattle farmers lost interest in cattle rearing. At the same time, the slaughter of bovine animals accelerated sharply. In September 1990, retail prices for beef were deregulated.

63. Production increased from 38,950 tons in 1990 to 40,900 tons in 1991 and to 43,350 tons in 1992. This progressive increase reflects the recovery of cattle-fattening activity despite the liberalization of imports in July 1990. Given the importance of domestic demand for beef and milk under the Eighth Plan (1992-1996), cattle farming is expected to develop considerably so as to reach self-sufficiency by 1996 (assuming stable per capita consumption of about 19 kgs. per year). For this target to be met, beef and veal production will have to rise from 43,300 tons in 1992 to 52,100 tons in 1996.

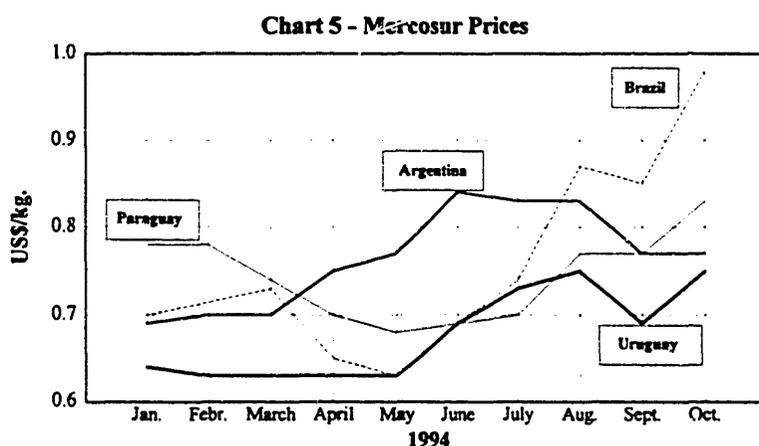
64. According to the targets set by the Eighth Plan, the cattle herd is forecast to expand from 357,500 female animals in 1991 to 366,000 female animals in 1996. The required increase in fodder production is expected to be achieved by the extension of areas sown for fodder, improved productivity through the introduction of high yield varieties, and improvements in the quantity and quality of concentrated feeds. Local barley and triticale is expected to gradually replace imported maize.

65. Tunisia is committed, under the Uruguay Round market access commitments, to establish an annual tariff quota of 8,000 tons of beef and 380 tons of sheepmeat.

Tunisia	Unit	Estimates			% Change	
		1991	1992	1993	1992/91	1993/92
Cattle and calf numbers	'000 head	686	732	n.a.	5.2	-
Beef and veal						
Production	'000 t	41	43	45	6.0	3.8
Consumption	'000 t	51	51	45	0.0	-11.8
Exports	'000 t	14	8	6	-42.9	-25.0

Argentina

66. According to the Argentinian Ministry of Agriculture, cattle and calf slaughter fell by 3.7 per cent in the first half of 1994⁵, to about 5.8 million head, but the share of cows in the overall slaughter increased by 2 per cent, while the share of steers remained stable. Lower cattle slaughter and average slaughter weights are forecast to result in a 5 per cent production drop for the year as a whole. It has been suggested that the decline in slaughtering levels in recent years (with the exception of 1993, when dramatic floods induced cattle losses and higher slaughter) is not due to herd rebuilding, but reflects lower cattle inventories and declining productivity. Depressed cattle prices (Chart 5), and reduced profitability have encouraged a growing number of farmers to expand their grain and oilseeds production at the expense of cattle raising, or turn to dairy production.



Source: PROCAR, Argentina.

⁵The downward trend in cattle slaughtering will have to be confirmed. Data delivered by the Senasa - the Argentinian Animal Health Service - (as reported by the "Informe Ganadero", No.328, 28 October 1994) indicates that in the 149 farms inspected by the Service which are estimated to handle about 86 per cent of total cattle slaughtering, cattle cull increased by 2.5 per cent from January to June. Such a difference would imply a significant revision of the sector developments this year.

67. On a monthly basis, cattle prices at Liniers decreased steadily from November 1992 to March 1994. The decline has been attributed to a number of factors including a new VAT collection system since mid-1992, reduced export demand, consumption inelasticity regarding beef prices, and sharply increased poultry meat consumption. Cattle prices have progressively recovered since last April but, for the first six months of 1994, averaged 5 per cent below the same period of 1993. After peaking at 0.818 pesos/kg. last August (up 4.3 per cent compared to August 1993), prices decreased again in September to 0.763 pesos/kg., the same figure as in 1993. In the last two to three years, retail beef prices have not always entirely reflected changes in cattle prices. In 1994 retail price trends seem to be back on track with cattle prices, but the rise observed since April remained much more modest (1.7-1.9 per cent). The historical spread between farm and the retail prices has increased steadily in recent years partly due to higher processing costs but seemingly also due to increased retailers' profit margins

68. Per capita beef consumption fell by an estimated 8 per cent from January to June 1994 and, at 62 kgs., it is expected to reach an historical low for the entire year. The trend towards increased poultry meat consumption to the detriment of beef has accentuated in recent years: from 84 kgs. per capita in 1970, per capita beef consumption fell to 66.9 kgs. in 1993, while poultry meat consumption grew from 7.5 kgs. to 20 kgs. Even if poultry meat retail prices run some 25-30 per cent lower than beef prices, it is believed in Argentina that more than price relativities, these dietary changes are due to promotion and marketing activities in favour of "healthier food" (lower cholesterol contents) and a fast growing consumer demand for ready-to-cook meals.

69. Absorbing about 90 per cent of production, the domestic market is by far the major outlet for Argentinian beef. Despite reduced output, weak domestic demand allowed for a 13 per cent recovery of beef exports from January to July 1994. Nonetheless, exports were 28 per cent below their level during the same period for 1991, and 1 per cent below 1992. Increased sales of Hilton beef to the European Community resulted in an 11 per cent gain in the export value compared to last year. However, the increase in total value conceals a decline in export prices for all categories of beef, with the exception of corned beef: high quality beef prices fell by 13.8 per cent, to US\$6,336/ton f.o.b.; manufacturing quality beef prices decreased by 14.8 per cent, to US\$1,306/ton f.o.b.; and corned beef prices increased by 5.3 per cent, to US\$2,376/ton f.o.b. Lower export prices are due to a relatively weak import demand in a number of Argentina's major markets for beef. In the European Communities, demand was significantly affected by an early hot summer and BSE fears and in the United States demand for imported canned and cooked beef was affected by large supplies of manufacturing beef.

70. Export composition differed from last year with the share of fresh, chilled and frozen beef accounting for 30 per cent of total exports and canned and cooked beef representing 23 per cent against 20 and 29 per cent, respectively in 1993. As far as export destinations are concerned, sales of Hilton beef to the European Community rapidly increased by approximately 49 per cent during the first half of 1994 and Israel re-emerged, immediately after Chile, as the third main market for boneless frozen beef, closely followed by Brazil. The European Communities and the United States continued to be the major markets for exports of canned and cooked beef. Despite lower exports of this type of meat, corned beef exports to the United States increased both in volume and value reflecting lower Brazilian exports to the US market. Recently, strong beef import demand from Brazil seems to be arresting the Argentinian cattle price decline. Exports to Brazil are rising steadily, stimulated by high Brazilian domestic prices, a strong new currency, the "Real", and the reduction to zero, for Mercosur countries only, of the 10 per cent Brazilian import tariff on bovine meat since 1 July 1994. As a result of the Uruguay Round negotiations, Argentina has seen current access opportunities for Hilton beef into the European Communities consolidated, and gained a 20,000 tons market access opportunity for uncooked beef into the United States, pending on compliance with US sanitary requirements. Furthermore, Argentina is one of the world's major beef exporting countries with the potential to significantly benefit from lower export subsidies and the recognition of Foot-and-mouth disease free areas implied by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

Argentina	Unit	Estimates		Forecast	% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	52,655	n.a.	n.a.	n.a.	n.a.
Beef and Veal						
Production	'000 t	2,508	2,411	n.a.	-3.9	n.a.
Consumption	'000 t	2,232	2,088	n.a.	-6.5	n.a.
per capita	kgs.	66.9	62.0	n.a.	-7.3	n.a.
Exports ¹	'000 t	280	308	n.a.	10.0	n.a.

¹1994: Secretariat's Estimate

Brazil

71. The Brazilian cattle and beef industry is heavily dependent on macro economic developments in the country. It can consequently be expected that the implementation of the new economic plan will play a significant rôle in market developments in 1994 and ahead. Moreover, some of the major Brazilian meat plants are going through an extremely difficult financial situation, possibly affecting the volumes of beef production and exports. Even before its implementation, the new economic plan - the "Plano Real" - was apparently already affecting the producers' behaviour. The experience of former economic plans in Brazil seems to have pushed a number of producers to withhold their cattle, fearing financial losses caused by changes in the plans after implementation. Moreover, the expectation of increased beef demand following the introduction of the plan, also a typical development with previous plans, was a further stimulus to cattle herd retention. Cattle prices which at about US\$1,59/kg. (average market price, fat cattle) were running higher than one year earlier, strengthened further. However, among other major features, the "Plano Real" differs from previous plans by no price freezing, nor dramatic salaries increases. Furthermore, it includes high interest rates favouring savings and contributing to sustain consumption, constituting, at the same time, an incentive to producers to release their cattle to the market.

72. The weeks following the implementation of the Plan saw no beef demand explosion but, as they coincided with the winter low season - during which cattle producers retain their cattle - cattle prices increased cyclically further. In September, apparently in relation with increased salaries to compensate for a limited push of inflation, beef demand resumed. Cattle prices reacted moving upwards and peaking at US\$1.93/kg. A further rise is estimated to have occurred in October in response to sustained demand and continued strong herd retention due to drought conditions.

73. Cattle and calf numbers are expected to rise by another 1.8 per cent in 1994, and projections are that an average annual 2 per cent growth will be maintained this decade. In 1994, extensive grass-fed cattle raising was affected by frost in some major producing states followed by persistent drought or extremely dry conditions. It is consequently conceivable that, in spite of the possible positive push of high interest rates, beef production shows a somewhat different trend from the expected annual 4.5 per cent growth forecast of last June. (Reporting recent data released by the Government of Brazil, the USDA is anticipating a production decline of nearly 2 per cent in line with somewhat lower cattle numbers).

74. Irrespective of the production trends, beef exports in Brazil as reported by the Brazilian Association of Meat Export Industries (ABIEC) from January to September 1994, increased by 1.7 per cent, to 311,559 tons or US\$446 million (up 11.4 per cent). However, in June exports were sharply

reduced when compared to their level in June 1993 and, since the introduction of the economic plan and of its dollar-parity feature, beef exports have decreased continuously reaching their lowest level in September since January 1993, on a monthly basis. The strong value of the new currency (the "Real"), a possibly slackening beef production and strengthening domestic demand are not only a handicap for Brazilian beef exports (reported to fulfil its GATT quota in the European Communities), but are also resulting in dramatic beef import rises. Live cattle and beef imports from Uruguay and Argentina have increased this year and boomed recently. Although at a lower pace once the Brazilian off-season is over, live cattle and beef imports - which are an important component in the Brazilian authorities struggle against inflation - are expected to continue in the near future. At a time of lower availabilities in the European Communities, Argentina and Uruguay and to a lesser extent Paraguay, are well placed to be the main beneficiaries.

