

RESTRICTED

Spec(84)11
16 February 1984

GENERAL AGREEMENT ON TARIFFS AND TRADE

Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

NINTH MEETING

Draft Report¹

Chairman: Ambassador Federico Grünwaldt Ramasso

1. The International Meat Council (IMC) held its ninth meeting on 8 and 9 December 1983. The IMC was informed that the Arrangement Regarding Bovine Meat had been signed in August by Guatemala, putting signatories at 25 and participating countries at 34. The IMC adopted the agenda as set out in GATT/AIR/1967.

Admission of observers under Rules 11 and 14 of the Rules of Procedure

2. Since no new request for observership under these Rules had been submitted to the IMC since its last meeting, no action was required under this item.

Examination of the functioning of the Arrangement

3. Under this item the representative of Argentina made the following declaration: While the Arrangement is considered to have functioned satisfactorily to date in regard to the exchange of information between the participants on production, trade and consumption of bovine meat, it has not succeeded in making progress where its main objectives are concerned - those set forth in Article 1. As we all know, those objectives are to promote the expansion, ever greater liberalization and stability of the international market, and to facilitate the progressive dismantling of obstacles and restrictions to trade in bovine meat. Indeed, the

¹A list of participants will be annexed to the approved report.

present situation of deterioration that is to be seen in international trade is the best indicator that in practice those objectives seem still more remote than in early days of the Arrangement. In this regard, the serious reduction of the cattle herd in major producing regions, the reduction in bovine meat consumption and demand because of the advance of other meats in the principal importing regions, the continuing deterioration of international prices and the excessive (constant) use of subsidies and unfair practices in international trade in bovine meat - all these confirm the existence of a serious imbalance in this sector of international trade. In the view of his delegation, one of the factors that has given rise to the situation just described is the application of high subsidies by the EEC in respect of its meat exports to certain third countries.

4. Indeed, the representative of Argentina continued, since 1978 the magnitude of these subsidies, which have been supplemented by a set of related measures granted by the EEC on its exports of bovine meat in various presentations, has resulted in a significant increase in its deliveries to third-country markets, increasing substantially its share of the world market by displacing and taking up part of the market which was traditionally supplied by beef-exporting countries, as was the case for Argentina in particular. This subsidization policy has also allowed the EEC to obtain the award of various international tenders by quoting prices significantly lower than those of other bidders - a circumstance that has caused the constant decline in the international prices that has been recorded in world trade in recent years. There are, therefore, various reasons to think that the trade policy of export subsidies applied by the EEC is not consistent with the principles of the General Agreement. Argentina has denounced this matter on numerous occasions, both at bilateral level with the EEC and in this forum. Nevertheless, to date it has not succeeded in drawing attention to this serious problem which is inhibiting the development of production and world trade in meat, particularly for exporting developing countries such as our own. Accordingly, he said, and in pursuance of Article IV:6 of

the Arrangement, the Argentine delegation wishes formally to raise before this Council the question of subsidized exports of the EEC and their distorting effects on international trade in bovine meat, so that the matter may be examined in depth and possible solutions identified to remedy this situation. To this end, the Argentine delegation reserves the right to submit to the secretariat in the near future written suggestions for concrete action in this matter.

5. The representative of Australia said that if we regard the IMC as a vehicle for the expansion and liberalization of the world beef trade, it could not be said that significant progress had been made since the instigation of the IMC. In his opinion, trade in beef remained highly restricted and there did not seem to be an end to that situation in view. However, his country was inclined to be patient with the development of the IMC and did not regard the work accomplished so far as insignificant but rather as a foundation being put into place which hopefully will develop into something worthwhile and significant over the coming months and years. He said that the IMC needed to go beyond the information gathering function and become a catalyst for development of new policies and new attitudes. The IMC should address itself much more to national policies, examining them and the impact they have on trade. He recognized that countries had a right, and indeed a duty to their citizens, to implement policies beneficial to the country concerned. However, he said countries also have a duty not to implement or maintain national policies which adversely affect the interests of other countries. National policies which support high cost producers, for instance, have several important and damaging consequences for other countries. First, imports of the products are restricted, if not totally excluded, from the market. Secondly, domestic production is increased by the more attractive prices to producers. Thirdly, the high prices decrease the consumption. Fourthly, the overall consequence of such policies is that the surplus production thus generated is exported to third markets. The impact is therefore even greater because not only are the traditional and low cost exporters denied access to the markets which are being closed off by these

