

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

TENTH MEETING

Draft Report¹

Chairman: Ambassador Federico Grünwaldt Ramasso

1. The International Meat Council (IMC) held its tenth meeting on 18 and 19 June 1984. The IMC was informed that the Arrangement Regarding Bovine Meat had been signed in June 1984 by Colombia, putting signatories at 26 and participating countries at 35. The IMC adopted the agenda set out in GATT/AIR/2013.

Election of Chairman and Vice-Chairman

2. In accordance with Rule 2 of the Rules of Procedure, the IMC shall elect a Chairman and a Vice-Chairman at its first regular meeting of the year, i.e. normally in June. The election shall take immediate effect. The IMC re-elected Ambassador Federico Grünwaldt Ramasso (Uruguay) as Chairman and elected Mr. Minoru Nose (Japan) as Vice-Chairman.

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

3. As 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.

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

Establishment of and terms of reference for, a working party

4. At the special meeting of the IMC on 9 April 1984, participants recommended that the IMC, at its meeting in June, establish a working party, the terms of reference of which would be decided by the IMC at its June meeting. To facilitate the task of the IMC, the Chairman was asked to define these terms of reference in consultation with interested participants before the June meeting in order to put forward a formal proposal at the June meeting.

5. The IMC decided to establish a working party and adopted the proposed terms of reference, as amended at the meeting. They read as follows:

"To assist the International Meat Council in carrying out its functions under the Arrangement Regarding Bovine Meat and in particular its Article IV, paragraph 2. To analyze, in the light of the current situation and probable development of the international bovine meat market, the existence of a serious imbalance or threat thereof. To make an assessment of factors, including export subsidies and other forms of assistance affecting exports, that are leading to or may lead to such an imbalance or threat thereof. To investigate the effects in particular on traditional exporting countries of such an imbalance or threat thereof and to see whether this situation is hampering the attainment of the objectives of the Arrangement. To make proposals, for the consideration of the International Meat Council, for suitable steps to be taken to overcome the imbalance or the threat thereof."

6. It was agreed that the Working Party shall start its work immediately and plan its meetings so as to complete its work by December 1984. To this end, participants are requested to furnish all information that is considered relevant. Likewise, the assistance of the secretariat shall be requested for preparing the basic statistical material.

7. The IMC elected Mr. Antti Satuli (Finland) as Chairman of the Working Party.

Replies to the questionnaire

8. Under this item the Chairman of the Meat Market Analysis Group (MAG), Mr. Patrick Robertson, reported on the discussion held in the Group on 13 June concerning the revision of the statistical questionnaire:

"In accordance with the decision taken at the December 1983 meeting of the International Meat Council, the Meat Market Analysis Group discussed the adequacy of the statistical questionnaire and reviewed all its tables. Taking into account the replies to the different tables and the use that are currently being made of them by participants and the secretariat and also taking into account the need for additional information concerning, notably, competing meats, the Group proposes for consideration and decision by the IMC, the following amendments:

- (a) Delete Tables C.1.2, C.3.2 and F.1;
- (b) In Table D.1 replace "US dollars" by "national currency" except export and import prices, while indicating the conversion rate against the US dollar;
- (c) Add 5 new tables for data concerning production, consumption and trade of pigmeat, sheepmeat and poultry meat (model attached).

9. In discussing the revision of the statistical questionnaire, participants were encouraged to report stocks more fully in the table provided for that (Table B.3). They were invited to give conversion factors when not using the weight indicated in the tables (i.e. carcass weight and product weight respectively). They were also invited to give a more complete breakdown of import sources and export destinations in the tables that request such a breakdown. As concerns the new tables for competing meats it was understood that these were proposed on a trial basis and on the understanding that the Group would be sympathetic to any difficulties any participant may have in providing data on a quarterly basis. If quarterly data were not available, these participants would endeavour to submit data on a half-yearly basis.

10. If the International Meat Council endorses these amendments, the secretariat may be invited to provide participants with a revised set of the questionnaire in due course.