Brazil	Unit	Estimates		Forecast	% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	149,120	151,833	n.a.	1.8	n.a.
Beef and Veal						
Production	'000 t	4,719	4,931	n.a.	4.5	n.a.
Consumption	'000 t	4,436	4,591	n.a.	3.5	n.a.
per capita	kgs.	29.4	30.0	n.a.	2.0	n.a.
Exports ¹	'000 t	428	460	n.a.	7.5	n.a.

¹1994: Secretariat's Estimate

Colombia*

75. The Colombian cattle industry has been expanding over the last seven years. With about 7 million milk cattle, 6.5 million beef cattle and some 11.5 million cattle for double purpose, the cattle herd totalled a record 25 million head in 1993. Increased inventories allowed for a 5 per cent cattle slaughter rise due in particular to higher adult male cattle cull. Cow slaughter decreased, suggesting that herd rebuilding will continue in 1994. Last year, beef and veal production grew by 5 per cent over 1992 when strong cattle retention resulted in a 10 per cent output fall. Further growth is forecast for 1994 and 1995 as slaughter is expected to increase and herd rebuilding to slow down.

76. In recent years, Colombia engaged in a modernization reform of its meat sector aimed at boosting productivity, improving marketing techniques and encouraging consumption. In 1993, a general law for the development of the Agriculture and Fisheries sectors was implemented to complement these efforts. The main objectives of the law are to guarantee the domestic production of food; increase production efficiency and competitiveness and "adequate the sector to the internationalization of the economy". Improved credit facilities will be introduced and technological development and social policies in the rural sector will be strengthened. A "National Cattle Fund" was created in December 1993 to provide financial support for the modernization process, in particular for meat and milk marketing, cattle, meat and milk exports, infrastructure, and cattle raising projects as well as industrial or commercial plants.

77. Colombia's beef production is almost exclusively sold at home. As with production, consumption fell significantly in 1992, but it grew more than production did last year. Because consumption is expected to also expand faster than production in 1994 and 1995, Colombia, so far a self-sufficient country in beef, will presumably become a net importing country as from the current year. The shift

in the beef trade balance was already evident last year. Live cattle imports (which occurred only in 1986 and 1987) reached 8,000 head, while exports fell from 96,000 head in 1991 to 5,000 head. Furthermore, beef and veal exports fell from 21,500 tons to 1,000 tons. Ecuador was the major live cattle supplier last year.

Colombia	Unit	Forecast			% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	24,964	n.a.	n.a.	-	-
Beef and veal						
Production	'000 t	768.2	777.4	793.1	1.2	2.0
Consumption	'000 t	767.8	820.1	840.6	6.8	2.5
per capita	kgs.	22.4	23.1	23.2	3.1	0.4
Exports	'000 t	1.1	n.a.	n.a.	-	-

Paraguay

78. In 1994, after three years of herd rebuilding, cattle numbers in Paraguay are expected to reach 10.3 million head, of which 95 per cent are beef cattle. In the absence of cattle slaughter data, stagnant beef production suggests that cattle herd retention remains high, a trend apparently favoured by rising cattle prices. Partly reflecting price developments in Brazil, which they tend to parallel (Chart 5, during the first three quarters of the year cattle prices averaged 1.27 pesos/kg., up by 24 per cent (or some 10 per cent in real terms) on 1993.

79. In 1994, beef consumption was under strong pressure from sharply higher retail beef prices which, in line with cattle prices, increased by 20 per cent. At 42 kgs, per capita consumption is anticipated to fall by 5 kgs and stabilise in 1995. Consumption of pigmeat (20.5 kgs.) and poultry meat (3.1 kgs), will only marginally benefit from lower beef consumption.

80. Imports of live cattle for slaughter are banned in Paraguay, but occasionally Paraguay imports small numbers of breeding cattle from Argentina. In 1994, imports rose sharply and from January to September reached 79,600 head, compared to 6,100 head for the entire year of 1993. Some of those imports may have been re-exported to Brazil. Small quantities of beef were also imported from Argentina. A traditional beef exporter, Paraguay has seen its sales to other markets declining in recent years. From January to September 1994, exports amounted to 17,400 tons, apparently revealing some export recovery to approximately 24-26,000 tons for the year as a whole. Current forecasts for 1995 are for a significant rise to some 47,000 tons. Chile, Brazil and Argentina are the traditional main markets. Reflecting high prices in Brazil, sales to this market are believed to be significantly higher.

Paraguay	Unit	Estimates		Forecast	% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head (1 January)	9,861	10,255	10,666	4.0	4.0
Beef and veal						
Production	'000 t	225	225	226	0.0	0.4
Consumption	'000 t	200	185	185	-17.5	0.0
per capita	kgs.	47	42	42	-10.6	0.0
Exports	'000 t	22	25	47	13.6	88.0

Uruguay

81. Continued strong herd rebuilding in spite of depressed cattle prices, is an indicator of the Uruguayan cattle and beef industry's recovery after the difficult years provoked by the dramatic 1988/89 drought. With a 5 per cent growth, cattle numbers reached a peak in June 1994 not matched since 1982. Except for calves, herd expansion reflects higher numbers of all categories of cattle, in particular beef cows which rose by 9.5 per cent.

82. From January to June 1994, nominal cattle prices averaged 5.39 pesos/kg., up by 24 per cent, a rise entirely eroded by inflation (real cattle prices as deflated by the consumer price index decreased by 16 per cent). Nonetheless, high cattle inventories and strong export demand allowed for a significant rise of cattle slaughter. From January to June, cattle slaughter grew by 12 per cent, to levels never reached in recent years. As in 1993, cow and calf slaughter were particularly strong, a clear indication that the cyclical herd downturn is close. Cattle prices in Uruguay tend to roughly parallel price developments in neighbouring Argentina (Chart 5) and, in June 1994, prices had begun to recover. Current projections are for a 6 per cent rise in real terms. Encouraged by the price rise, producers in need of cash flow after several years of a difficult financial situation, intensified cattle cull which is estimated to have accelerated significantly since July, resulting in a forecast 17 per cent increase by the end of the year. In 1995, cattle cull is forecast to grow further and herd rebuilding is foreseen to slow down significantly.

83. Strongly increased female and calf participation in the total slaughter mix resulted in a 3 per cent drop in average weight, but high cattle cull more than compensated for the weight loss, leading to a 12 per cent beef production rise. At 69 kgs., per capita consumption is not expected to show any significant change compared to last year but, because consumption in Argentina is estimated to have fallen to 62 kgs., Uruguay became the first world per capita consumer of beef for the first time in history. Sheepmeat consumption, the most direct competitor to beef, continued to lose ground in favour of poultry meat, falling from 16.2 kgs. to 14.1 kgs. Poultry meat is more highly priced than beef, but its consumption continued in a slow but continued growth, reaching 10.3 kgs.

84. Uruguayan beef exports increased by 11 per cent from January to June 1994, reaching 72,000 tons. The average export price was US\$1,496/ton f.o.b., 3 per cent higher than in 1993. Clearly, Uruguay seems to be benefitting from lower export availabilities in Argentina and in particular in Brazil. Boosted by strong import demand, during the first half of 1994, sales to Uruguay's major export markets were close to or surpassed levels reached for the entire 1993: to Israel - first export destination in tonnage, along with the European Communities - exports reached 17,400 tons, product weight, only slightly below the levels for the entirety of 1993; at approximately 20,000 tons, sales to the European Communities were about 3,000 tons higher; and 8,500 tons exported to Brazil during

that period compare with 3,000 tons sold for the whole of 1993. Sales to Chile were running at similar levels from one year earlier, while exports to Argentina, at a more modest level, also increased. Pushed by continued strong import demand, in particular in Brazil, total annual exports in 1994 are forecast to rise by 33 per cent, reaching the highest level since 1990. With large availabilities provided by high inventories, beef exports are projected to rise by a further 29 per cent in 1995. As with Argentina, Uruguay has seen current market access opportunities to the European Communities consolidated by the Uruguay Round negotiations and is set to benefit from a 20,000 ton increased market access opportunity for fresh, chilled or frozen beef to the United States, provided that it complies with US sanitary requirements.

Uruguay	Unit	Estimates		Forecast		
		1993	1994	1995	1994/93	1995/94
Cattle Numbers	'000 head	10,093	10,614	10,740	5.2	1.2
Production	'000 t	308	345	376	12.0	9.0
Consumption	'000 t	213	215	202	0.9	-6.0
per capita	kgs.	69	69	65	0.0	-5.8
Exports	'000 t	105	140	180	33.3	28.6

Canada

85. In the last ten years, the Canadian cattle and beef industry has gone through major changes in location and rationalization⁶. The underlying structural similarities and growing interdependence of the Canadian and the United States' industry also implied that changes in the location and rationalization in the United States' industry result in similar moves in Canada. Virtually all slaughter steers and heifers in Canada are finished in feedlots and account for about 80 per cent of total beef production. Approximately 75-80 per cent of beef cattle production and slaughtering activities are currently concentrated in western Canada, whereas the most populated regions are in eastern Canada. In 1992, the province of Alberta had more than 42 per cent of the beef herd and accounted for more than 47 per cent of Canada's cattle and calf slaughter. This concentration of the industry in the west, resulted in large quantities of beef being sent to the east, which also imports large volumes from the United States.

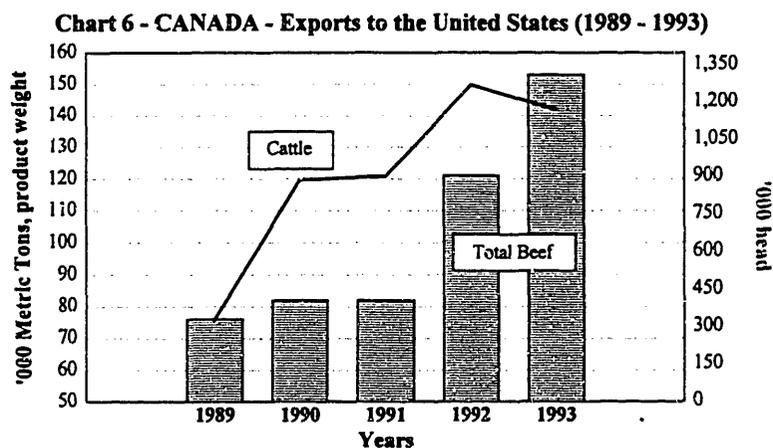
86. The move of the cattle-feeding industry from east to west paralleled a similar shift in the United States' industry which moved from traditional feeding states in the north-central regions, to the Great Plains. As in the United States, the industry move from consumption centres to the livestock production areas was related to the facilitation of operations and the lower costs involved in shipping boxed meat rather than livestock. In both countries the beef-packing industry followed the movement and is today largely located in the west. This transfer of the beef-packing industry was accompanied by an increasing degree of concentration. In Canada, packing plants slaughtering cattle dropped from 132 in 1986 to 103 in 1992, while in the United States the drop was from 1,380 plants to 971. The decline in packing plants slaughtering calf was even more accentuated in both countries.

⁶Source: An Inquiry into the Competitiveness of the Canadian Cattle and Beef Industries, Canadian International Trade Tribunal, November 1993. See also IMC/INV/11/Rev.5.

