WORLD TRADE ORGANIZATION

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International Bovine Meat Agreement

INTERNATIONAL MEAT COUNCIL

Draft Report

Chairperson: Mr. Arthur Nogueira

1. The International Meat Council (IMC) held its first meeting under the International Bovine Meat Agreement on 21-22 June 1995. The agenda (WTO/AIR/99) was adopted, as amended. Mr. Arthur Nogueira of Brazil was elected as Chairman of the IMC.

Functioning of the Agreement

2. The Council had a general exchange of views on the functioning of the Agreement and the role of the IMC in light of the Uruguay Round outcome. The representative of Australia recalled that the Arrangement regarding Bovine Meat and the International Dairy Arrangement were conceived as the result of the Tokyo Round due to its failure to provide substantial GATT disciplines in agriculture, at a time when the international markets for beef and dairy products were in difficulties. The Arrangement Regarding Bovine Meat had served its purpose and the functions of the new IMC could be reduced in light of a more stable and predictable post-Uruguay Round trading environment. The interests of the developing countries would be served by the FAO Commodity Group on Meat, and meat and livestock markets would be monitored by individual countries and other international bodies, including the OECD. The Committee on Agriculture could address issues relating to any imbalance in the international meat markets pursuant to the provisisons of Article 18 of the Agreement on Agriculture, as appropriate. The Australian delegate noted that, unless there was more comprehensive coverage of meat producer and consumer countries in the data submitted to the IMC, and its submission was more timely, the information was of limited value.

3. The representative of the United States underlined that the most important concern for the United States was the allocation of scarce resources to new demands arising from the implementation of the Uruguay Round agreements, in particular as it would affect the Secretariat. Areas offering scope for reducing resource demands were the International Bovine Meat Agreement and the International Dairy Agreement. The United States, which had already shifted priorities and increasingly relied on other sources for information, would in due course propose more fundamental changes.

4. The representative of the EC held the view that the past performance of the Arrangement Regarding Bovine Meat had been satisfactory and the work of the IMC had contributed to a better understanding of the international meat markets. He proposed that the Council's work on statistical information and policy measures should be continued and improved, notably in respect of other meats and in terms of better comparability of the statistical information.

5. A number of Parties stressed that they continued to attach importance to the work in the framework of the International Bovine Meat Agreement, but agreed that the functions of the International Meat Council should be reduced to reflect the priority of the work of the Committee on Agriculture and the Committee on Sanitary and Phytosanitary Measures. The Council decided not to re-establish the Meat Market Analysis Group (MMAG) and to discuss agenda items which had previously been subject matter of the MMAG in the IMC.

Notification Requirements

6. Following this consideration by the Council, the draft questionnaire on domestic policies and trade measures (IMA/W/4) and the draft questionnaire with respect to statistical information (IMA/W/5) were adopted, as amended. The documents were subsequently distributed as IMA/2 and IMA/3, respectively. The Council decided that, in order to avoid unnecessary duplication of work, relevant information submitted to the Committee on Agriculture and the Committee on Sanitary and Phytosanitary Measures was to be indicated in the IMC policy questionnaire by way of reference.

Rules of Procedure

7. The Council considered rules of procedure for the International Bovine Meat Agreement (IMA/W/1), and adopted the text, as amended. The final rules of procedure were issued as IMA/1. It was agreed that there would be only one annual regular meeting of the IMC, to be held in June of each year (rule 3, refers); there would be two submissions of the statistical questionnaire per year, but the frequency may be modified by the Chairperson in consultation with the Parties (rule 15, refers); the discussion in the IMC with respect to the world meat market situation and outlook would be part of the report of the Council meeting (rule 8, refers); and that the Secretariat would provide yearly an analytical report on the situation and outlook in the world markets for bovine meat (rule 17, refers).

Observership

8. The Council had an exchange of views on the conditions attached to observership (rule 12, refers). Parties noted that observers should be encouraged to contribute to the exchange of information in the meetings and agreed that observer governments would be requested to reply to the statistical and policy questionnaires on a voluntary basis. The Council decided to issue a standing invitation to the United Nation's Economic Commission for Europe (ECE), FAO, the International Trade Centre (ITC), OECD and UNCTAD.