11. In addition to these amendments, the Group also suggests that, as from December 1984, it takes over from the International Meat Council the task of reviewing replies to the statistical questionnaire since much of the work in the Group is based on these replies. The Group has performed this task to a considerable extent since it was set up in 1981."

12. The IMC adopted the recommended amendments to the statistical questionnaire and took note of the comments concerning the completion of the questionnaire. The IMC agreed that the MAG takes over from the IMC the task of reviewing replies to the statistical questionnaire as from the December 1984 meeting.

Evaluation of the world market situation and outlook

13. For discussion 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/32 and Add.1); "Summary Tables" (IMC/W/2/Rev.8); "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); A Note by Australia concerning the Medium-term Outlook (IMC/W/37); and the Replies to the Questionnaire.

14. Reporting on the discussions in the Meat Market Analysis Group concerning the situation and outlook, the Chairman of the Group, Mr. Patrick Robertson, said that his first comments concerned the general economic situation. It may be said that in most industrialized countries the economic recovery is now in a more "mature" phase and the gap existing at the end of 1983 in the rate of recovery among this group of countries is now diminishing. However, unemployment rates remain high in Western Europe and are still serious in virtually all economies.

High interest rates and high indebtedness of developing countries along with depressed export reserves of oil-exporting countries continue to characterize these countries' economies. Naturally, these factors are and will be reflected in the demand for bovine meat in the current and near to medium-term future.

15. Thus, he said, although improvement in the general economic situation in most developed countries has often been indicated as a sine qua non for any recovery in beef demand, in spite of the present economic trends, divergent tendencies in the bovine meat market seem to be present: For example, in Europe, and especially in the EC, consumption is in fact expected to rise in 1984, while in North America and in most Southern Hemisphere countries it is expected on balance to decrease.

16. This appears to be related to, inter alia, the low level of supplies, especially in the Southern Hemisphere countries, rising prices and the competition from other meats. It was noted, though, that a change in consumption patterns may be under way in a number of countries, and that in the developed countries the high level of meat consumption already reached, leaves no place for over optimistic expectations in a strong increase in demand.

17. He further said that in the Southern Hemisphere countries, it was noted that producer prices have been rising generally. This increase in the producers' income was due to a large extent to the decrease in the value of these countries' currencies vis-à-vis the US dollar, and in some cases (Australia, New Zealand) by the recovery in the economic situation as well as by the economic recovery of their major trade partners. This had as a result the beginning of cattle herd rebuilding and consequent low levels of supplies. However, supplies are considered by these countries as sufficient to meet their export commitments. It was noted that the Southern Hemisphere countries' simultaneous herd rebuilding will be an important factor along with developments in other regions of increased uncertainty in the beef markets in the next 1-3 years, because of the increased supplies that will result when this phase comes to an end, unless there is a strong global improvement on the demand side.

18. The picture is rather different in Europe, he said, where production, as well as consumption, is rising in most countries. In the EEC, production of beef is rising, and although it was noted that consumption will rise in tandem with production, stocks are also expected to rise further until the end of the year due in part to weak demand, and exports to increase by some 16 per cent. The expected increase in consumption is related to the economic recovery and to the levelling-off of the pressure exerted on the market by competing meats, the production of which is expected to fall as a result of rising production costs. The rise in the EC exports is expected to be partially absorbed by the Soviet Union which may not increase its overall imports (in fact, imports may even decline) but will probably import a larger quantity of EC beef. Other traditional markets of the EC remain in a comparatively difficult situation and no dramatic improvements are expected in their import demand.

19. Production of bovine meat, as well as of other meats, is increasing in a number of Eastern European countries, such as Hungary and Bulgaria, as well as in the Soviet Union. In this last country, livestock numbers are increasing and the average slaughter weights for cattle and pigs have been rising due to good supplies of winter feed (roughage). Although the Soviet Union seems to be going through a period of rather dry weather since the beginning of May, an increase in its meat output is expected for the end of 1984. This seems to confirm what was mentioned about the possibility of decreasing imports by the Soviet Union in the current year.