87. By 1 January 1995, the total Canadian cattle inventory is projected at 12.8 million head, a 3 per cent rise over 1994. Herd expansion, due entirely to sustained growth of the beef herd, is expected to continue through 1996. The continued cattle price rise observed in recent years was interrupted in 1994. Ontario slaughter steer is believed to have fallen by about 2 per cent, to Cdn\$ 95.45/cwt, reflecting large cattle supplies and falling prices in the United States. Cattle prices are forecast to decline further in the next two years, encouraging the beginning of a new herd reduction phase as from 1997. Total cattle and calf slaughter is expected to show little change in 1994 but, as in the United States, record slaughter weights are expected to result in a 2.3 per cent beef production growth. Lower cattle prices will push slaughtering up as from 1995.

88. Beef consumption has declined significantly in recent years, largely due to price relativities to other meats. Despite improved economic growth, the expected consumption recovery did not materialise in 1994 and, at 32.9 kgs., per capita consumption should reach a record low. The approach of the cattle cycle peak and its downward pressure on cattle prices should lead to lower retail beef prices which, added to growing consumers' income, might result in beef consumption recovery as from next year.

89. The above-mentioned industry changes had a significant impact on the pattern of live cattle and beef trade between Canada and the United States. Growing demand by US packers for finished cattle boosted exports of slaughter and feeder cattle from (western) Canada to the United States, which reached a peak in 1992. Exports have since declined somewhat (Chart 6). In 1994, increased Canadian meat packers' activity, reduced demand from US packers and the approaching peak level of the US cattle herd all contributed to an expected 6 per cent drop in Canadian cattle exports. Although a further 5 per cent decrease is forecast for 1995, it is estimated that slaughter cattle exports will remain strong, keeping Canada in a net beef equivalent export position.



90. As with cattle exports, Canadian beef exports go mainly to the United States and have also increased steadily in recent years (Chart 6). In 1994, 96 per cent of the 230,000 tons (mostly boneless manufacturing beef) which Canada expects to export, will go the United States, the rest will go to Japan and Mexico. Exports are forecast to decline in 1995, but the share of more valued higher quality cuts could increase. The corollary to the transfer of the Canadian cattle and beef industry to western Canada was a growing import demand in the eastern provinces, in particular southern Ontario and Quebec, where the large consumption centres are located closer to the United States Great Plains facilities. Over a period of ten years, imports of high quality beef from the United States increased from a mere

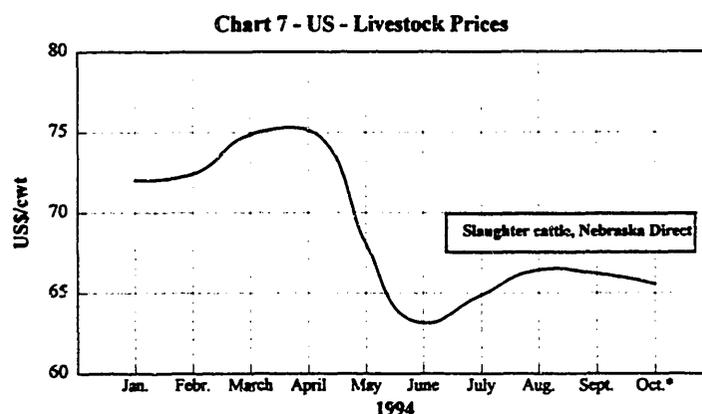
12,000 tons, to 103,000 tons in 1993. During the same period of time, imports of manufacturing beef from Australia and New Zealand also grew sharply from about 63,000 tons to some 150,000 tons.

91. In 1993, a significant beef import rise from Australia and New Zealand led the Canadian authorities to take a GATT Article XIX safeguard action to protect the Canadian industry and establish a tariff quota of 48,014 tons from 1 May to 31 December 1993 for countries other than the United States. The action was pursued this year, and the tariff quota for 1994 fixed at 72,102 tons. The quota was filled during the first four months of the year and, on 6 May 1994, Canada extended the quota by 13,000 tons. Subsequently, effective 6 October 1994, the following cuts were exempt from the tariff quota: eye of round, outside round, outside flat, inside round and sirloin tip. Australia and New Zealand agreed with Canada that their reciprocal rights and obligations under the General Agreement will be maintained for this purpose and have further agreed to extend to 8 December 1994 the time period set forth in GATT Article XIX:3(a) within which Australia or New Zealand must notify any intention to suspend substantially equivalent concessions to Canada.

Canada	Unit	Estimates		Forecast		% Change	
		1993	1994	1995	1994/93	1995/94	
Cattle numbers	'000 head	11,786	12,306	12,675	4.4	3.0	
Beef and Veal							
Production	'000 t	883	903	923	2.3	2.2	
Consumption	'000 t	954	960	995	0.6	3.6	
per capita	kgs.	33.2	32.9	33.7	-0.9	2.4	
Imports	'000 t	280	299	278	6.8	-7.0	
Exports	'000 t	190	230	200	21.0	-13.0	

United States

92. Favourable weather conditions through the summer in most areas of the United States resulted in a strong recovery of feed grain production compared to one year earlier. This was a welcome development for US livestock producers at a moment when cattle prices were under strong pressure due to large supplies of all types of meat. Fed-cattle prices were US\$8 to US\$10 per cwt. below the previous year and feedlot selling prices continued to run well below breakeven prices.



93. On 1 September 1994, cattle on feed in the seven reporting States, although at lower levels than in 1993, were the second largest since 1978. August net placements were also lower than last year (although still the second largest since 1987) but marketings increased by 3 per cent. Cattle marketings are expected to remain above those recorded last year in response to continued high placements.

94. Favourable forage supplies continued to support cattle herd expansion this year. Current forecasts for the 1 January 1995 cattle census foresee total cattle and calf inventories up by 1.7 per cent from 1994. According to the mid-1994 cattle census, beef cows and replacement heifers increased by 2.5 per cent and the calf crop was expected to rise by 2 per cent. This signals the continuation of the moderate herd expansion and growing beef production.

95. Total cattle slaughter is expected to rise by 1.7 per cent in 1994, but beef production is forecast to grow by 5 per cent, reflecting record slaughter weights. Based on the large 1994 calf crop and stable slaughter weights, the USDA forecasts a further beef output growth in 1995. Despite the large availabilities of less expensive meat, in particular pigmeat, estimated per capita beef consumption increased by 4 per cent, to nearly 44 kgs. in 1994. This is related to expanding consumers income and lower retail prices, in particular in the hamburger sector, where hamburger chains are running an aggressive marketing campaign. In 1995, beef consumption is expected to grow further in response to continued large beef supplies.

96. According to the United States Customs Service, beef and veal imports ran 8.9 per cent below last year between January and mid-October 1994. Abundant domestic supplies largely explain the import drop which reflects a 17 per cent reduction in imports from Australia and New Zealand (under the 1994 VER agreements with the two countries, access levels have been reduced by 4.3 per cent, to approximately 302,000 tons and 184,000 tons, product weight, respectively). In the meantime, imports from Canada and Mexico have increased by 18 per cent (Table 3) as a consequence of the NAFTA. Lower imports from Australia and New Zealand during the first months of the year were due to diversion

Table 23 - US Beef imports (January-October)
(tons, product weight)

Subject to the MIL	1993	1994	% Change
Australia	280,182	235,485	-16.0
New Zealand	183,096	149,937	-18.1
Others	52,211	52,965	1.4
Sub-Total	515,489	438,387	-15.0
Not subject to the MIL			
Canada	113,802	134,220	17.9
Mexico	469	891	90.0
Sub-Total	114,271	135,111	18.2
Total	629,760	573,498	-8.9

Source: USDA/US Customs Service

of exports to Canada to fill the first-come-first-serve quota. Imports have also been affected by persistent drought in Australia. Prices for domestic product in the United States remain lower than the imported product prices but nonetheless, both Australia and New Zealand are expected to fill their remaining entitlement until the end of the year.

97. Boosted by sales to Korea, Japan, and Mexico, US beef exports grew by 22 per cent from January to August 1994. Sustained export growth to Japan is supported by a favourable exchange rate and growing demand for imported beef, now perceived by consumers not only as cheaper than the domestic product, but also of high quality. Increased sales to Mexico (up by 60 per cent, to about 62,500 tons from January to August) reflect the duty-free trade between the two countries under the NAFTA. The rise largely exceeds United States expectations that exports to Mexico would return to resume levels reached before Mexico imposed 20-25 per cent tariffs on beef imports in 1992 (Mexican imports of US beef in 1991 reached 62,000 tons). On

3 June 1994, at the request of the "Confederación Nacional Ganadera", the Mexican authorities initiated an anti-dumping investigation on beef imports from the United States. The results of the investigation are expected by mid-1995. US beef exports to Korea increased by approximately 50 per cent from January to August 1994 (to 50,000 thousand tons), boosted by sustained import demand for grain-fed beef. However, based on charges by the United States meat industry that Korea is using non-tariff measures that violate the agreement reached with the United States in July 1993⁷, US authorities agreed last October to launch a Section 301 investigation against Korea on this subject. The US meat industry claims that Korean restricted shelf-life requirements; lengthy meat inspection procedures; and unfair contracting practices hinder US exports of beef and pork sausages, beef and pork in vacuum packaged cuts and beef patties.

98. Large fed-cattle supplies and reduced demand from US packers resulted in lower live cattle imports from Canada, forecast to fall by 17 per cent to 1.1 million head in 1994. Lower feeder-cattle prices in the United States also had a dampening effect on imports of feeder cattle from Mexico which should reach 1.25 million head, down from 1.3 million head in 1993. In 1995, live cattle imports from Canada are expected to resume, while imports from Mexico are expected to fall further. Increased sales of US live cattle exports from January to August 1994, to both Mexico and Canada resulted in a 38 per cent growth, to 138,450 head.

99. As a result of the Uruguay Round, the United States will replace the Meat Import Law (MIL) with a tariff equivalent of 31.1 per cent. The tariff will be reduced by 15 per cent in equal annual instalments over six years, resulting in a final tariff of 26.4 per cent. In addition, the United States will open a tariff quota for beef totalling 656,621 tons. The tariff quota will be expanded by an additional 20,000 tons each for Argentina and Uruguay if these countries meet US sanitary requirements for uncooked beef. Mutton imports which are covered by the MIL will not be counted against the aggregate tariff quota. Current access opportunities for mutton will be preserved by maintaining the current tariff (subject to the reduction commitments).

United States		Estimates			Forecast		% Change	
	Unit	1993	1994	1995	1994/93	1995/94		
Cattle numbers	'000 head	100,611	101,749	103,400	1.1	1.6		
Beef and Veal								
Production	'000 t	10,584	11,120	11,282	5.1	1.5		
Consumption	'000 t	11,019	11,526	11,722	4.6	1.7		
per capita	kgs.	42.8	44.3	44.6	3.5	0.7		
Exports	'000 t	578	685	721	18.5	5.3		
Imports	'000 t	1,089	1,089	1,127	0.0	3.5		

⁷This agreement followed the adoption of three GATT panels initiated at the request of the United States, Australia and New Zealand regarding the Korean suspension of beef imports between 1985-1988. See "The International Markets for Meat, 1993-1994", page 40 for more details.