national policies but they are then faced by unduly difficult competition, in one way or another subsidized, in other markets left open to them. He said that he hoped that the IMC would be able to start discussing very soon how to "unlock" that terrible sequence of circumstances which do so much damage to international trade in beef. If the IMC recognizes the damaging consequences such policies may have, it might possibly be able to find a way of dealing with the problem and if that is done in this Council, he said, he believed that the IMC would have fully justified its existence in a way nothing else could do.

6. The representative of Uruguay supported the statements made by the representatives of Argentina and Australia. He said that the objectives of the Arrangement must be reached; this was the very reason why his country had acceded to it. He stressed that the exchange of information that is taking place since the Arrangement came into force has been a very positive type of action but there is much more to the Arrangement and if the IMC does not go any further, the objectives as stated in Article I of the Arrangement, will not be reached. He was much interested in the suggestions announced by the Argentine representative, indicating that any step forward would be positive for all participants.

7. The representative of New Zealand associated himself with the comments made by previous speakers and said that these encapsulated a number of concerns held by the beef industry in his country. He suggested that the objective of the participants should be the essential harmonization of national policies and objectives with the realities and the consequences these policies have in the international market place.

8. The representative of Canada shared the view that the Arrangement has made significant progress since it was established. At the same time he felt that the IMC should be more than an information gathering body and that it should attempt to view and analyze some of the basic imbalances which seem to be so persistent in international trade in beef.

9. The Hungarian representative shared the sentiments and concerns expressed by the previous speakers. He said that Hungary was ready to take into account the realities of domestic policies if these domestic policies were ready to take into account the traditional position of efficient producers as stated in the objectives of the Arrangement and also take into account the objectives of the General Agreement.

10. The representative from the European Economic Community was of the opinion that the work done so far in the IMC and the MAG had been very useful, in particular since it had been based on facts and not on unrealizable computations. He expressed the hope that the work to be undertaken in the future would be likewise realistic. He said that the IMC had managed to obtain very useful information for the understanding of the situation and development of the bovine meat market. In this connexion, he said that some of the papers elaborated by the secretariat on different problems of concern to the participants had not yet been completely assimilated and needed much more in-depth study. Concerning meat exports by the Community, he said that the Community policy, which respected the rules concerning international competition and obligations in Article XIV of the GATT, had not prevented a country like Brazil to develop its exports. Furthermore, the volume of trade of bovine meat in the medium and long term have remained relatively stable, in spite of some fluctuations due to the inherent instability of the market. However, there is no evidence of a serious imbalance, nor threat thereof, in the actual overall supply and demand situation but he said he was convinced that were there to be a strong recovery in economic conditions in the coming months the supply on internal and external markets will be insufficient to meet demand. In connexion with the statement that high cost production in certain countries could lead to a decline of imports, he said that the Community respected the import commitments it had undertaken under the GATT and elsewhere. Unfortunately, even though these commitments concern more than 450,000 tons, the Community has not imported more than around 400,000 tons these last years, not because the Community market was not open but because third country supplies were not sufficient or maybe

because exporters found more interesting markets elsewhere. As concerns the statement that high cost production has as a result or as a goal the diminuation of the consumption, he said that on the contrary in countries where prices of meat were relatively high, consumption has remained more stable than in countries with low prices; these latter have seen in the last few years a decline in consumption of more than 10-12 kgs. per person whereas in the Community the consumption has declined only by around 1 kg. in spite of the economic crisis.

