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Group "Agriculture"
Sub-Group on Meat

NOTES ON THE WORLD TRADE IN BEEF

Paper submitted by the Australian Delegation

The recent collapse of world prices for beef and the severe contraction of traded volumes has highlighted the extreme sensitivity of the present trade structure to changes in the supply demand balance of main importing regions and to trade restrictions imposed by importers.

World trade in beef has grown rapidly in the last two decades. New import markets have opened up and the relative importance of main importing areas has changed. Exporting countries have expanded production in response to the growing trade demand and endeavoured to meet the needs of importers.

Growing world trade in beef

The pattern of world trade in beef has undergone very marked change over the past twenty years. The volume of trade has varied considerably from year to year, but has tended to grow quickly and by the early 1970's was over four times greater than two decades earlier. Over the same period the relative importance of the main trade flows altered greatly.

In the early and mid-1950's trade was centred on Western Europe with the United Kingdom, the main purchaser, taking at times as much as 75 per cent of total imports. The United States and the original members of the EEC were the other main net importing areas but their purchases fluctuated greatly and were very much less than those of the United Kingdom. Argentina was the main exporter in most years although

Australian shipments were, on occasions, greater. Other important exporters were in order of importance, Uruguay, New Zealand, Denmark and the Irish Republic. (Tables I and II)

In the second half of the 1950's trade grew quickly. U.K. purchases expanded but, most significantly, purchases by first the six original E.E.C. countries and then by the U.S.A. rose sharply. By the end of the decade trade had doubled with the U.K. taking somewhat less than half of the world total and the U.S. and E.E.C. each between 20% and 25% of traded volumes.(1) Exports from most countries tended to rise over this time but the bulk of increased shipments came from Argentina (except in 1959 when Australian sales jumped quickly).

During the 1960's, trade expansion continued but the components of change differed. Five features are worth notice:-

(1) Purchases by the U.K. fluctuated but tended to fall throughout the decade.

(2) U.S. purchases rose sharply early in the decade, fell off in mid-1960's and were growing strongly again by the end of the decade.

(3) Purchases by the E.E.C. (6) rose sharply in the middle of the decade and then levelled off.

(4) Exports to other markets grew steadily especially to Spain, Greece, Canada and Israel.

(5) Exports from all countries rose with sharpest expansion in Australia, New Zealand and Ireland

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(1) Trade between member countries of the E.E.C. is not included as part of world trade.

In the early 1970's growth continued, the main features being increased E.E.C. and U.S. buying; steady growth of Canadian purchases; rapid expansion in Japanese imports; steady U.K. imports and rapid growth in Australian exports. A number of smaller export outlets including markets in Asia and the Middle East have also expanded. Individually these are relatively minor outlets but in the early seventies they absorbed in total as much as 20% of all imports (other than those occurring within either the E.E.C. or Comecon regions). (See Table III) The U.S.S.R. has made substantial although spasmodic purchases of beef mainly in periods of low world prices - over 1974/75 it is believed that the U.S.S.R. contracted to purchase well over 200,000 tonnes of beef.

While total trade has grown, the volume and distribution of beef shipments from major suppliers has varied substantially depending on supplies available and the strength of different import markets. Graph I illustrates the annual changes in imports by the U.K. -historically the main importer - from the three main exporters Argentina Australia and New Zealand since 1960.

Total purchases have varied and a fall off in shipments from one supplier has often been accompanied by an increase in shipments from another supplier. Recently the direction of Australian exports has changed noticeably. In 1971/72 North America took some 70% of Australia's beef exports while the E.E.C. (9) took 10% and Japan 12%. In the following year, however, strong demand in the E.E.C. (9) attracted 20% of a greater volume of exports from Australia while Japan took 15% and the proportion directed to North America fell to 60%.