20. He further said that in North America, a decline in the supply of beef and veal is under way and might continue in 1985. Canada is faced with high prices and a weak demand. Pork and poultry prices are high, but an expected fall in the price of the latter will increase the competitiveness of this meat. Production of beef is expected to decline in 1984 and 1985 and import demand should rise while a reduction of exports can be expected. In the United States, overall red meat production is falling and beef production will fall as from the second half of the year and for the year as a whole, as the effects of the

dairy diversion programme are expected to be much less than previously feared. As consumption is also diminishing, no significant changes are expected in the import levels; as a matter of fact, the "trigger level" under the Meat Import Law was reduced for 1984.

21. The "Pacific rim" remains one of the few regions likely to offer relatively good export prospects, where imports by Japan increased in 1983 despite increased production and where a recovery of the Republic of Korea's imports is expected in the not too distant future when the current over-supply of pork will have been eliminated.

22. Concerning the situation in general, he said, it can be stressed that prices of imported and domestic feeds have increased strongly since the second half of 1983 in many markets, thus increasing production costs. Pork and poultry were strongly affected and slaughtering of these animals increased sharply, provoking an over-production of these meats and consequent price pressure on all types of meat. In 1984, production of these meats is expected to fall and the price pressure will ease.

23. As a further general point, he said, it may be noted that the dairy industries and dairy policies of many countries, especially in Europe, will strongly influence world bovine meat markets in 1984 and especially in 1985. The extent to which the recent EC measures in the dairy sector will affect this market was the cause of a lively discussion in the Group, and even if the opinions on the magnitude of their effect differed, these measures were considered by a large number of participants as one of the major factors likely to give rise to concern in the next 1 to 3 years.

24. In summary, he enumerated the general themes which emerged from the discussion:

(1) The effects of the economic recovery differ in the various countries and therefore some diversity can be noted in the trends of bovine meat demand which, however, is at best modest to weak. Similarly, consumption is not rising significantly on a wide scale although the general decline in the production of competing meats expected in 1984 could, in the longer term (1985) be considered a positive factor in relation to beef and veal consumption.

(2) The supply situation of major exporters differs considerably, with lower supplies in the Southern Hemisphere countries and North America, and an over-supply situation in Europe. This situation may continue through 1985.

(3) High interest rates and the high indebtedness of developing countries along with depressed export reserves of oil-exporting countries, will continue to adversely affect the import demand of these countries.

(4) Producer prices in the Southern Hemisphere countries have been rising largely due to the decrease in the value of these countries' currencies, vis-à-vis the US dollar, provoking herd rebuilding.

(5) Dairy industries and policies in the Northern Hemisphere and especially Western Europe are and will have considerably more influence in the beef sector than in previous years.

(6) Imports by the USSR may decline in 1984, but the EC share of the Soviet market may increase at the expense of other suppliers.

(7) Finally, and in connection with this last point, he said, a number of participants again drew attention to the increased share of EC exports in a number of markets at the expense of other exporters and these participants referred to the distorting effects of export subsidies on the beef market.

25. He said that the above may seem not to be a very optimistic view of the situation. Others than he, seemed to be more enthusiastic about the future, but he was not able, at this stage, to conclude more optimistically. Finally, he thanked the observers from UNCTAD, FAO and the ECE for their valuable participation in the discussions.

26. The IMC took note of Mr. Robertson's report. Participants expressed general agreement with the Chairman's report, which they believed accurately reflected the situation and outlook of the bovine meat market.

27. The representative of the EC said that there had been a great increase in feedstuff prices since the middle of last year resulting in an abundant supply of pork and poultry as well as in an increase in consumption of those meats. Since the increase in production resulted in a depletion of, in particular, the pig herd, the EC is expecting less production in the coming months, indicating an increase in demand for bovine meat in the present context of improvement in the economic situation. He also said that the increase in EC exports was not due to the export refunds given, but to the fact that the exporting countries in the Southern Hemisphere were experiencing a very sensible drop in their export availabilities. He did not agree that demand was very weak since the EC was expecting to export around 700,000 tons in 1984. He furthermore informed the IMC that all premiums given to cattle producers have been diminished recently, resulting in less support in a situation which is not satisfactory, since, inter alia, the market prices are today only 76 per cent of the guide price. Moreover in 1984, the restitutions have been decreased twice to date.