Australia

100. Yet another severe drought hit Australia this year. Queensland and New South Wales, two major beef producing states, were particularly affected. The drought struck at a time when producer prices have recovered after a series of meagre years (notably in the wool sector) and world market prospects for Australia's beef and dairy industry look bright. The drought was accompanied by a temporary surge in slaughtering of breeding cattle. Consequently there have been concerns in Australia's A\$3 billion beef export industry that the drought may temporarily jeopardize Australia's capacity to take advantage of increased access opportunities in the United States, as well as to supply the growing markets in Japan and Korea. The main impact of the drought is, however, likely to be felt on the domestic market, as beef supplies will continue to be attracted by higher prices abroad. Moreover, the drought has led to a sharp rise in feed costs to the extent that Australia is likely to import feed grain this year, mainly for use in the poultry industry. The feedlot industry has also been affected by tight grain supplies, which may scale down the growth of the feedlot industry next year.

101. Australia's beef production is still mainly based on grass-fed cattle. Hence seasonal weather conditions will remain crucial for slaughter productions levels in 1994/95 as well as in the future. The grain-fed cattle herd totalled approximately 470,000 head (August 1994), which is still less than 2 per cent of the total herd. However, feedlot capacity and the share of grain-fed production, is forecast to increase further, creating a production stabilizing trend. The expansion has been driven by the growth of exports to Japan, some 40 per cent of which is grain-fed beef. Slaughter weights are forecast to increase to 244 kgs. in 1994 and continue to rise in the years to come. Higher forecast slaughter weights reflect the expansion of cattle finishing in feedlots as well as higher retention of breeding cattle. ABARE's price forecasts for 1994/95 have been successively lowered over the past months and the saleyard indicator price is now forecast at A\$2.40 per kg., a 2 per cent increase over 1993/94. This reflects the lower than expected prices in the US market as well as a drought-induced decline in beef quality (i.e. a lack of well finished cattle and an increase in cow slaughter). The percentage of cow slaughter reached 44 per cent in August, which was high by historical standards, but declined to 30 per cent in Queensland in early October.

102. Australia's beef exports are estimated to be slightly lower in 1994 but are forecast to rise steadily as from next year to 1.46 million tons by 1998. In the United States, market access opportunities in 1994 are at a ten-year low. The current VER agreement with Australia provides for access opportunities of 301,600 tons product weight for 1994, some 4 per cent less than in 1993. Australian exports to the United States were almost 20 per cent lower in the first half of 1994 but due to the drought-induced increase in cow slaughter (manufacturing-quality beef), the US quota entitlement is still expected to be filled this year. As a result of the tariffication of the MIL, Australia's access to the United States from 1995 will be 378,214 tons, 25 per cent higher than in 1994. In medium term, improved market access to the US manufacturing beef market will complement, to some extent, the anticipated export expansion to Japan which predominantly imports table beef from Australia. It is estimated that 40 per cent of a 'Japanese ox' is of manufacturing quality beef. Australia's exports to Japan are again forecast to rise this year but not nearly as dramatically as indicated during the first quarter of 1994. First-quarter imports from Australia increased by 50 per cent compared to the same period in 1993 (a phenomenon linked to the April 1993 tariff cut in Japan, see section on Japan). During the hot summer months in Japan, exports were low but seasonal demand is forecast to pick up in the last quarter of 1994. The medium-term outlook for Australia's exports to Japan remains positive, in particular in light of the re-assurance of the Andriessen Agreement, an undertaking by the EC not to export subsidized beef to markets in the Pacific Basin (Japan, Korea, Taiwan, Singapore, Malaysia and Papua New Guinea). Market access to Korea in 1994 was initially limited at 106,000 tons of boneless beef, 7,000 tons more than in 1993. The quota was subsequently raised by 20,000 tons reflecting strong internal demand, giving a total which matches Korea's access commitments for 1995 (123,000 tons). Korea's beef consumption in 1994 is estimated at 278,000 tons, a 19 per cent increase over 1993. Over the past three years, Australia has lost market shares to the United States and New Zealand, as

a result of a shift in Korea's imports towards grain-fed cuts from the United States and grass-fed carcasses from New Zealand. This year Australia has been successful in increasing exports of grass-fed beef. Exports to Canada are forecast to be significantly lower this year as a result of Canada's safeguard action entailing a 25 per cent surtax for imports exceeding 85,000 tons boneless beef. Although the Canadian quota was filled in May, Australian exports have continued to flow, albeit in lower volumes, over the surtax. Australia will be the major beneficiary of Canada's derogation from the surcharge order for certain beef cuts, effective 6 October 1994. The surtax almost matches Canada's final bound (out-of-quota) tariff of 26.4 per cent tariff negotiated in the Uruguay Round.

103. The largest market for Australia's beef industry remains, by far, the domestic market. The general trend has been one of strong export demand, raising domestic beef prices in the process. Since the late 1980s beef has lost competitiveness, particularly vis-à-vis poultry meat, but also against lamb and pigmeat. The recession intensified the downward trend in beef consumption. Despite an increase in retail prices for beef this year, the economic recovery appears to have given a relatively strong stimulus to beef consumption. Consumer demand is, however, expected to weaken in the years to come as export demand further pushes up domestic beef prices.

Australia		Estimate			Forecast		% Change	
	Unit	1993	1994	1995	1994/93	1995/942		
Cattle numbers	'000 head (31 March)	26,204	26,768	26,659	2.2	- 0.4		
Beef and Veal								
Production	'000 t	1,806	1,818	1,839	0.7	1.2		
Consumption	'000 t	636	674	645	6.0	- 4.3		
per capita	kgs.	36.3	38.0	36.0	4.7	- 5.3		
Exports	'000 t	1,169	1,151	1,194	- 1.5	3.7		

Source: AMLC

New Zealand

104. While world market prospects for New Zealand's beef, lamb and dairy producers look promising, the meat processing industry is currently in a state of crisis. Two large meat processing companies have recently collapsed, highlighting the problems of seasonal supply and over-capacity of the processing industry. At farm level, sheep numbers continue the decline which began in 1984 with the elimination of guaranteed prices, while the dairy and beef cattle herds are expanding further. These structural changes in New Zealand's agriculture reflect farmers' adjustments to significantly higher returns in dairying as compared to sheepmeat (lamb) and wool. Total cattle numbers showed an almost 3 per cent increase in the June 1994 census compared to one year earlier, which is largely attributable to increased herd sizes of New Zealand's dairy farmers. The expansion of dairy farming is also reflected in a decline in total cattle cull (down 6 per cent in 1994). Male cattle slaughter decreased by 10 per cent to 1,093,000 head at average carcass weights of 301 kgs.

105. New Zealand beef consumption recovered in 1994 after several years of decline. In the late 1980s, New Zealand's per-capita beef consumption averaged about 35 to 40 kgs. but subsequently

dropped by almost 10 kgs., a fall which was largely price-induced. Beef demand on the world market has pushed up domestic prices from NZ\$ 5.20 to NZ\$ 5.90 per kg. during 1986-88 to levels above NZ 8.00 per kg. since 1990. In 1994, however, per-capita consumption rose by 5.3 per cent as retail prices dropped by about 5 per cent and real income increased by more than 3 per cent.

106. New Zealand beef exports are expected to increase only marginally in 1994, partly as a result of further reduced market access to the United States, New Zealand's major export market. As 85 per cent of New Zealand's beef production is destined for exports, exchange rate fluctuations feed back on farmers' receipts. In 1994, the average export price remained steady at US\$ 2,450 per ton but the appreciating NZ dollar against the US dollar led to 8 per cent lower farmgate prices.

107. New Zealand's exports of fresh/chilled/frozen beef and veal (mainly manufacturing quality) totalled 314,000 tons product weight in 1993. Roughly 60 per cent of this total was destined for the United States. Market access to the United States is therefore a crucial parameter for the New Zealand beef industry. In 1994, New Zealand's market access opportunities to the United States under the bilateral VER agreement were reduced by 9,000 to 184,388 tons product weight. Export activity to the United States was considerably lower in the first half of 1994 compared to 1993 as US demand was weak and shipments were diverted to Canada. For the year as a whole, the US access quota is still expected to be filled. As a result of the Uruguay Round, the US Meat Import Law will be replaced by a tariff quota which will give New Zealand higher and guaranteed annual market access of 213,402 tons (product weight). New Zealand exports to Canada rose from 19,200 tons in 1992 to 50,300 tons product weight in 1993, a development resulting, not least, from the import restrictions imposed by the United States. In the first months of 1994, New Zealand exporters were competing with Australia in order to maximize exports under Canada's access quota of 72,000 tons (later extended to 85,000 tons). This quota was filled on a first-come-first-served basis after which over-quota exports were subject to a surcharge of 25 per cent. New Zealand's share of the Canada aggregate beef tariff quota to be established as a result of the Uruguay Round will be 27,600 tons, roughly the same quantity New Zealand exported (under the special circumstances of Canada's safeguard action) from January to April 1994. Unlike the current tariff quota which is subject to an in-quota tariff of Can\$44.10 per metric ton, future market access under the Uruguay Round tariff quota will be duty-free. Korea has become another important market for the New Zealand beef industry, keen to diversify its markets. Exports rose from 10,300 tons in 1992 to 18,900 tons product weight in 1993, as a result of strong beef demand in Korea as well as trade diversion flowing from the US import restrictions. In the first six months of 1994, New Zealand exports to Korea totalled 14,100 tons (up 51 per cent compared to the corresponding period in 1993). In Korea, New Zealand holds a dominant position in the market segment for grass-fed bone-in quarter beef.

New Zealand		Estimates		Forecast	% Change	
	Unit	1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head (June)	8,313	8,550	n.a.	2.8	n.a.
Beef and Veal						
Production	'000 t	581	550	579	-5.3	5.3
Consumption	'000 t	94	101	99	7.4	-2.0
per capita	kgs.	26.6	28.0	27.1	5.3	-3.2
Exports	'000 t	464	469	505	1.1	7.7

Japan

108. Since the mid 1980s, Japan has been one of the fastest growing beef markets in the world, with imports growing at double-digit rates, albeit starting from a low base (average growth per annum in 1985-92 was 16.3 per cent). Among the world's largest beef importers, Japan is now second only to the United States. Concurrently, Japan's self-sufficiency degree dropped from 72 per cent in 1985 to 44 per cent in 1993. Traditionally Japan has not been a meat consuming country; even today, fish and soybean products are main sources of protein in a typical Japanese diet. Per capita consumption of fish is higher than consumption of beef, pigmeat, and poultry taken together. However, per capita beef consumption rose from 5.5 kg. in 1989 to 7.5 kg. in 1993, while poultry and pigmeat consumption stagnated. In spite of the increase in recent years, beef consumption in Japan is still the lowest among industrialized countries. The main reasons have been the rise in disposable household income, population growth and changes in price relativities. Furthermore, there has been a change in dietary habits towards western style foods, stimulated by strong marketing efforts, notably by the major exporters, the United States and Australia. As a result of deregulation, enhanced competition between distributors as well as promotion campaigns and discount sales have made imported beef an attraction for shoppers, supermarkets and the food section of department stores.

109. More recently, tariff reductions have made beef more competitive vis-à-vis other meats. With the beginning of FY 1991, quantitative restrictions on beef imports were phased out and replaced by tariffs including a safeguard provision. Tariffs were subsequently lowered from 70 per cent in FY 1991 to 50 per cent, effective since April 1993. The safeguard mechanism (so-called Emergency Adjustment Measures) for FY 1994 until the entry into force of the WTO Agreement, provides for an adjusted tariff of 75 per cent, should beef imports exceed 680,832 tons (shipped weight). The trigger level is not, however, expected to be reached this year. Japan's effective bound tariff for beef resulting from the Uruguay Round will be 50 per cent beginning in 1995. The applied tariff, as opposed to the bound tariff, will be reduced from 50 per cent in 1995 to 38.5 per cent in 2000, subject to a safeguard mechanism.