Features of the Present Trade Situation

The present world trade situation for beef can thus be seen to have evolved over an extended period when there was a generally rapidly expanding (although fluctuating) demand for imports principally in Western Europe and North America, but in recent years supplemented by expansion in Japan and by increased imports into a number of relatively small markets. The growing requirements have been supplied largely by increased exports from South America and in particular from Australasia.

Three observations can be made:-

(1) despite the growing import volumes, imports still provide a relatively small share of total requirements of importing areas.

(2) in expanding production to meet growing export demand, exporting countries have generally become more dependent upon exporting and thus more vulnerable to changes in the exporting and trade situation. This is particularly true where new production technology has been adopted in order to provide a product more closely suited to import requirements, e.g. development of feedlots in Australia to meet growing demand for chilled beef by Japan.

(3) there is now a greater diversity of markets than previously and exporters have a greater range of outlets. Nevertheless, the bulk of trade is still directed to a small number of large markets all of which regulate the flow of imports.

Trade Impact of the Regulation of Beef Markets

The regulation of imports of beef into the various markets has a profound effect both on the pattern of trade and on the sensitivity of trade volumes and prices to changes in basic demand and supply forces in main markets. The type of policies presently pursued, for example, by the E.E.C. and Japan whereby domestic prices are supported and imports are adjusted accordingly creates great uncertainty for exporters and markedly aggravates the instability of trade flows and prices.

Graph II illustrates the annual changes in the levels of beef production and net imports of beef by the six original members of the E.E.C. since the introduction of the C.A.P. in 1964. It can be seen that imports have typically varied substantially from year to year and in percentage terms by much more than the changes in domestic production. In contrast, Graphs III and IV show that in the U.K. and the U.S., where different policies were pursued over the same period, fluctuations in import volumes were much less despite comparable (and for the U.K. greater) production changes.

Policies which support domestic price structures at levels generally above or substantially above world trade prices of course encourage development of relatively higher cost industries by drawing more resources into the supported sector or prevent contraction by permitting resources to be retained that would otherwise be transferred. Through the twofold effect of higher prices in increasing or maintaining production and in reducing or suppressing consumption they also encourage self-sufficiency at an artificially high level of producers' returns and an artificially low level of consumption. Trading opportunities for exporting countries are thereby reduced - to some extent unnecessarily in the light of the policy objectives of the importing countries concerned.

Animal health and related requirements also have a substantial effect upon developments in world beef trade. All countries impose regulations on imports of live cattle and fresh or chilled beef and these are major considerations in determining the pattern of trade.

To the extent that such health regulatory measures are constant and predictable they do not contribute to uncertainty and instability in the trading environment.

Multilateral Aspects of Trade

The growth of the United States and Japan as important meat markets has created a situation where the major exporters have been able to realise some of their potential for increased production on an economic basis. Despite this, Europe remains important to Australia and New Zealand. Furthermore, notwithstanding animal health requirements in North American markets, South America exports substantial quantities of cooked and canned beef to U.S.A. and Canada (about one-fifth of total beef exports by volume), although its traditional market links are with Europe.

In spite of the worthwhile diversification of markets in recent years the connections among the main markets and the main trading flows remain important from the point of view of instability in the world trade in beef.

Apart from natural and economic factors such as seasonal conditions response of supply and demand to price and income changes and the cattle cycle the situation exists in which imports into the largest markets are a relatively small proportion of consumption and at the same time exports from the largest exporters constitute a high proportion of production. Exporting countries in South America and in Australasia and a number of exporting developing countries who have no special access arrangements with the main importing countries are bearing a disproportionate share of the burden of adjustment to the recent dramatic changes in market circumstances.