Replies to the questionnaire

11. Under this item, participants discussed the adequacy and a possible review at a future meeting of the information contained in the questionnaire. Some participants felt that the time had come to find out if there were some areas where perhaps it would be appropriate to eliminate some questions but also consider if some additional information would be beneficial for the work of both the IMC and MAG. It was pointed out by some participants that officials in capitals were often concerned by the length and amount of detail required and also by similar information requested by other international organizations but in a different format. As examples it was mentioned that the information requested on the value of trade in beef was perhaps somewhat excessive and was not always referred to in the documents produced; moreover, it would perhaps be advantageous to collect, as far as possible, data on the amount of beef originating in dairy herds as opposed to beef herds. Also, more information may be collected on other meats.

12. The IMC agreed to put the review and revision of the questionnaire on the agenda of the MAG for the next meeting in June 1984. The Chairman invited participants, and in particular Canada, having any ideas on the subject to send their suggestions to the secretariat for circulation to participants in good time before the next meeting.

Evaluation of the world market situation and outlook

13. For discussions under this item the IMC had the following documents at its disposal: "Status Report on the Present Situation and Probable Developments in the Bovine Meat Sector (IMC/W/26); "The Medium-Term World Demand/Supply Outlook in the Light of Article IV, paragraph 1(a) of the Arrangement Regarding Bovine Meat" (IMC/W/16/Rev.1); "Summary Tables" (IMC/W/2/Rev.7) and replies to the questionnaire.

14. The Chairman of the Meat Market Analysis Group, Mr. Patrick Robertson, reported on the discussions which had taken place in the Group in its meeting of 5-6 December. He said that it had been particularly difficult to draw out "general themes" from this meeting of the MAG. He said that the task was complicated this time because there appeared to be more divergent trends in the economic factors affecting international markets in the 1983/84 period than there had been for some time.

15. The divergent trends started at the most fundamental level, he said, namely: the rate of recovery from economic recession. While economic recovery in the United States, Canada and Japan (as measured by GDP growth) was relatively rapid in 1983 and was expected to continue (although less rapidly) in 1984, growth elsewhere had been extremely slow and was expected to be very slow in 1984. Moreover, he said that several participants had emphasized that it may not be correct to assume that a strong correlation exists between effective beef demand and the rate of growth of GDP. In this regard, it had been pointed out that in virtually all economies unemployment rates were expected to remain high for some time and that in any event there was normally a lag between the commencement of economic recovery and the commencement of growth in beef demand.

16. Mr. Robertson said that the divergence of views extended to other elements of beef demand and, especially, to supply. In North America, it was expected that demand would improve through 1984 and that the improvement in the second half could be more rapid as declining supplies of pork and poultry reinforced improvements in the

general income growth. However, there was considerable uncertainty about the level of supplies, especially manufacturing beef supplies because of the unknown extent to which a recently introduced Bill in the United States of America to deal with dairy surpluses would encourage dairy cow slaughter. At the same time he indicated that the increase in feedgrain prices during 1983 could cause an increase in "non-fed" beef production, augmenting supplies of manufacturing beef. Consequently for some period of 1984 (unknown, but for at least 8-10 months), it was concluded that prices of manufacturing beef in North America and, therefore, of imported beef would be restrained in spite of improving demand. A much similar scenario was foreseen for Japan, with the caveat that the anticipated growth in production would more likely consist of high grade beef. In Europe in 1983 (i.e. EEC, Sweden, Norway, Finland, etc.) the weakness of demand had coincided with rising beef production, a situation which was expected to continue in 1984. While there may be a number of factors responsible for the expected supply increases in these countries, there seemed to be a strong connexion between these increases and problems being encountered in the dairy sectors of these countries. These problems, in turn, related to either: (a) sharply increased production costs (arising mainly from increased prices for imported or domestic feeds) or (b) stagnating returns from milk production. The possibility of modifications to dairy policies to control surplus milk production in these countries pointed to the probability of further increases in dairy cow slaughter and beef production in 1984, he said.

17. He noted that participants with an export interest expressed concern about the anticipated level of intervention stocks (400,000 tonnes) at the end of 1983 in the EEC and the level of forecast production in 1984, which were expected to approach the record levels reached in 1980. The concern extended to the destination to which EEC exports would go in 1984.