Evaluation of the Market Situation and Outlook

Production

9. World production of bovine meat is forecast to reach some 53 million tons in 1995, a 1 per cent increase over 1994. The main stimulus to world production is expected to come from the developing countries, in particular China and Brazil. Among the developed countries, the United States, Canada and New Zealand are forecast to record growth rates above the world average. Australia is expected to record lower and the European Community slightly higher production than in 1994.

10. Australia's recently revised cattle numbers suggest that the industry has survived the drought much better than previously assumed. Census data indicate an increase in cattle inventory numbers in the past two years. Herd rebuilding is expected to continue in the years to come, leading to an improvement in producer prices. In New Zealand, farmers are expected to reduce cattle numbers this year in reaction to a further drop in farmgate prices as the result of lower beef prices in the US market and the appreciation of the NZ dollar against the US dollar. In Japan, the structure of beef prices continues to favour the production of Wagyu beef, a process which is largely driven by import competition as imported chilled beef depresses the prices for domestic dairy-bred beef.

11. The United States approaches the end of the cattle build-up. Beef production is expected to expand further this year and in 1996, as a result of depressed livestock prices and increased corn prices. Canada follows a similar pattern with cattle herd having expanded since the mid-1980s. Beef production is forecast to increase until 1996 and to level off or decline as from 1997. Argentina's beef production is forecast to be slightly higher this year than in 1994. Uruguay's cattle inventory numbers have increased in recent years and are forecast to stabilize around 11 million head by 1996.

12. In the European Community the cattle cycle seems to have reached the bottom with a production of 7.4 million tons of bovine meat in 1994. Cattle numbers have stabilized and are forecast to increase from 1995 onwards. Intervention stocks decreased sharply to 10-20,000 tons. EC domestic prices have declined since autumn 1994. The three new EC member States add to the EC supply-demand balance a surplus in the magnitude of 50-55,000 tons of bovine meat. Norway's beef production is forecast to decrease this year along with lower cattle numbers. Switzerland's bovine meat production declined by about 8-9 per cent in 1994. In Hungary, herd liquidation continued in 1994 with a consequent decline in production and a significant increase in imports. South Africa is currently in the build-up phase of the cattle cycle with the peak forecast for 1997/98.

Sanitary situation

13. Argentina has not registered any outbreak of Foot-and-Mouth disease (FMD) so far this year while the region of Mesopotamia has been free of FMD outbreaks since December 1992. Uruguay was recognized by the OIE as free of FMD *with* vaccination two years ago. For the past 1½ years, Uruguay has implemented a non-vaccination programme and, given that there has been no outbreak for one year, hopes to be awarded FMD-free status *without* vaccination in the near future. The United States is, in bilateral consultations with Uruguay and Argentina, in the process of developing a regulatory approach for the implementation of the "free zone" concept. The representative of the United States noted that Uruguay's 20,000 tons beef tariff quota for shipment to the United States could be implemented in 1996.

Consumption

14. Australia's beef consumption is expected to remain at relatively high levels in the coming years, supported by the favourable price of beef compared to sheepmeat. In New Zealand, consumption has recovered in 1994, as the result of low beef prices, real income growth and a marketing campaign which stressed the importance of red meat as a source of iron. In Japan, beef consumption grew strongly in 1994, albeit at a lower rate than in 1993. The representative of Japan indicated that retailers were selling beef at unusually low prives in order to attract shoppers. He attributed Japan's stagnant pork and poultry meat consumption to the effects of saturation as well as price competition from the beef sector.

15. Beef consumption in the United States has been increasing, in spite of low-priced competition from other meats. Argentina's beef consumption has further declined in recent months as consumers continue to shift their diets towards poultry meat and fish.

16. In the European Community, bovine meat consumption declined in 1994. In the coming years, per-capita consumption is expected to remain stable. In the past three to four years, the consumption of all types of cereal-based meat increased by about 800,000 tons. Norway's bovine meat consumption shows an increasing trend, attributed to changing eating habits, including increasing fast food consumption. In contrast, the representative of Switzerland pointed to a decline in recorded red meat consumption in his country, as the result of propanda by animal rights movements, a decline in tourism-related beef consumption in restaurants and unrecorded crossborder purchases.