TABLE NO. I

IMPORTS OF BEEF AND VEAL: SELECTED COUNTRIES: 1950 TO 1974

(THOUSAND TONNES, PRODUCT WEIGHT)

YEAR	UNITED STATES D	E.E.C.(6)E	UNITED KINGDOM	SPAIN	GREECE	JAPAN	CANADA	ISRAEL	TOTAL IMPORTS
1950	39	48	337	0 C	0 C	0 B	0 C	0 C	0 C
1951	77	80	160	0 C	0 C	0 B	0 C	0 C	0 C
1952	74	75	132	0 C	0	0 B	4	0 C	0 C
1953	27	54	312	1	6	0 B	5	7	413
1954	18	54	272	1	2	1	7	4	360
1955	16	84	353	3	4	1	8	7	477
1956	20	209	441	19	8	2	7	11	718
1957	67	202	459	33	6	22	9	7	806
1958	216	0 C	402	30	8	5	11	11	0 C
1959	287	0 C	358	14	7	3	15	2	0 C
1960	197	157	357	11	10	6	13	2	754
1961	269	103	291	4	12	5	13	3	700
1962	402	150	331	43	17	5	16	10	975
1963	458	281	364	81	28	5	16	13	1248
1964	330	405	351	18	19	6	12	21	1163
1965	276	37[illegible]	295	66	30	11	8	24	1086
1966	355	351	291	84	28	13	11	40	1173
1967	399	396	273	102	37	14	17	22	1261
1968	459	301	261	103	45	13	15	33	1229
1969	498	355	344	105	55	18	54	37	1465
1970	558	365	265	89	67	23	65	37	1469
1971	552	353	253	24	47	42	53	33	1355
1972	625	585	278	70	41	58	66	15	1738
1973 A	634	625	270	63	61	127	71	5	1856
1974 A	508	272	249	C	C	54	56	C	C

A. SUBJECT TO REVISION.
B. LESS THAN 500 TONNES.
C. NOT AVAILABLE.
D. INCLUDES CURED, COOKED AND PRESERVED BEEF.
E. FROM 1958 E.E.C. FIGURES ARE IMPORTS BY THE GROUP FROM NON-MEMBER COUNTRIES. PRIOR TO 1958, FIGURES ARE TOTALS OF THE INDIVIDUAL COUNTRIES WHICH FORMED THE E.E.C.(6)

SOURCE: STATISTICAL HANDBOOK OF THE MEAT INDUSTRY, BUREAU OF AGRICULTURAL ECONOMICS, CANBERRA, 1975.

TABLE NO. II

EXPORTS OF BEEF AND VEAL: SELECTED COUNTRIES: 1950 TO 1974

(THOUSAND TONNES, PRODUCT WEIGHT)

YEAR	ARGENTINA	AUSTRALIA	NEW ZEALAND	DENMARK	YUGO-SLAVIA	URUGUAY	IRISH REPUBLIC	BRAZIL	TOTAL EXPORTS
1950	171	70	60	14	4	62	7	11	0 C
1951	112	64	44	16	0 C	62	16	5	0 C
1952	97	39	58	35	1	42	26	2	0 C
1953	113	159	45	43	1	43	26	2	0 C
1954	106	114	60	56	5	45	44	0	0 C
1955	192	149	96	42	9	3	17	1	0 C
1956	363	125	120	45	13	26	16	9	0 C
1957	355	161	117	83	10	33	27	26	0 C
1958	432	168	118	72	10	19	26	34	0 C
1959	372	229	90	60	8	22	36	23	0 C
1960	283	146	101	71	16	52	48	6	767
1961	275	164	97	50	29	43	75	15	825
1962	393	251	118	77	64	55	60	13	1152
1963	536	275	124	94	69	64	62	12	1321
1964	425	299	125	70	63	120	53	19	1244
1965	356	294	112	64	66	64	55	36	1120
1966	401	287	107	84	76	57	70	20	1166
1967	396	248	110	108	79	52	148	11	1209
1968	278	252	130	99	83	92	117	40	1160
1969	426	295	161	78	73	105	122	77	1404
1970	377	342	184	70	48	130	140	99	1501
1971	259	362	181	79	51	68	148	96	1359
1972	407	505	187	70	52	104	129	169	1699
1973 A	313	600	194	93	65	100	131	170	1759
1974	121	340	181	105	0 C	95	170	0 C	0 C

A. SUBJECT TO REVISION.
B. INCLUDES COUNTRIES LISTED PLUS EXPORTS FROM U.S.A., CANADA AND E.E.C.6COUNTRIES AS A GROUP TO NON-MEMBER COUNTRIES.
C. NOT AVAILABLE.