18. Concerning the Soviet Union, there seemed to be a consensus that, barring major weather problems, that country has entered a period of rising beef production and decreasing imports. Although there was some disagreement as to the magnitude of the possible decrease in beef imports it was the unanimous view that such a development held negative consequences for world markets.

19. As regards the major exporters (Australia, New Zealand, Argentina, Uruguay, Brazil) the supply situation was, in 1983, very diverse, and the diversity was expected to continue into 1984. The expectations for 1984 ranged from further increases in production in Brazil (to record levels) to drastic decreases in production in Uruguay. In others (Argentina, Australia, New Zealand), less dramatic changes were expected, but for all some degree of decline was expected. This diversity as regards supply was, of course, expected to be reflected in the export performance of these countries.

20. As regards markets in North Africa and the Middle East, he indicated that the factors most likely to affect the markets in these areas would be: (1) the expected increase in production and exports of the EEC; (2) the contraction to some degree of Soviet imports; (3) increased exports of Brazil; (4) the contracts which Uruguay and Argentina have in the region, combined with their apparent desire to stay in these markets. Given these factors he said that it could be reasonably concluded that the competition for sales in North Africa and the Middle East would be more intense in 1984. In addition, the MAG had been informed by the UNCTAD representative that India had rapidly expanded its exports to the Middle East in recent years and was expected to remain a major influence in that area. Although there was little specific information on the expected level of demand in these areas in 1984, the general impression seemed to be that demand there may not be particularly strong. In fact, he said, the opinion was expressed that countries in this region (at least the oil-exporting ones) were just now feeling the effects of the recession which had been experienced in the industrialized world the previous 2-3 years.

21. Turning to the Far East (South East Asia, Republic of Korea, Japan, ecc.) Mr. Robertson said that it was generally believed that this region would continue to offer good opportunities in 1984. However, there was considerable interest expressed as to the extent and the terms on which "non-traditional" European exporters would be present in these markets in 1984 and beyond. He also indicated that the UNCTAD representative had informed the MAG about the export situation of a number of traditional exporters in Central and South America (e.g. Colombia, Nicaragua, Honduras, Guatemala, Mexico, etc.). In general, the exports of these countries had been moving downward for several years, and there seemed little reason to expect a resurgence in 1984.

22. In summarizing, Mr. Robertson enumerated the general themes which had emerged from the discussion in the MAG: (1) Considerable diversity was expected to exist as regards growth rates in bovine meat demand in 1984. The diversity was expected to relate to uneven rates of recovery from the recession. The situation was rendered even more diverse by diverging trends in production of other meats and by the unknown relationship as regards timing and strength between income growth and beef demand growth. (2) Considerable diversity concerning the supply situation in some markets was expected to continue in 1984. (3) In 1984 it was expected that developments in the dairy sectors of a number of countries would have considerably more than its usual influence on beef supplies. Concern was expressed about the influence on international bovine meat trade of changes in dairy policy in a number of countries which had already been or which would shortly be made. (4) The rapid rise in feedgrain prices during 1983 would impart a significant influence on bovine meat markets for a large part of 1984. While this development may result in both positive and negative influences on bovine meat markets, it was thought that the negative influences may slightly outweigh the positive ones in many markets. (5) Soviet beef imports would decline and concern was expressed about the influence that that development might have on competition for other world markets. (6) Bovine meat demand in the Middle East and North Africa could weaken (or at least not strengthen) and would not provide any solid boost to market returns for exporters to those regions.

23. In closing he indicated that in contrast to his rather optimistic report of June 1983, this one indicated that expectations for the international beef markets for 1984 were more modest. While some positive developments were expected they were expected to be considerably fewer than had been previously hoped.

24. The representative of the United States indicated that there were two factors which, from the United States point of view, rendered the outlook for 1984 very uncertain. First, there was the question of the amount of dairy cow slaughter arising from the then recently enacted dairy legislation. It was his feeling that claims of a very large slaughter of cows were exaggerated, but he noted there was a degree of uncertainty. Secondly, there was the question of the reaction of beef consumption to the economic recovery. The magnitude and timing of any increase was unknown.