17. In South Africa, beef prices have been rising in real terms since 1994 as the result of cattle retention. In 1995, consumption is expected to drop by 21 per cent.

Trade

18. FAO forecasts world beef exports at 4.4 million tons in 1995, a 9 per cent decrease compared to 1994. Australia's beef exports are expected to be hampered by herd rebuilding this year and into 1996, but are forecast to recover rapidly thereafter until the year 2000. Exports are likely to be stimulated by sustained demand from Japan, strong demand from Korea and gradually improving prices in the US market. However, there is doubt as to whether Australia's allocation of the US tariff quota for beef will be filled in 1995. New Zealand has reduced its reliance on the US market in the past few years, with increasing shares of total beef exports being destined for Japan and Korea. New Zealand expects to fill its country-specific tariff quota in the United States in 1995 and would engage in negotiations on a reallocation of tariff quota shares should Australian exports fall short of its allocation. Japan's imports increased by 3 per cent in fiscal year 1994 and the forecast is for slightly higher import growth in fiscal year 1995 (which began in April).

19. Beef exports by the United States are expected to continue rising significantly in 1995, in particular, aided by a strong yen, to Japan. Imports of feeder cattle and calves from Mexico are forecast to increase sharply, as the result of the peso devaluation and a drought in Northern Mexico. Canada's beef imports from non-NAFTA countries are forecast to decline to levels of 1991/1992. Argentina's exports increased sharply in 1994, notably to Brazil. This year, exports are expected to increase further, driven by strong demand from Brazil, and falling domestic consumption. Argentina hopes to ship

the first beef consignments to the United States in the second half of 1995, under its 20,000 tons country-specific tariff quota negotiated in the Uruguay Round.

20. The EC trade surplus of bovine meat was around 700,000 tons in 1994 and is forecast to decline significantly in 1995 and 1996, as the result of higher imports and low intervention stocks. The tariffs quota under the Association Agreements with Central and Eastern European countries provide for market access opportunities to the European Community totalling some 17,000 tons of bovine meat and some 70,000 tons of pigmeat. The representative of the European Community noted that the ceilings for subsidized exports of bovine meat would not seem to pose difficulties in the coming years.

21. The representative of New Zealand and Australia sought clarification from the European Community with respect to prefixed export refunds for shipments after 1 July 1995 when the EC export subsidy reduction commitments take effect. The EC representative noted that the European Community was issuing certificates for subsidized exports during May and June 1995 for shipment after 1 July 1995, which would *not* be counted against the EC's export subsidy reduction commitments, but the EC would ensure that these do not exceed average amounts issued during May/June of past years.

International prices

22. Bovine meat prices in the Asian markets are expected to remain favourable, albeit under pressure from supplies from the United States. Prices in the Atlantic markets have improved significantly in the past few months, reaching their highest level since mid-1993.

Pigmeat, poultry meat and sheepmeat

23. In Australia, sheepmeat supplies are expected to be tight in 1995 and in the medium term, as farmers rebuild their flocks following several years of liquidation due to the collapse in wool prices and the drought. Flock rebuilding is likely to result in lower exports of both lamb and mutton this year. In New Zealand, sheep numbers are forecast to recover in the years to come, in response to improved wool prices and lower beef prices. Japan recorded import growth at a two-digit level in fiscal year 1994, notably in respect of poultry meat imports and chilled pork imports for consumption as table meat.

24. In the United States, the relatively strong expansion of pigmeat and poultry meat production is forecast to slow this year and in 1996 as a result of higher feed costs. Exports are likely to show

strong growth in the next two years, under the assumption that US domestic prices remain under pressure and the US dollar remains weak. Canada's pigmeat production and exports are likely to increase in 1995. Production is forecast to contract next year, as the result of declining producer returns and higher feed costs.

25. The European Community expects continued growth in poultry meat production, a cyclical decrease in pigmeat production and a slight decrease in sheepmeat output in 1995. Exports of poultry meat and pigmeat are forecast to decline as from 1996.

Date of Next Meeting

26. The next meeting of the IMC will be held on 11-12 June 1996, subject to confirmation by the Secretariat.