110. Japan's beef imports increased by 30 per cent in FY 1992 and by another 34 per cent in FY 1993 (totalling 567,000 tons boneless). In addition to the above-mentioned factors, the rise in imports was due to the appreciation of the yen, e.g. 14 per cent against the US dollar in 1993. Prices for imported boneless beef cuts (in yen c.i.f.) thus dropped by 15 per cent in FY 1993. Nonetheless, Japan remains one of the most attractive markets for exporters. In FY 1993, prices averaged yen 1,013 c.i.f. per kg. of fresh/chilled loin (approx. US\$ 9,100 per ton) and yen 431 per kg. for fresh/chilled chuck, clod and round cuts, the major beef import category. Since the beginning of import liberalization in 1991, beef imports have shifted from frozen beef towards higher quality chilled and grain-fed beef. Once convinced that the high quality of Japanese beef would compensate for the price difference between domestic and imported beef, the Japanese beef industry is now faced with a growing interest of consumers for less expensive, high quality imported beef. Past import growth is not expected to be sustained in FY 1994. Imports during April to July 1994 were actually 4 per cent lower than in the same period one year earlier.⁵ Demand continued to be weak through the hot summer in Japan, but consumption is expected to increase seasonally in the last quarter of 1994.

111. Australia has been the major beneficiary of Japan's rapidly growing imports. During the past three years, Australia's share of total imports held steady at 54 per cent, followed by the United States

⁵ In 1994, imports in January, February, and March were ahead of 1993's monthly imports by 28 per cent, 54 per cent and 144 per cent, respectively. One reason for this import surge is the tariff reduction in April 1993 which distorted 'normal' underlying import growth. Imports in the first quarter of 1994 are, to some extent, inflated due to the fact that importers had held back in the first quarter 1993 in anticipation of the scheduled tariff cut.

with 43 per cent and New Zealand with 2 to 3 per cent. In the first few months of FY 1994, however, New Zealand increased its share to 5 per cent, mainly at the expense of Australia. Australia dominates the category of fresh/chilled beef with an increased portion being grain-fed beef, whereas the United States predominantly supplies frozen grain-fed cuts.

112. Japanese domestic beef production is predominantly based on the fortunes of dairy production, including the breeding of dairy calves for fattening and dairy steer fattening. Nearly 60 per cent of total cattle slaughter comes from dairy breeds, the remainder being the higher quality Wagyu beef cattle breeds. As a consequence of import competition, domestic producers have been faced with price pressure, which has led to a shift from dairy breeds to beef cattle. Prices for dairy-type feeder calves, which represent an important secondary income source to dairy producers, were particularly affected. Prices for Holstein calves decreased from yen 526 per kg. in FY 1991 to yen 290 in FY 1993 and prices continued to weaken in FY 1994 to levels around yen 230 per kg. In compensation, calf producers have been receiving deficiency payments over the past years. Dairy cattle slaughter, in particular dairy steer slaughter, began to decline to 1993 and continued to decrease through 1994. Monthly slaughter rates in 1994 were about 6 per cent lower than one year earlier. By contrast, Wagyu cattle numbers and slaughter have increased steadily in recent years. Cattle slaughter of Wagyu breeds increased by 8 per cent in FY 1993 and rose by 10 per cent in the beginning of FY 1994. The expansion of Japan's beef cattle sector, despite declining prices, has been accompanied by expanding herd sizes, notably among corporate holdings.

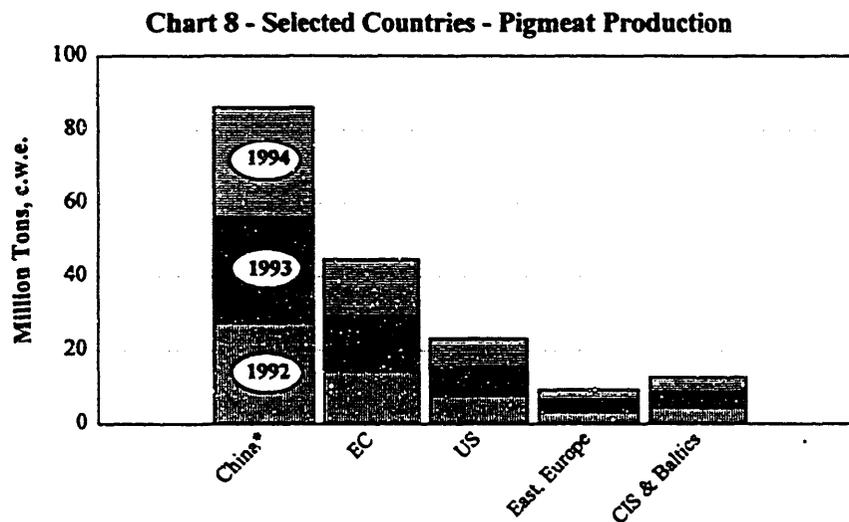
Japan	Unit	Estimates		% Change	
		1993	1994	1993/92	1994/93
Cattle numbers	'000 head (1 February)	5,024	4,990	0.9	-0.7
Beef and veal:					
Production	'000 t	594	605	0.3	1.9
Consumption	'000 t	1,308	n.a.	9.8	n.a.
per capita	kgs.	10.5	n.a.	9.4	n.a.
Imports	'000 t	748	n.a.	22.6	n.a.

THE INTERNATIONAL MARKETS FOR PIGMEAT, POULTRY MEAT AND SHEEPMEAT

The Pigmeat Market

World Trends

113. World pigmeat production grew by under 1 per cent in 1993 reaching a level of 73.1 million tons. According to FAO forecasts, production in 1994 could rise to approximately 76 million tons. Growth in 1994 is forecast to be particularly strong in developing countries - especially in China, the world's major pigmeat producer. Following a 4 per cent rise in 1993, Chinese production is expected to grow by 8 per cent in 1994. In the European Communities, the world's major pigmeat exporter, production also increased considerably in 1993. Production is expected to stabilize somewhat in 1994 followed by a decline in 1995. In 1994, production increases are also expected in Canada (an approximate 3 per cent rise over 1993), Chinese Taipei and the Republic of Korea. In the CIS and most Central and Eastern Europe, the downward trend in pigmeat production continues. In the CIS, pigmeat production is forecast to continue its sharp fall in most republics. The contraction of the pig herd has been especially severe in Russia where, in the year up to July 1994, pig numbers fell by approximately 10 per cent compared to July 1993. Although production in the Russian private sector, which accounts for approximately one third of total Russian pigmeat production, has risen in the last four years, the increase has not been enough to offset the general decline in the state sector. Poland, which used to be an exporter of pigmeat, experienced a fall of 17 per cent in pig numbers during 1993. However, the negative trend seemed to have been arrested as Polish pig numbers were ½ per cent up in June 1994 compared to June 1993. The United States, besides being an important producer of pigmeat is also a major importer. Production decreased in 1993 but is forecast to increase in 1994 as well as in 1995.



114. FAO estimates world trade in pigmeat for 1994 to remain unchanged at about 1.8 million tons. In the light of substantially higher Danish pigmeat exports in the first half of 1994, EC third country exports are expected to be higher for the year as a whole. However, looking ahead, stronger prices on the domestic market as overall production levels decline, combined with a reduction of export

subsidies, may have an adverse effect on the European Communities' pigmeat shipments. In 1994, pigmeat exports from Canada, the second major exporter in the world, are forecast 4 per cent down from the high level obtained in 1993. Chinese Taipei follows as a close third.

115. Pigmeat is by far the dominant meat produced and consumed in China. Although China's share of global pigmeat production is about 40 per cent, the country's trade with the rest of the world is minimal. However, what may be relatively minor surpluses or deficits on the Chinese domestic market may have a large impact on the world market. Future developments in China are thus of considerable importance as sustained economic growth in China could result in higher domestic consumption and could influence the country's export capacity.

European Communities

116. Pigmeat production in the European Communities reached approximately 15.3 million tons in 1993, about 6 per cent higher than in the previous year. Since mid-1993, the pig sector has been characterized as one of falling prices and high production; however, in late 1994, this tendency appeared to be changing and moving away from further growth in supplies. During the first half of 1994, production levels in principal producing member States remained above those of the previous year, but, by July-September 1994, production was slightly below last year's, and the gap was expected to widen during the autumn. Thus, only a marginal total increase in pigmeat production is expected for the year as a whole compared to 1993. In 1995, production is forecast to drop by about 2 per cent.

117. Average EC pig prices have fallen since 1992 and remained low in the beginning of 1994. Spurred by a fall in supplies, particularly in the Netherlands, Denmark and Germany, prices have shown a strengthening trend towards mid-1994. In May 1994, the monthly average moved above the year earlier for the first time since August 1992. The weighted average for standard quality pigs rose to 112.2 ECU per 100 kgs. deadweight in May 1994 - 3.6 per cent higher than in May 1993. Following a seasonal decline in prices up to July, prices in the European Communities began to rise again. It is generally expected that a continued downturn in production will further boost prices in 1995.

118. EC exports to third countries in 1994 are likely to be higher compared to 1993. Danish pigmeat exports in the first half of the year increased substantially to almost all destinations, except Japan. Continued special export refund sales to Russia are bound to have a positive affect on EC exports. However, in 1995, the European Communities' Uruguay Round export subsidy commitments for pigmeat, reduced supplies, and stronger prices may result in lower overall EC exports.

119. Denmark is the EC's main pigmeat exporter to third countries. Its extra-EC exports increased by approximately 30 per cent during 1993 compared to 1992. Strong demand from Eastern Europe stimulated exports to this region, by far offsetting the fall of about 5 per cent in exports destined for the important Japanese market in 1993. This trend was accentuated in the first half of 1994 when exports to Poland increased to 35,000 tons of Danish pigmeat, which compares to approximately 20,400 tons during the whole of 1993. Exports to Russia were also well above the previous year's level. The rise in exports to Poland was expected to continue through the second half of 1994, with total exports to this market approaching levels close to half those of Japan, thus giving Denmark a substantial share of Poland's imported pigmeat market. Danish exports to the United States increased in the first six months of 1994 compared to the same period in 1993.

120. The Netherlands remained the major exporter of live pigs within the European Communities during 1993, with the bulk of its production being exported to destinations within the European Communities. Among factors that negatively affected Dutch live pig exports during 1993, was a six-week trade ban on live pig exports, tighter environmental measures and low prices. However, while total

live pig exports dropped in 1993 compared to 1992, exports of fresh/frozen pigmeat rose, particularly to Germany and Belgium. In the first half of 1994 exports of live animals were up again, by as much as 15 per cent compared to the same level in 1993. Pigmeat exports were down by 7 per cent during the same period. The size of the Dutch pig herd was little changed in August 1994 compared to the same time last year. However, the number of pig farmers had declined by about 10 per cent.