25. The representative of the European Communities expressed the view that perhaps the Chairman's report tended to view the outlook too negatively. In his view the continuation of economic recovery must be viewed as a distinctly positive development for the beef sectors of most countries. Additionally, the prospect of reduced production of competitive meats as a result of higher feedstuff prices would also be a positive factor for beef demand in 1984. Finally, he indicated that forecasts presented during the course of the MAG meeting suggested a decrease of some 20 per cent in exportable supplies of major exporting countries in the Southern Hemisphere. The EC representative also wished to point out that even with a 2-3 per cent increase in meat production in the EC in 1984, production would still be some 200,000 tons less than in 1980, the record year for production in the Community.

26. The representative of Canada said that it was his belief that the key point in the Chairman's report was the uncertainty as regards the durability, speed and magnitude of economic recovery. In this respect he pointed out that most countries had been adjusting their bovine meat production downward in recent years in line with reduced demand. For 1984, however, he indicated that forecasts suggest that, if one excludes the production of the United States, the increased production of the European Communities will offset the decreased production in other countries.

27. As regards secretariat document IMC/W/16/Rev.1, participants expressed the view that this document represented a valuable contribution to the work of the IMC. While they were unprepared to discuss the substance of the document in detail at this meeting they felt that it should remain on the agenda for the next meeting. As a general point the representative of Australia expressed the view that the analysis in the document supported the view that measures designed to support or stabilize cattle producers' incomes should not be connected with the market. Where such measures were based on some type of market consideration, distortions invariably developed. Also as a general point the representative of Canada said that a major point to be drawn from the paper was that without changes in governmental policy there would be a tendency for bovine meat production to rise more quickly than consumption between now and 1987. The representative of Argentina said that he wished that it be recorded that the view he had expressed in his declaration applied equally to the issues raised in this document. He urged the Council to concentrate its efforts on studying these issues the resolution of which, in his view, should be a priority for the IMC.

28. In order to have an indepth discussion of the substance of the paper at the June 1983 meeting of the IMC, the Chairman invited participants to reflect on the paper and give to the secretariat in writing any ideas, suggestions or views on the subject well before the next meeting. This would permit the responses to be circulated to all participants. He stressed the importance of participants coming prepared to the next meeting to give their views on and the possible follow-up of that paper.

Examination of national policies linked to trade in bovine meat and live animals

29. Four sets of written questions had been received by the secretariat in advance of the meeting: one from Australia (IMC/W/27), one from Sweden (IMC/W/28), one from Canada (IMC/W/29) and one from New Zealand (IMC/W/30). These questions were addressed to the following participants: Brazil, Canada, European Community, Sweden, United States, Argentina, Australia, Japan and Uruguay.

30. In answering questions regarding the increase of Brazil's beef exports, the representative of Brazil said that in 1984 exports of beef may increase because of the strong downward tendency of consumption, provoked by the decline of purchasing power of consumers and competition of other meats. Brazilian estimates for 1984 exports were about 700,000 tons for bovine and poultry meats. The Brazilian Government had no special measures to encourage exports of meat which received basically the same treatment as other commodities included in the general export policy. Middle East markets appear to be those which, for Brazil, have the best growth prospects, especially those where Brazil's trade balance is very unfavourable. Brazil recently signed an international agreement with some monetary institutions because of balance-of-payments problems and, as one consequence, a tight wage policy is under way. This will result in a further decrease in the consumption of meat (in the past five years, per capita consumption fell from 21 kgs. to 15 kgs. per year) and consequently in a rise of export availabilities, even with the same level of production.

31. Responding to a question concerning the rise in the EEC beef exports to Canada in 1983, the Canadian representative said that up to mid-November, Canadian imports from the EEC had reached about 5,443 tons, compared to 3,175 tons in the same period a year earlier. There is no restriction on imports in Canada, he said, and although individual permits are required, these are being issued freely and are in place to allow the monitoring of the quality of beef being

imported. Referring to the export subsidy used by the EEC on beef entering Canada, he said that this is a concern to the Canadian authorities and to producers who view it as having a de-stabilizing influence on the domestic market reducing, to a certain extent, the prices domestic producers receive for their own beef. Complaints had recently been received from meat processors in Canada in relation to canned ham and luncheon meat from the Netherlands and Denmark, and Canadian authorities were investigating this importation.