SOURCE: STATISTICAL HANDBOOK OF THE MEAT INDUSTRY, BUREAU OF AGRICULTURAL ECONOMICS, CANBERRA, 1975

TABLE NO. III

IMPORTS OF BEEF AND VEAL: SELECTED COUNTRIES
(000 TONS CARCASS WEIGHT)

	1972		1973	
NORTH AMERICA	1006.6		1021.7	
of which U.S.A.		905.5		916.2
Canada		98.9		104.0
SOUTH AMERICA[a]	52.4		24.0	
of which Chile		38.5		13.0
Peru		10.5		8.0
WESTERN EUROPE	1703.3		1823.2	
of which E.E.C.(9)[b]		1464.5		1570.6
Austria		12.7		13.8
Finland		1.7		10.1
Greece		44.2		66.9
Malta		4.8		4.5
Norway		5.9		4.6
Portugal		32.1		20.4
Spain		84.4		81.3
Sweden		9.4		9.4
Switzerland		42.9		41.3
EASTERN EUROPE[c]	139.3		150.6	
U.S.S.R.[d]	32.1		15.4	
AFRICA[e]	51.7		62.2	
of which Egypt		10.9		11.0
Malagasy		2.6		2.7
Rep. South Africa		25.7		37.3
Zaire		9.7		9.7
ASIA	139.8		239.2	
of which Taiwan		1.1		1.2
Cyprus		2.7		2.7
Hong Kong		7.6		8.9
Israel		13.6		5.1
Japan		87.4		194.1
Lebanon		5.8		5.8
Malaysia		5.1		5.0
Singapore		10.7		13.3
Philippines		4.9		0.7
TOTAL[f]	3,135.7		3,347.0	

SOURCE: USDA, Foreign Agricultural Service, LIVESTOCK AND MEAT, January, 1975.

See Notes next page.

NOTES - TABLE NO. III CONTINUED

(a) South America is a net exporting region - exports in 1972 and 1973 totalled 1,139,400 tons and 896,400 tons respectively.

(b) Includes imports from 'member' countries. Net imports by E.E.C. from non-members in 1972 and 1973 were 822,800 tons and 821,500 tons respectively.

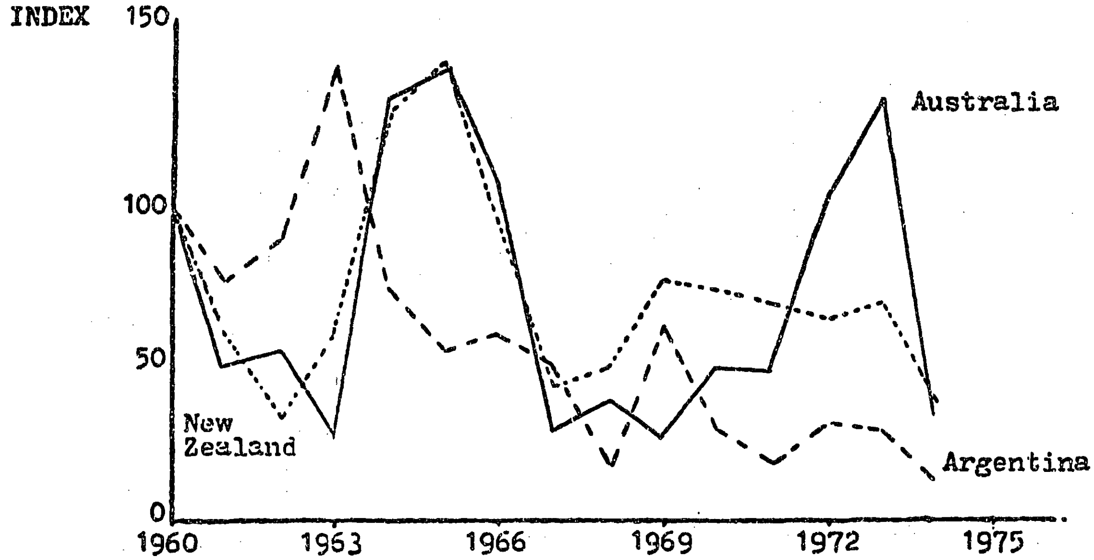
(c) Exports by Eastern Europe totalled 153,400 tons in 1972 and 182,400 tons in 1973.