121. There has been a distinct decline in German pig numbers. The August 1994 pig census revealed a fall in total pig numbers by about 5 per cent. The fall was particularly marked in former East Germany. The decline in pigmeat production for 1994 as a whole is expected to be about 3 per cent. Shorter supplies, as a result of a contracting breeding herd, as well as substantial slaughterings due to Classical Swine Fever, had a strengthening effect on prices. These developments have to some extent influenced other markets within the European Communities. Responding to stronger demand by mid-1994, imports from the Netherlands and Denmark had increased by approximately 8 and 25 per cent, respectively. Self-sufficiency in Germany during 1994 is forecast to fall from 79 per cent to 76 per cent.

122. As a result of the Uruguay Round Agreement, the EC minimum access opportunities for pigmeat will be 13,500 tons in 1995, rising to 75,600 tons by the year 2000. In the area of export competition, the limit for the volume of subsidized exports of pigmeat in 1995 will be 490,800 tons which will be reduced to 401,000 tons by the year 2000.

Japan

123. Excluding EC intra-trade, Japan is the world's largest importer of pigmeat. Imports have risen from 155,000 tons in 1980 to 652,000 tons in 1993. In recent years, developing countries (Chinese Taipei) have taken a larger share of Japan's pigmeat imports. Exports by developing countries in 1993 constituted 47 per cent of total pigmeat exports to Japan, compared to 35 per cent in 1985. Domestic production has gradually declined since 1989 but remained relatively stable in 1993, when self-sufficiency was around 70 per cent. In the first three-quarters of 1994, production fell by approximately 3 per cent and is forecast to continue to fall in 1995.

124. Meat consumption in Japan is generally lower than in other developed countries. Since 1986, overall per capita meat consumption has risen from 36.1 kgs. to 41.6 kgs. per capita in 1993. Per capita pigmeat consumption is currently approximately 16.5 kgs., which could be compared to 41.7 per capita pigmeat consumption in the European Communities in the same year. Growth in demand for pigmeat has been slower than for beef. In the three years until the end of fiscal year of 1992, demand for beef grew by approximately 10 per cent per year while that for chicken grew by 4½ per cent and pigmeat by only ½ per cent. As the price of beef compared to that of pigmeat has been decreasing, consumers have tended to buy more beef instead of pigmeat. By the end of the decade, beef is expected to expand its share of total meat consumption from 18 per cent to 27 per cent, mostly at the expense of pigmeat.

125. Imports of pigmeat in 1993 were about 4½ per cent down compared to 1992. In the first three-quarters of 1994, pigmeat imports were up by about 7 per cent while beef and veal imports increased by 13 per cent, compared to the same period in 1993. The main suppliers of pigmeat to the Japanese market are Chinese Taipei and the European Communities (Denmark). By the end of the third quarter in 1994, Chinese Taipei held close to half the share of total pigmeat exports to Japan while the Danish share had fallen to under 30 per cent. A switch to more imports of fresh/chilled pigmeat may favour Asian suppliers over European because of their geographic proximity. On the other hand, the export potential of both Chinese Taipei as well as other Asian suppliers (South Korea) could be adversely affected by an increasing demand on their domestic markets. The United States is also an important supplier of pigmeat on the Japanese market. Exports of pigmeat from the United States to Japan have

been rising since the late 1980s and now make up 15 per cent of total Japanese pigmeat imports. US chilled pigmeat exports have risen markedly in 1994. Between January and May 1994 they rose by 28 per cent compared to the same period in 1993.

United States

126. Pigmeat production in the United States declined slightly in 1993. Forecasts for 1994 point towards an expansion of about 2 per cent to 7.9 million tons, with a sharper increase in 1995. The OECD expects a continued growth in output until 1997, followed by a small decline. As production and exports rise, the gap between the volumes of imports and exports of pigmeat in the United States is narrowing. There is a trend towards large scale pig farming which could result in increased competitiveness of the US product abroad. Following higher supplies of pigmeat in the United States, prices are expected to weaken over the next few years. Live hog prices were, according to USDA, at their lowest levels since the early 1980s. In October 1994 the estimated price for live hogs (5 markets index, barrows and gilts) was 70.5 US\$ per 100 kgs. compared to 103.6 US\$ per 100 kgs. during the same period in 1993. Per capita pigmeat consumption is expected to rise slightly in 1994, reaching 31 kgs. per capita, with a sharper rise forecast for 1995.

127. The United States is a major importer of pigmeat on the world market. Pigmeat imports in 1993 amounted to 336,000 tons, about 15 per cent up on the 1992 level, but still well below the import volumes in 1989-90. Pigmeat imports are expected to rise by a further 7 per cent in 1994 followed by a decline in 1995. The main suppliers to the US market are Canada and Denmark. Denmark's exports to the United States increased by approximately a third in the first eight months of 1994. The OECD forecasts overall imports to decline substantially in 1995, followed by a recovery in the subsequent three years. Exports of pigmeat are also on the rise in the United States. In 1993, they amounted to 197,000 tons, up 6 per cent on 1992, and, in the first eight months of 1994, expanded by over 20 per cent compared to the same period in 1993. The main buyers of US pigmeat have traditionally been Japan, Mexico, and Canada. Exports to Mexico showed a significant increase in the first eight months of the year compared to the same period in 1993. US pigmeat exports are forecast to continue to rise during 1995, and, according to OECD forecasts, pigmeat exports from the United States are expected to grow strongly throughout the rest of the decade.

Table - Pigmeat Situation in Selected Countries, 1993 - 1995
(*000 metric tons carcass weight equivalent)

		1993	1994 Est.	1995 Forec.	% Change 1993/94	% Change 1994/95
Production	World¹	74,000	75,700	n.a.	2.3	-
	China ²	28,544	30,000	32,000	5.1	6.7
	European Communities ³	15,323	15,326	14,997	0.0	-2.0
	United States ²	7,750	7,929	8,350	2.9	5.3
	Russia ²	2,432	2,300	2,100	-5.4	-8.7
Exports	World¹	1,803	1,802	n.a.	0.0	-
	European Communities	571	n.a.	n.a.	-	-
	Canada	301	289	280	-4.0	-3.1
	Chinese Taipei ²	283	293	293	3.5	0.0
	United States ²	197	204	218	3.5	6.9
Imports	Japan	652	510 [†]	n.a.	-	-
	United States ²	336	361	352	7.4	-2.5
	Hong Kong ²	193	198	202	2.6	2.0
	Mexico ²	50	60	80	20	33
Consumption	China ²	28,394	29,825	31,800	5.0	6.6
	European Communities ³	14,695	14,616	14,533	-0.5	-0.6
	United States ²	7,901	8,074	8,488	2.2	5.1
	Russia ²	2,485	2,470	2,350	-0.6	-4.9
	Japan	2080	1,521 [†]	n.a.	-	-
Per capita Consumption (kg.)	Austria [*]	56.3	51.4	n.a.	-8.7	-
	European Communities	41.7	41.4	n.a.	-0.7	-

Source: GATT; 1 FAO, 2 USDA, 3 MLC.

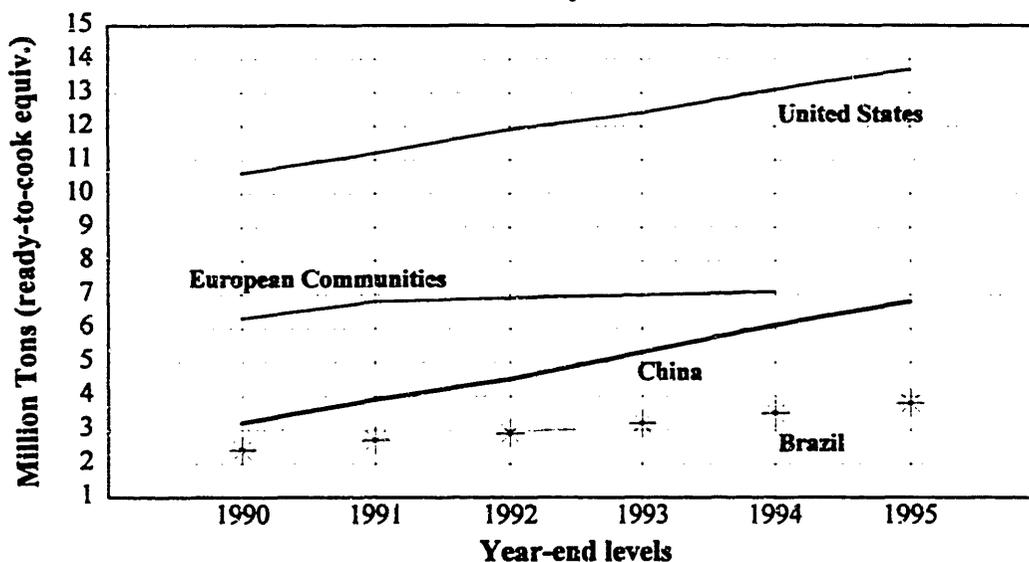
Note: † First three quarters of the year. *Figures refer to 1991/92, 1992/93 and 1993/94.

The Poultry Meat Market

World Trends

128. World poultry meat production continues to expand unabated with growth rates outrunning those of other meat products. FAO estimates world production to reach 49 million tons in 1994, approximately 4 per cent higher than in 1993. About 70 per cent of world poultry meat production is in the form of broiler meat. The expansion was particularly marked in China, Brazil and the United States. In the United States, which is the world's major producer of poultry meat, production is forecast to grow by approximately 7 per cent in 1994, reaching 10.7 million tons. The rapid growth in Chinese poultry meat production is closing the gap on the EC's currently higher production level. In 1994, broiler production in China is estimated to have grown by about 13 per cent, with even stronger growth expected in 1995. In the European Communities, production rose marginally in 1993 and an expansion of approximately 1½ per cent is expected for 1994. Poultry meat production in Central and Eastern Europe showed stabilization in 1994 after having decreased for several years. In the CIS, production declined significantly; USDA estimates poultry meat production to have fallen by 6 per cent during 1994. Japan, a major importer of poultry meat, has also shown faltering production in recent years. Since 1990, poultry meat production has fallen by about 4 per cent, and, in the first three quarters of 1994 the negative trend was accentuated as production fell by over 13 per cent compared to the same period in 1993.

Chart 9 - World Poultrymeat Production



Source : GATT; USDA; MLC.

129. On the global market, the United States, the European Communities, Brazil, China and Thailand supply mainly Asian markets (Japan and Hong Kong). Saudi Arabia and Mexico are also significant importers. Global trade in poultry meat is estimated to expand by 9 per cent to 3 million tons in 1994. Broiler exports by the United States and Brazil are expected to rise significantly in 1994 and 1995, responding to higher demand, particularly from Hong Kong, Mexico and Russia. Chinese exports are forecast to rise by over 20 per cent in 1994 as its broiler industry is going through a phase of rapid expansion. Contrary to several other exporters, China managed to expand its market share on the

Japanese import market, competing strongly with Brazil and Thailand. Thailand remains Japan's principal supplier of poultry meat, although exports increased only marginally in 1994 and are expected to show little change in 1995. Japanese poultry meat imports were down in 1993 compared to 1992 but are expected to increase in 1994 as they were about 6 per cent higher in the first three quarters of the year compared to the same period in 1993. Increased availability of imported beef, as well as the slow-down in economic growth, have had adverse effect on demand for poultry meat in the country. Contracting domestic production and a recovering economy are expected to positively influence Japanese import requirements. In 1994, Russia emerged as a major poultry meat importer. Russia imported some 300,000 tons of poultry meat during the first eight months of 1994, which compares to 36,000 tons during the same period in 1993.