32. Responding to questions concerning rising production of beef in the EEC in 1983 and the high level of stocks and whether the Community was considering the introduction of any system of production restraints, the representative of the European Community said that the increase of beef production was only of about 2 to 3 per cent, compared to a fall in production of about 7 per cent since 1980. After stressing that intervention stocks were not at their record level (which was reached in 1974) he added that the European Community practice is one of stabilization of the market, and that the balance between production and consumption in the medium term is a permanent concern of the Community. He further added that the fact that the EEC has import quotas of about 450,000 tons, while only 400,000 tons, on average, in the last years have been used, seems to indicate that suppliers were not able to export meat to the Community, probably because they found better markets elsewhere. Referring to a question concerning a certain threshold of production that Europe's farmers should not exceed and measures being considered to achieve this objective, the Community representative indicated that the Commission had not fixed such a threshold, but that in its report to the Council in July, 1983, it had suggested the replacement of the different existing premiums used to stimulate beef production (most of them were national premiums) by a unique premium. He further informed the IMC that the herd in the Community has been relatively stable during the last 20 years and the increase in the number of milk cows is only a temporary result of the measures implemented one year and a half earlier, in order to limit the dairy surpluses. The present export availabilities in the EEC arrive at a moment when those of the Southern Hemisphere countries are

decreasing, a decrease forecast to reach 500,000 tons in 1984. The increase in the EEC's production of beef in 1983 was mainly due to improvements in the production structure: increased productivity, reflected in higher slaughtering average carcass weights, and 3.7 to 4 per cent less producers annually in the last few years. Referring to a Canadian comment according to which productivity gains in the EEC seem, inter alia, to be related to the high level of support prices and the fact that the Community producers are assured of an outlet for their production at very remunerative prices, he added that in spite of the stabilization efforts, EEC producers get only 80 per cent of the guide price, or 10 points under the official support price level and that taking into account the inflation rate in real terms, they received a lower price in 1983 compared to 1982, and an even lower increase in percentage terms than the producers of other important producing countries. Responding to a question concerning the geographical application of export restitutions for beef, the EEC participant informed the Council that for the moment, there are no restitutions for exports to the countries of the Pacific Basin. However, considering the low level of export availabilities in neighbouring countries of that area, such as Australia and New Zealand, the Community will probably export to those markets.

33. Responding to questions related to beef exports to the Federal Republic of Korea, the Swedish participant said that this was a new market for Sweden. Exports started in 1982 when the Korean authorities gave veterinary approval to Swedish meat. In that same year, exports amounted to 400 tons, bone-in, and in 1983 Sweden overcame the difficulties of various import requirements which allowed the country to participate in Korean tenders, thus expanding exports to about 2,000 tons. After having indicated that total Swedish exports of beef declined by some 10,000 tons in 1983, he noted that the type of beef allowed to enter Korea (beef from young female animals with carcass weights below 250 kgs.) limit by itself Sweden's exports to that market (Sweden basically produces young male animals and higher slaughter weights). Administrative, price and transport terms are also reasons to make Swedish export prospects to

Korea very modest. Referring to the "price addition", the Swedish representative said that some consumer price increases established in the agricultural negotiations between producers and consumers had not taken place because of the existence of consumer food subsidies. However, producers were compensated by budgetary means and partly used these as a financial source for, inter alia, market regulation purposes. Since the removal of the consumer subsidy as from the first of December, 1983, the "price-addition" system for beef was abandoned and was replaced by a slaughter levy system, aiming at the reduction of production, in order to produce means for market regulation activities.