(d) Exports by the U.S.S.R. totalled 32,100 tons in 1972 and 49,700 tons in 1973.

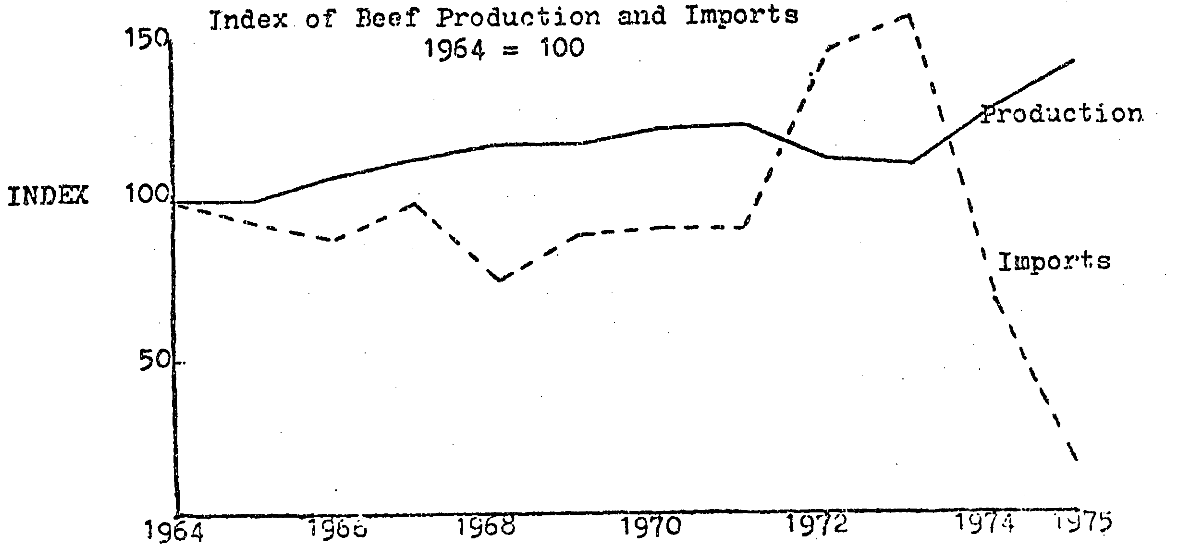
(e) Africa is a net exporting reion largely as a result of shipments from South Africa. Total exports from Africa were 126,000 tons in 1972 and 123,700 tons in 1973.

(f) Including only the 'net' trade of E.E.C. (9), U.S.S.R. and Eastern Europe total imports by selected countries for 1972 were 2,323,000 tons and 1973, 2,364,000 tons.