28. The divergent trends evident in the present and prospective world market situation, the representative of Australia said, masks a very disturbing development which would seem to be leading to a continuing depressed demand and price situation for the world bovine meat market for the remainder of this year and perhaps longer. After a long period of contraction in response to unfavourable market conditions as well as to bad weather conditions, Australian cattlemen are beginning to rebuild their herds under the stimulus of improved prices in Australia's major markets. He was concerned, however, about apparent weak demand in spite of the economic upswing in some major markets, thus limiting imports by those markets. He was also concerned about the EC beef surplus which, he said, was almost certain to create a continuing depressed market and

price situation by intensifying the competition in markets where demand is already weak and by depressing prices. He was also concerned about the longer-term effects of the EC dairy diversion programme inasmuch as it could lead to some additional diversion into specialized beef production, resulting possibly in the EC remaining a very major exporter of beef.

29. The representative of Uruguay compared the EC share of world beef markets in 1967-68-69 with that of 1983, noting that in the last few years of the sixties the EC had a share of 6.4 per cent while in 1983 that share had risen to 16.5 per cent. This increase had only been possible with the help of export subsidies. He predicted that the present situation was going to get worse between September 1984 and September 1985 since the EC would slaughter an additional 10 per cent as a result of the dairy programme just initiated, meaning some 2.5 million more cows slaughtered and that much more pressure on the world markets.

30. The representative of the United States informed the IMC of present and prospective consumption of meats in his country. It was expected that consumption of beef and pork would decrease in 1984 compared to year earlier in spite of an increase in the first quarter of the year (beef 77 pounds in 1984 compared to 78.8 pounds in 1983; and pork 59.1 pounds in 1984 compared to 62.2 pounds in 1983). This downturn in consumption was expected because of consumer resistance to higher retail prices and in spite of higher incomes resulting from the recovery in economic conditions. He also said that it was expected that imports of beef would be lower in 1984 due to decreased export availabilities of major supplying countries.

31. The representative of New Zealand said that he shared the pessimistic view of the short- and medium-term trends in the bovine meat markets. From a New Zealand perspective, he said, these markets have been characterized by continued restricted access, increasing competition for available markets, generally static demand, increase in competition from competing meats, and generally depressed prices. This situation has had an impact on the New Zealand beef industry by creating very low expectations, encouraging some disinvestment in the industry by

a switch to other non-traditional areas of agricultural activity and by a contraction in cattle numbers. He considered that one of the major causes of this unstable and uncertain situation was the continued subsidization of relatively high-cost production. He said that high subsidies would ensure that the EC could dispose of 700,000 tons of beef on world markets this year, at the expense of traditional suppliers. He also said that the seeming increase in price in local currency reflected, up to the first quarter of this year, only a decline in the New Zealand dollar versus the US dollar. The increase that has taken place since the beginning of the year still leaves the price very substantially below record levels of 4-5 years ago.

32. There would seem to be several factors, the representative of Canada noted, that are contributing to the present less than optimistic outlook. Reduced demand in many developing countries due to the high interest rates and high level of indebtedness as well as reduced demand in some developed markets, competition from other meats, and limited consumption of beef within the EC, resulting in limited imports, combine, he said, to have a very destabilizing impact on the international market.

33. The representative of Poland informed the IMC that in his country total meat production in 1983 amounted to 1,961,000 tons, a decline of 6.2 per cent compared to 1982. The largest fall of production has been recorded in the sector of pork meat (8.3 per cent) and the beef and veal sector (5.6 per cent), and was partly the result of the existing poor fodder situation. Production of other types of meats remained at the same level as in 1982. It is expected, he said, that total meat production in 1984 will be about 14.8 per cent lower than in 1983, showing a drop in beef production by 10 per cent, pork production by 19 per cent and poultry production by 9 per cent. Nevertheless, Poland is attempting to continue to export live animals, meat and meat products to its traditional outlets since it constitutes an important source of foreign currency earnings. He noted that total exports of cattle in