34. Concerning questions regarding beef consumption in his country, the representative of the United States gave a brief history of the meat market during the 1970's and indicated that since 1979, per capita consumption of beef has moved up by about 1 kg. and that in 1983 it is above the 1979-1982 average of 47.4 kgs. At the same time, consumption of poultry and other products increased as well. Turning to 1984, there will most probably be, he said, a reduction of beef consumption, but the introduction of the new dairy programme will somewhat offset this. The rise in slaughter of dairy cattle will increase the availability of beef which will, to a certain extent, check the decline in consumption. He further said that there are no direct government programmes in the United States to promote the consumption of beef, or of other meats. However, many organizations in the American industry promote meat. Referring to the Californian tax on beef, the representative of the United States said that many of the above-mentioned organizations are broken down into State affiliates. The National Cattlemen's Association's office in California has a "check-off" system, whereby a small amount of money is withheld for promotional activities when meat is produced. As almost half of the meat consumed in California is locally produced (the other half comes largely from other States, while only a small part from third countries), the Californian authorities were asked to formalize and equalize the system so that the "check-off" would apply to all meats consumed in California. He further said that under the United States

law, international agreements prevail over State law. Secondly, any State law which unreasonably burdens or restricts inter-State or foreign commerce is a violation of the Constitution. If the facts so warrant, the Californian beef promotion tax could be challenged under either of these criteria. From information available, he said, it is entirely possible that the tax is a fair charge for the State's beef consumption promotion efforts. All beef, regardless of whether it is imported or domestic, is intended to benefit from this promotion. There are no reasons to believe that the promotion tax will have the effect of limiting consumption of imported beef in California. The tax imposes no quantitative limitation on sales of domestic or foreign beef. The Californian tax does not, in his opinion, constitute a breach on the tariff binding because it is a charge on both domestic and imported beef. Referring to the impact of the recent changes in the dairy legislation, the United States representative said that most certainly dairy production will decline, and beef production will increase, probably by some 1 to 2 per cent. This, he added, will have a somewhat depressing effect on beef prices. There will also be some downward impact on the trigger level of the United States Meat Import Act. It is estimated that for every 100,000 cows slaughtered, the trigger level would be reduced by 5 million pounds (approximately 2,268 tons). The trigger level might therefore be lowered by 25 to 37.5 million pounds (11,340 tons to 17,010 tons) or 2 to 3 per cent. However, cattle numbers and the supply position of the main suppliers seem to indicate that there will be less beef moving towards the United States in 1984 than in 1983. Additionally, the stock level of beef in the United States at the beginning of 1984 compared to the year earlier is lower. For these reasons, the possible effects resulting from the dairy legislation may be offset.

35. Responding to questions concerning the decline in cattle numbers in his country, the Australian representative said that cattle herds had declined by almost a third from 33.4 million head in 1976. As a result of the drought, a further decline in calvings is expected in 1983. Producers are forced to maintain a reasonable rate of stock turn-over to keep up their essential cash-flow needs in the post-drought situation.

Given a continuation of normal seasonal conditions and an expectation of an increase in beef prices, producers are expected to react cautiously and to start reducing their slaughter rates to a level sufficient to rebuild their herds. However, producers will probably need a couple of years of higher prices to sustain the confidence as they move into a herd rebuilding phase. This will result in a slowing down in the rate of slaughtering (9.4 million head in 1982) due to the effects of the drought. This level was expected to fall to 7.99 million head in 1983 and to about 7.5 million head in 1984. Herd numbers are expected to bottom out in 1985 prior to moving to a rebuilding phase. Slaughter will decline to an expected 6.8 million head in 1986/87. As a result, beef production is expected to be more than 15 per cent below the 1983 level reaching a low of 1.21 million tons in 1987. This will be reflected in the export availability. Referring to beef producers' switch to alternative enterprises, the Australian representative indicated that interchangeability is not a new phenomenon in Australian agriculture and it can be expected that beef producers, with depleted herds after the drought, will plant grain on the available land for a quick cash return. However, having regard to favourable price forecasts and depending on the confidence in a sustained recovery in beef prices, producers are expected to remain in the industry and to rebuild their herds.