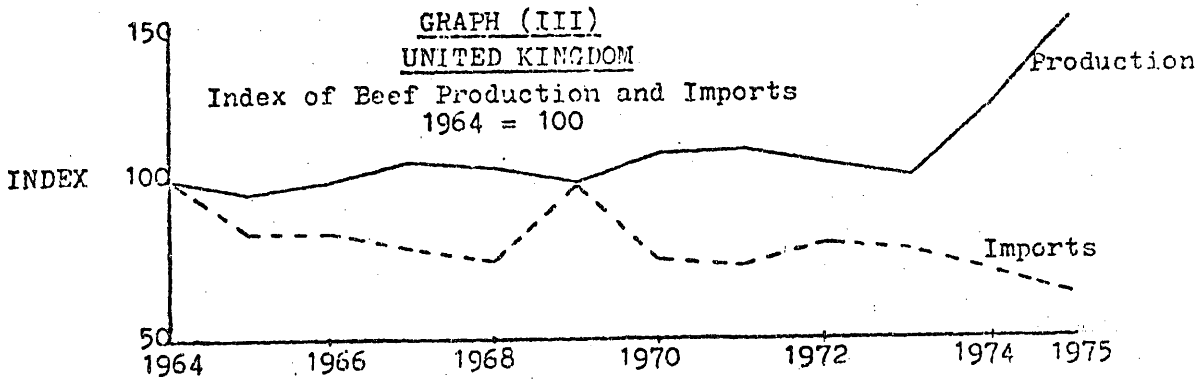
GRAPH (I)
UNITED KINGDOM
Index of Imports of Beef by Country of Origin



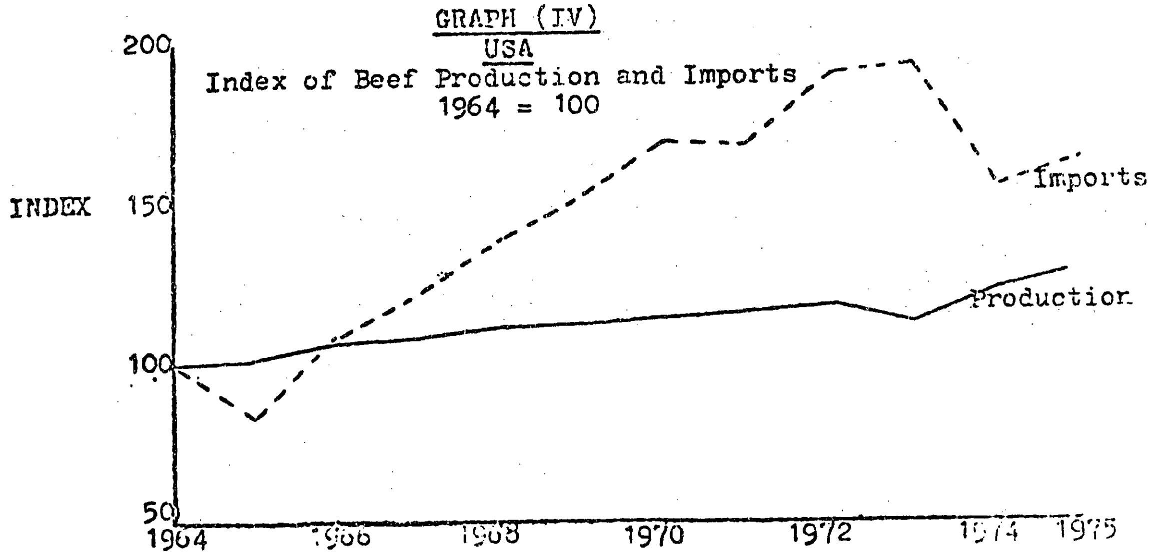
GRAPH (II)
EEC 6
Index of Beef Production and Imports
1964 = 100



GRAPH (III)
UNITED KINGDOM
Index of Beef Production and Imports
1964 = 100



GRAPH (IV)
USA
Index of Beef Production and Imports
1964 = 100



REPRESENTATIVE PRODUCER LEVEL PRICE INDEX FOR BEEF IN REAL TERMS : SELECTED COUNTRIES : 1950-74
(Base Year 1960 = 100)