1983 amounted to 304.1 thousand head while beef exports amounted to 5.1 thousand tons. It is forecast that this year's export will include, besides pork products, horses, horse meat and sheep, also such products as: 197 thousand head of cattle for fattening; 131.0 thousand head of calves and only 4.5 thousand tons of selected beef parts. Anticipated lower production of meat in 1984, compared to last year's level, makes it necessary for Poland to buy meat abroad to meet the needs of the domestic market. Purchases of red meat in 1984 are estimated to reach about 127.0 thousand tons (including 14.0 thousand tons of beef) and 10.0 thousand tons of poultry, and the socialist countries will be Poland's main suppliers.

34. The representative of Argentina regretted that the reduction in premiums, market prices and in the level of export subsidies in the EC had not occurred much earlier, before the situation on the world market became so difficult. He feared that these reductions had come too late and would not have the beneficial impact they could have had several years ago. He stressed the importance of the exports earnings for developing countries in the context of their further development and external obligations. He considered that there had been no positive development as concerns market access; on the contrary, protectionism was evident everywhere. He further considered that the situation was likely to worsen in the coming months.

35. As regards the medium-term outlook several participants expressed concern about the increased self sufficiency projected for several major importing countries in the period up to 1987, referred to in the secretariat paper IMC/W/16/Rev.1, and the decrease in trade among participating countries to which this would lead. It was said that a key factor determining such a situation was the maintenance of high

price support policies which stimulate production while dampening consumption. It was further said that in order to avoid a worsening of the imbalance between production and consumption a number of actions should be avoided, i.e. further increases in domestic price support levels and further increases in restrictions against imports as well as subsidizing exports of surpluses on the world market. Some participants believed that the situation projected in the secretariat document could be worsening, additional developments having taken place since its revision in 1983. Firstly, it was said that the overall production growth of 7-8 per cent forecast in the secretariat paper for the EC and the US up to 1987 could now be understated because of the recent dairy diversion programmes in these countries. Secondly, the promising outlook for increased exports to the markets in South Africa, the Middle East and Asia as well as in the USSR, does not look as bright today as twelve to eighteen months ago.

36. Commenting upon IMC/W/37 one participant said that it was surprising to read therein that subsidized exports decreased international prices when one notes that presently, prices are rising. Also, he said, it has not hindered domestic prices in countries in the Southern Hemisphere from increasing by more than 10 per cent in real value in the last two years. In this connection it was pointed out by other participants that although prices had increased recently they were still below levels a few years back. Also, it was said, costs of production had, in many instances, increased more than the price of the product.

37. It was agreed that the subject of the medium-term outlook should be kept on the agenda for the December 1984 meeting of the IMC. It was also agreed that the documents concerning the medium term (IMC/W/16/Rev.1 and IMC/W/37) would be transferred to the IMC's Working Party as background material for the work to take place in that forum.

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

38. Three sets of written questions had been received by the secretariat in advance of the meeting: one from Australia (IMC/W/35); one from Canada (IMC/W/38); and one from New Zealand (IMC/W/39). These questions were addressed to the following participants: European Economic Community, United States, Canada, Sweden and Japan.