United States

130. The United States is the world's largest producer and exporter of poultry meat. In 1994, production is forecast to reach about 13.1 million tons, which constitutes approximately 27 per cent of world production. About 80 per cent of US poultry meat production is broiler meat with the rest consisting mainly of turkey meat. In 1994, broiler meat production is estimated to reach 10.7 million tons, an increase of approximately 7 per cent which is a higher growth rate compared to the long-term average growth rate of 5 per cent. Strong demand on both domestic and international markets, as well as favourable returns for domestic producers, are among the factors that have contributed to the continued growth in broiler meat production. Due to the strong demand for broiler meat, US prices are expected to be firm in 1994. Production in 1995 is forecast to grow a further 4 per cent.

131. Broiler meat exports are estimated to rise to around 1.2 million tons in 1994, which would suggest a remarkable increase of approximately 37 per cent compared to 1993. Broiler parts compose the bulk of US poultry meat exports. The share of whole birds continues to decline. In 1993, whole birds constituted about 3 per cent of total broiler meat exports. One main factor behind the strong increase in US exports has been price competitiveness. Low-priced broiler leg portions have contributed significantly to the rise in US exports. There has also been a surge of shipments to Russia, the volumes of which increased to around 435,700 tons up to August 1994 compared to 51,400 tons during the same period in 1993 (an increase by as much as 750 per cent). This has boosted export levels in 1994. Other important markets for US broiler meat are Hong Kong (where exports were up 44 per cent during the first eight months of 1994), Japan and Mexico. Although Japan is still an important market for US poultry meat, faltering demand has diminished its share of total US exports. A further expansion of about 4 per cent in broiler exports is expected for 1995.

132. Growth in turkey meat production during 1994 has not been as strong as for broiler meat production. Turkey meat production in the United States is forecast to reach 2.2 million tons in 1994, which would represent an increase of approximately 3 per cent on 1993. According to USDA, low profit margins are constraining producers from further expanding output in the sector. Despite the slower growth compared to broiler meat, turkey meat exports from the United States have expanded significantly since 1990, when they amounted to 24,000 tons. In 1994, US turkey meat exports are forecast to reach 127,000 tons, over 30 per cent higher than in 1993. It is of interest to note that the exported volume of turkey meat only represents about 5 per cent of domestic production (the corresponding figure for broiler meat is approximately 10 per cent). In France, the only country to exceed the United States in volumes of turkey meat exports, about 40 per cent of production is exported. The main markets for US turkey meat exports are Mexico and the Republic of Korea. For 1995, turkey meat production, as well as exports, are forecast to grow at a slower rate compared to those in 1994.

European Communities

133. Second to the United States, the European Communities is the world's major poultry meat producer and exporter. Total poultry meat production in the European Communities rose by about 1 per cent to approximately 7 million tons in 1993, constituting roughly 15 per cent of world poultry meat production. Growth was somewhat dampened compared to the beginning of the 1990s. Between 1989 and 1992, EC poultry meat production increased by 14 per cent. For 1994 an increase of about 1½ per cent is forecast. Broiler production, which constitutes roughly 70 per cent of all poultry meat production in the European Communities, increased in most member States during 1993, reaching a level of about 4.9 million tons. A further rise by over 1 per cent is forecast for 1994. France, which is the major poultry meat producer in the European Communities, increased broiler production by about 1 per cent in 1993 and a similar expansion is forecast for 1994, bringing total broiler meat production close to 1.1 million tons in 1994. The United Kingdom is the largest consumer of poultry meat in the European Communities, as well as being a net importer. During 1993, UK imports from France (the main supplier) were down compared to 1992, but still accounted for about 40 per cent of total poultry meat imports.

134. Consumption of chicken in the United Kingdom has grown over the last ten years. Presently chicken is the most popular meat in the country, capturing 36 per cent of the total meat market in 1993 (the corresponding figure for beef was 27 per cent). The growth has been particularly marked for products such as: coated and flavoured chicken, ready meals, etc. Between 1989 and 1992 overall consumption of poultry meat in the European Communities grew by almost 13 per cent. However, in 1993, growth in consumption only increased marginally by less than ½ per cent. Currently, broiler meat consumption in the European Communities is estimated at about 13 kgs. per capita, which compares to approximately 32 kgs. in the United States and 17 kgs. in Brazil. The marginal growth in consumption combined with the growth in production during 1993 (although small), contributed to lower prices in most member States; on average, EC broiler prices were 6 per cent lower in 1993 as compared to 1992. Assuming further limited growth in consumption during 1994, and the possibility of additional supplies remaining on the market due to reduced export subsidization, it is likely that the pressure on prices will be maintained into 1995.

135. EC third country trade expanded substantially during 1993, the main destinations being Saudi Arabia, the Near and Middle-East and Russia. In 1994, total exports from the European Communities are estimated to grow by about 5 per cent. As a result of the Uruguay Round negotiations, subsidized exports of poultry meat will be limited to 440,100 tons in 1995, and, by the year 2000, the limit will be 290,600 tons. Total exports of poultry meat in 1993 were 567,000 tons. The OECD forecasts poultry meat exports from the EC to rise gradually until the year 2000. During the implementation period of the Uruguay Round results, the level of unsubsidized exports may rise, facilitated by lower feed grain costs resulting from the CAP reform, and take a successively larger share of total poultry meat exports. The EC initial tariff-quota for poultry meat will be 18,000 tons under the Uruguay Round commitments regarding minimum access opportunities. These access opportunities will rise to 29,000 tons by the year 2000.

136. Growth in turkey meat production slowed in 1993, mainly due to a fall in production in France where domestic demand was weaker. EC turkey meat production in 1994 may expand by about 2 per cent to an estimated level of approximately 1.4 million tons. Generally, consumption of turkey meat has grown strongly for several years. Between 1980 and 1992, per capita consumption grew by 5 per cent per year. Per capita consumption in the European Communities is currently about 3.5 kgs., which compares to above 8 kgs. per capita in the United States, the world's largest turkey meat producer.

Brazil

137. Poultry meat production in Brazil continues to rise sharply. Brazil is the fourth largest producer of poultry meat in the world, preceded by the United States, the European Communities and China. In South America alone, over three fourths of the poultry meat produced originates in Brazil. Broiler meat is virtually the only form in which poultry meat is produced, traded and consumed within the country. The bulk of the product is consumed on the domestic market which has steadily risen in step with output. Thus, exports have remained at a relatively constant level at just over 10 per cent of production. Responding to a rise in domestic as well as export demand. Brazilian poultry meat production is expected to reach 3.4 million tons in 1994, which would constitute a 7 per cent increase on 1993. The new Brazilian economic plan may further stimulate domestic demand and an eventual expansion may therefore, to a large extent, be absorbed by the domestic market. Production is forecast to grow a further 8 per cent in 1995.

138. Brazil is currently the third main exporter of poultry meat on the international market. The main destinations for Brazilian broiler exports in 1993 were the Middle East, the Far East and the European Communities. The total volume of exported broiler meat was about 375,000 tons. Almost 60 per cent was shipped to the Middle East in 1993, the bulk as whole birds. Shipments to the European Communities, which constituted about 12½ per cent of the total, were mainly in the form of broiler cuts. Brazilian broiler meat exports are expected to increase by 2.4 per cent during 1994 and a similar growth is forecast for 1995.

Table 5 - Poultry Meat Situation in Selected Countries, 1993 - 1995
(⁰000 metric tons ready-to-cook equivalents)

		1993	1994 Est.	1995 Forec.	% Change 1993/94	% Change 1994/95
Production	World¹	46,900	49,000	n.a.	4.5	-
	United States ²	12,396	13,149	13,674	6.1	4.0
	European Communities	7,008	7,107	n.a.	1.4	-
	China ²	5,300	6,100	6,800	15.1	11.5
	Brazil	3,165	3,480	3,655	10.0	5.0
Exports	World¹	2,909	3,159	n.a.	8.6	-
	United States ²	1,013	1,383	1,441	36.5	4.5
	European Communities	567	n.a.	n.a.	-	-
	Brazil	375	384	394	2.4	2.6
	China ²	176	220	240	25.0	9.1
Imports	Hong Kong ²	396	429	432	8.3	0.7
	Japan	401	300 [†]	n.a.	-	-
	Saudi Arabia ²	263	254	254	-3.4	0.0
Consumption	United States ²	11,398	11,738	12,240	3.0	4.3
	European Communities	6,610	6,762	n.a.	2.3	-
	China ²	5,224	6,005	6,705	14.9	11.7
	Brazil	2,788	3,002	3,227	7.7	7.5
	Japan	1,718	1,272 [†]	n.a.	-	-
Per-Capita	Hongkong ²	39.0	41.0	40.8	5.1	-0.5
Consumption (kg.)	United States ²	40.3	41.5	41.5	3.0	0.0
	Israel ²	45.5	44.3	45.1	-2.6	1.8
	Singapore ²	37.5	38.5	39.1	2.7	1.6
	Saudi Arabia ²	31.3	30.2	29.7	-3.5	-1.6

Source: GATT; ¹ FAO, ² USDA, ³ MLC.

Note: [†] First three quarters of the year.

The Sheepmeat Market

World Trends

139. According to FAO, world sheepmeat production increased marginally in 1993 to 9.8 million tons. A further increase is forecast for 1994, bringing world production up to 10.1 million tons. Australia and New Zealand are the main exporters of sheepmeat. New Zealand's exports were down in 1993, but are expected to rise in 1994 and fall again in 1995. In Australia, sheepmeat exports are forecast to fall in the 1994-95 season. Declines of sheepmeat exports from Oceania may, among other factors, be attributed to falling supplies caused by adverse weather conditions, particularly in Australia, as well as increased price competitiveness of beef and poultry relative to sheepmeat. Global trade in sheepmeat is estimated to contract somewhat in 1994 as total exports are forecast to fall by around 2½ per cent to an estimated 769,000 tons. The contraction of production in developed countries was offset by increased production in developing countries, notably that of China, the world's leading producer. Towards the end of the decade, improved wool prices may raise output from both New Zealand and Australia. In the European Communities, which is the world's major importer of sheepmeat and also a major producer, only marginal changes were recorded for 1993 and 1994. Forecasts for 1995 show no major changes although there is a possibility of increased EC imports as a result of the Uruguay Round market access commitments by the European Community.

New Zealand

140. With a share of approximately 57 per cent of world exports, New Zealand is the world's major exporter of sheepmeat, of which lamb is the dominant product. The bulk of lamb and mutton produced in the country is exported. Only about 10 per cent of lamb production, and approximately 34 per cent of mutton production, is consumed in the domestic market. Total meat consumption has declined by about 22 per cent (on a per capita basis) between 1986 and 1993, reaching a level of about 81.5 kgs. in 1993. Red meats take up more than half the total meat consumption, although the trend is one of increasing white meat consumption (poultry meat). Of total meat consumption, lamb constitutes a share of 9 per cent and mutton 15 per cent.

141. Lamb production increased by approximately 2 per cent in 1993 and attained a level of about 376,000 tons. Since 1989, production has fluctuated between levels above 350,000 tons but under 390,000 tons, staying below the higher volumes of production in the second half of the 1980s. In 1994, lamb production is expected to increase by almost 7 per cent to 402,000 tons. Export production is expected to be lower in the 1994/95 season. Among the factors for this forecast decline is the reduced competitiveness of lamb and mutton compared to that of beef and poultry meat. Also, while sheep numbers are expected to remain more or less stable in the 1994-95 season, the lamb crop is expected to be lower due to fewer ewes mated and a lower lambing percentage. The New Zealand Meat and Wool Boards' estimates point to the lowest number of ewes mated since June 1963. Furthermore, average slaughter weights are expected to decline by about 2 per cent in the 1994-95 season.