36. A question on the importance of transnational enterprises in international meat trade was largely commented on by participants. In this connexion the IMC was informed that around 95 per cent of the Australian beef industry is in the hands of Australian nationals and that the multinational ownership relates more to the origins of the Australian beef industry and investments by the United Kingdom at that time. There is some ownership by transnational enterprises in the abattoir meat processing industry and in the canning industry, but there is not an increasing trend in this direction. Moreover, some Japanese companies registered in Australia are granted licences by the Australian Meat and Livestock Corporation to trade in Australian meat. In Brazil there exists a certain number of transnational enterprises in the sector of beef production that were established a few years ago, taking advantage of fiscal incentives, mainly in the

Northwestern region of Brazil. However, in terms of total beef production they are not significant. The presence of transnational companies in the trade sector in Brazil is stronger in terms of supply to the big consumer centres and to the international market. Distribution within the country is carried out by small domestic traders and trading companies, most of them associated to slaughterhouses. Generally speaking, the same system applies to poultry. Furthermore, it was estimated that transnational enterprises in the Community have a major role as regards the trade sector, and that this role will probably increase in response to the internationalization of the meat market and the modernization and rationalization of trading technics. In Japan there are no transnational enterprises with headquarters outside of Japan operating inside the country. Information on the operation of those enterprises with headquarters located in Japan was not available. In New Zealand there are 48 manufacturing and producing plants or slaughterhouses, nine of which are owned by overseas companies. In terms of exports of meat, there is a system of licensing and about 148 licences have been issued. However, no breakdown is done between New Zealand or foreign companies. In Uruguay both production and exports of bovine meat and poultry are in the hands of national enterprises. However, in certain circumstances, a few transnationals have operated in the marketing of bovine meat through counter trade agreements in which they supply heavy machinery and undertake to buy Uruguayan products, inter alia, bovine meat.

The instability of world beef markets

37. As its June 1983 meeting, the IMC requested the secretariat to prepare a paper for the December meeting on the subject of instability in world beef markets. This paper was presented for the IMC's consideration as document IMC/W/25.

38. The representative of the European Communities agreed with the conclusion in the paper that there was an increase in instability of international beef markets after 1971. He argued that it would be desirable for the stability of international bovine meat markets if every country attempted to stabilize their own markets as the EC had done. Moreover, he said that the fixing of import levels was an important element of overall national and international stabilization. As was suggested in paragraph 30 of the document, the representative of the EC said that reciprocal agreements could also be the instrument of international stabilization. The agreements, however, should not be one-sided.

39. The representative of Japan said that providing the Japanese population with a consistent and stable food supply was a top priority for the Japanese Government. He said that, given this objective, document IMC/W/25 clearly underscored the importance of a country like Japan striving for self-sufficiency in food production.

40. The representative of Argentina disputed the statement of the representative of the EC. In his view the control of meat production and the regulation of meat trade not only did not contribute to market stability, but was also contrary to the basic principles of the General Agreement on Tariffs and Trade and of the Arrangement Regarding Bovine Meat. The representative of Argentina also took issue with the Japanese arguments regarding self-sufficiency. He said that self-sufficiency should in fact be viewed in a multilateral context and be based on efficiency; a country pursuing such an objective should be aware of the effects of that goal on its trading partners.

41. The representative of Australia said that the secretariat document highlighted the fact of the structural instability which exists in international beef markets. He said that the fact that imports and exports accounted for the residual portion of consumption and production in most countries was a formula for instability. Because of this, he strongly disagreed with the assertion of the representative of the EC that the fixing of import quotas decreased instability.

42. The representative of Canada said that the document should serve as a basis for the IMC's consideration of instability at future meetings. He said that he hoped that attention could be focussed on specific elements of instability as presented in the document.

43. It was decided that the discussion of instability would be continued at the June meeting of the IMC and in this connexion the Chairman invited those participants that were in a position to do so to give their views and comments on the problem of instability, as well as possible solutions, to the secretariat for circulation well before the next meeting. Those that were not prepared to submit anything in writing to the secretariat, were invited to come prepared to the next meeting to discuss this question in depth.

Other business

44. Under this item, it was suggested that certain IMC documents be given a wider distribution. The secretariat was invited to look into the question and report to the Council at its June, 1984, meeting.

Date of next meeting

45. The IMC decided to hold its next meeting on 18 and 19 June 1984, preceded by the meeting of the MAG on 13, 14 and 15 June 1984.