142. After having declined substantially in 1993, New Zealand sheepmeat exports are expected to rise to 430,000 tons in 1994, after which they are forecast to fall again to 395,000 tons in 1995, a level slightly above that of 1993. New Zealand's major export market for lamb is the European Communities, in particular, the United Kingdom. About one fourth of total New Zealand sheepmeat exports were destined to the United Kingdom in 1993. In 1994, exports to the United Kingdom are expected to be higher compared to 1993, when the limits set by the voluntary export restraint agreement (VER) were met before the end of the year. In 1993, export volumes were restricted to 206,000 tons under the VER agreement. This volume included 12,500 tons of chilled lamb. The same volume was carried through into 1994 although the chilled lamb quota was increased to 13,500 tons. As a result

of the Uruguay Round agreements, the VER agreement will be abolished and replaced by a tariff quota. Under the EC market access commitments, the country specific quota of sheep meat for New Zealand will be 225,000 tons (the EC's total market access commitment for sheepmeat will be 279,465 tons). Also as part of the Uruguay Rounds results, there will be no restrictions on imports of chilled lamb from New Zealand into the European Communities. In 1993, chilled lamb exports to the United Kingdom accounted for about 3 per cent of the total, which represented a rise compared to the year earlier. Demand from other EC member States has become increasingly important. British consumption has declined substantially in recent years, as consumers have reacted to higher prices and have shown a growing preference for pork and poultry meat. Other important markets for New Zealand lamb are the United States, and the Middle East. Exports to Saudi Arabia up to the end of August 1994 had increased considerably compared to the previous year. In the United States, there may exist a potential for substantial demand increases following the government's removal of subsidies in the sheepmeat sector. Access will also be improved on the US market as a result of the Uruguay Round.

143. New Zealand export prices for lamb declined in the 1993-94 season, after having shown an upward trend since the early 1990s. Previously, high prices in 1993 substantially offset the negative effect of declining export volumes. In the 1993-94 season, the appreciation of the New Zealand dollar contributed to declining producer prices.

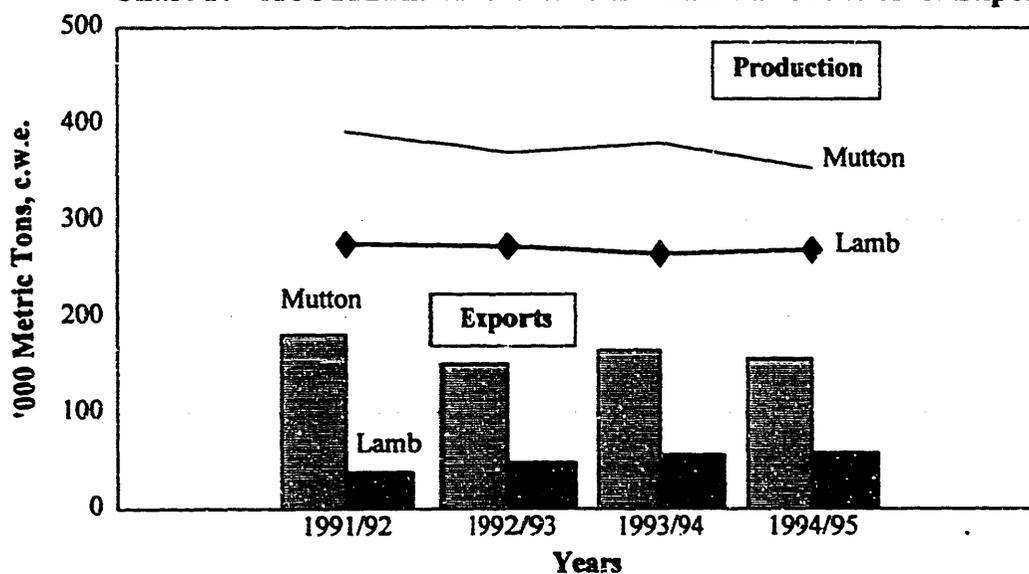
Australia

144. Among Australia's major commodity exports, the value of wool exports is only preceded by that of coal and gold. Mutton, which is a secondary source of income to wool, is consequently the dominant sheepmeat product in Australia and is affected by developments on international wool markets. Australian mutton production in the 1993-94 season was estimated to have increased by just under 3 per cent to approximately 380,000 tons. However, as a result of drought in major producing regions, wool production in 1994-95 is forecast to fall further than originally expected, thus, a decline in mutton production, as well as exports, is forecast for the 1994-95 season. Lamb production was exceptionally low in 1993. However, the falling trend seems to have been arrested as lamb production by July 1994 was up 7 per cent compared to the level in July 1993. Although the forecast for the 1994-95 season points towards a further increase in lamb production by about 4 per cent to 269,000 tons, the drought in South Eastern Australia is expected to have a negative influence on the slaughter weights and the quality of lamb. Prices are forecast to decline by about 15 per cent on average during the season. Encouraged by better wool prices compared to those of lamb in 1994, there are signals that farmers intend to revert to wool production in 1995. Behind the recovery of wool prices is a general improved outlook for world economic growth and demand; strong economic growth throughout the 1994-95 season is expected to increase demand from Japan, Western Europe and China. China is an especially important importer. The maintenance of the positive price developments to a great extent depends on continued demand from consumers and processors in China. During the 1993-94 season, China purchased up to 18 per cent more wool from Australia compared to the previous season. According to ABARE, wool prices are forecast to rise by about 39 per cent in the 1994/95 season to 677 cents per kgs. (clean - old national market indicator), compared to the level two years ago in the 1992/93 season.

145. Australian sheepmeat exports amounted to approximately 220,000 tons in the 1993-94 season, about 11 per cent higher compared to the previous season. Lamb exports, which constituted approximately one fourth of total mutton and lamb exports in the 1993-94 season, have over recent years significantly expanded their share of total exports. Although sheepmeat exports are forecast to fall in the 1994-95 season, lamb exports are expected to rise by close to 4 per cent. It is worth noting that during the 1993-94 season lamb exports rose by almost 17 per cent, reaching 56,000 tons. Important markets for Australian lamb are the United States, Papua New Guinea and Japan. Live sheep exports

have continued to rise and reached a level of approximately 5.3 million head in the 1993-94 season. Expected improved market access in the Middle East is forecast to raise this number to 5.5 million in the 1994-95 season.

Chart 10 - AUSTRALIA - Mutton and Lamb Production & Exports



Source: ABARE; Note: Exports -shipped weights.

European Communities

146. The European Communities and China are the world's principal sheepmeat producers; their shares of total production hover around 12 and 14 per cent, respectively. The European Communities is a net importer of sheepmeat with a level of self-sufficiency of about 80 per cent. Sheepmeat production in 1994 is forecast to fall slightly compared to 1993 after which it is expected to recover in 1995. Total sheep numbers, which were stable at about 98.7 million head in 1992 and 1993, are also forecast to fall slightly in 1994 and 1995. Consumption of sheepmeat and goat meat, on the other hand, is expected to increase marginally in 1994 and 1995, after having fallen by about 1½ per cent in 1993. On the whole, the forecast changes are marginal and the sheepmeat sector in the European Communities is characterized as one of relative stability.

147. Within the Communities, the United Kingdom, France and Spain are the major producers. In the United Kingdom, which accounted for approximately 40 per cent of EC lamb production in 1993, combined mutton and lamb production is forecast to fall 3 per cent in 1994 and thereafter to stabilize in 1995. The British breeding flock decreased by about 2½ per cent in 1993 after several years of progressive increase which peaked in 1992. A similar decline in breeding herd numbers is expected in 1994. Fewer lambs mated, adverse weather conditions and a lower lambing percentage (an indicator of productivity) are among other decisive factors contributing to an expected 4 per cent reduction in the lamb crop during 1994. These factors point towards smaller supplies in the autumn

of 1994 and a possibility of higher prices. Consumption in the United Kingdom is forecast to fall a further 3 per cent in 1994 after having dropped 10 per cent in 1993, while no major change is expected in 1995.

148. The United Kingdom and the Irish Republic are major exporters of meat lambs to other EC member States, notably France. Sheepmeat exports from the United Kingdom rose in 1993 and are expected to rise further in 1994 and 1995 as well, although the growth rate is expected to decline in the latter years. Over past years, consumption of lamb has increased steadily in France. There has been a surge in live imports from the United Kingdom in response to French preferences for fresh lamb. As the pound sterling has fallen substantially against other EC currencies, such as the French franc, exports of British lamb have been boosted. The combined effect of lower production levels and growing exports has led to average domestic prices in the United Kingdom and the Irish Republic well above those of other member States. In general, EC lamb prices into the third quarter of 1994 were above the year earlier levels. For the year as a whole, the outlook is one of strengthened prices compared to 1993 with an average EC price approximately 4 per cent above the 1993-level.

149. EC imports of sheepmeat from third countries decreased in the twelve months up to August 1994 compared to the same period the year before. However, assuming there will be continued strong demand from France and Germany, as well as greater access to the European Communities for sheepmeat, the field could open up for a growth in imports from third countries. As United Kingdom imports from New Zealand are expected to be exceptionally low in 1994, due to weaker British demand, an eventual increase of New Zealand lamb exports to the European Communities could well be aimed at member States other than the United Kingdom, such as France and Germany. This, and potentially increased supplies from Central and Eastern Europe could result in higher sheepmeat imports into the European Communities in 1995.

Table 6 - Sheepmeat Situation in Selected Countries, 1993-1995
(⁰000 metric tons incl. goatmeat, carcass weight equivalent)

		1993	1994 Est.	1995 Forec	% Change 1993/94	% Change 1994/95
Production	World¹	10,000	10,100	n.a.	1.0	-
	China ²	1,374	1,500	1,700	9.2	13.3
	European ³ Communities	1,155	1,149	1,154	-0.5	0.4
	Australia ⁴	643	645	623	0.3	-3.4
	India ²	610	615	620	0.8	0.8
	New Zealand	538	546	n.a.	1.5	-
Exports	World¹	790	769	n.a.	-2.7	-
	New Zealand	387	430	395	11.1	-8.1
	Australia** ⁴	199	221	214	11.0	-3.2
Imports	European Communities	260	n.a.	n.a.	-	-
	Japan	96	61 [†]	n.a.	-	-
	Russia ²	4	10	10	150	0.0
Consumption	European ³ Communities	1,407	1,410	1,414	0.2	0.3
	China ²	1,364	1,485	1,680	8.9	13.1
	Australia	365	376	n.a.	3.0	-
	Turkey ²	375	372	375	-0.8	0.8
	Russia ²	363	320	290	-11.8	-9.4
Per-Capita	Australia	20.6	21	n.a.	1.9	-
Consumption	Saudi Arabia ²	15.7	15.5	15.2	-1.3	-1.9

(kg.)

Note: Trade data do not include exports/imports of live sheep. *Figures refer to 1992/93, 1993/94 and 1994/95. [†] First three quarters of the year.

Source: GATT; ¹ FAO, ² USDA, ³ MLC, ⁴ ABARE.