39. Responding to a question concerning the introduction of "guarantee thresholds" on commodities such as beef, proposed by the Commission in its report to the Council of Ministers of 28 July (document COM(83)500), the EC representative said that the "guarantee thresholds" were to be applied only to commodities for which a "structural" surplus existed, but not to those for which the surplus was "cyclical". Regarding bovine meat, the Council of Ministers did not implement the "guarantee thresholds" precisely because, in this sector, the problem is of a "cyclical" nature. As it is well known, he said, the bovine meat market is subject to cyclical fluctuations of production and prices. After a period of stagnation and even regression of demand in the last few years, notably in 1981 and 1982 - years during which the economic situation in the EC had been difficult - the current economic recovery is affecting demand positively, and the consumption of bovine meat appears to be improving in the Community. It is forecast that in 1985, consumption will reach its level of 1980, an increase of 5 per cent in the years 1984 and 1985 together. Nevertheless, taking into account the relatively difficult situation of the market, the Council of Ministers decided to reduce the intervention prices for beef by 1 per cent in nominal terms. Referring to the participation by producers in the cost of disposing of additional production, he said that the intervention purchases would from now on be done according to common norms, defined by the "new EC classification standards for carcasses" and that those purchases have been limited to certain categories (male animals) and to certain presentations (forequarters during the summer and hindquarters in the winter). He noted that the average market price in the Community is at present at about 76 per cent of the guide price, showing the effective participation of producers in the disposal of the additional production. National premiums, such as the calf premiums and the variable premium (clean cattle) have been reduced. In answering a question regarding the promotion of internal beef consumption, the representative of the EC, after noting that in the Community the consumption of pork was by far more important than that of beef, indicated that the Community has a special social beef sales programme at reduced prices from the intervention stocks. No other actions are planned at the moment and consumption is expected to increase in

parallel with production in 1984 (+2.7 per cent) and in 1985 (+1.5 per cent). The improvement in the economic situation under way, is by itself affecting the beef demand positively, rendering the very high cost promotion campaigns at the Community level unnecessary. With respect to the effect on beef production of the introduction of production quotas in the EC dairy sector, the EC representative indicated that the measures introduced in the dairy sector were not production quotas, but quantities of reference. Producers may produce as much milk as they want, but they will receive the guaranteed price only for the reference quantity. In 1984 the effect of these measures on the beef sector will be modest: about 100,000 to 150,000 cows more will be slaughtered, representing some 30,000 to 40,000 tons of meat, but the effect will be different from country to country and from region to region. In the following season, this measure will accelerate the cyclical slaughtering phase of cows and, as a consequence, a return to a more "normal" number of cows and more stable situation in the Community. Referring to the modalities of application of the reference quantities, he explained that this is left to the member states. Nevertheless, most of the EC countries will apply the reference quantities at the level of the dairies. It is at this level that deliveries of milk take place and only the milk delivered to the dairies is subject to the reference quantities. Answering a question concerning beef surpluses and export restitutions for countries not yet covered by these, he indicated that the EC intervention stocks were reduced by one fifth in the first quarter of 1984 and that the Community is ready to satisfy the import demand of any country, especially the import demand of new markets where prices are more interesting. However, he added that at the present moment, the Commission was not considering the granting of export refunds to the South American region.

40. Responding to a question concerning the decline of the global level of access to the United States beef market, since the introduction of the meat import law, the representative of the United States indicated that his authorities are not considering the modification of the law. Drought conditions and the reduction of the herd in Australia in 1983 partly explain the reduced exports of this country to the United States

in that year. In 1984, imports are anticipated to be below the trigger level. Referring to the dairy cull programme, he added that no modifications to this programme, aiming at the stimulation of cow slaughter in 1985, will be introduced. The impact of the programme is difficult to establish because while it was under way, there were very adverse weather conditions. So, slaughter under the programme plus the cow slaughter that resulted from the feeding problems provoked by these weather conditions, increased overall slaughter by some 700,000 dairy cows more than might have been expected. In the first quarter of 1984, the number of cows slaughtered increased by some 5 per cent over the previous similar period. However, because of the lower dressed weight, total meat production was only up 3 per cent. For the year as a whole, production is expected to be down, but this should not have a strong effect on prices.

41. Answering to a set of questions concerning beef exports to Canada, the Canadian representative indicated that the EC beef exports to his country, which have increased since 1982, are frozen boneless beef, the major part of which come from Ireland and a minor part from Denmark. In 1982, Canada imported 3,500 tons from the Community (6 per cent of total Canadian beef imports) in 1983, 6,700 tons (12 per cent of total Canadian beef imports) and from January to May 1984, 5,600 tons (21 per cent of total Canadian beef imports during this period). There is evidence that the price of frozen boneless beef from the EC is undercutting the price of similar quality beef from domestic or other import sources, by some 20 Canadian cents per kg. He noted that the Canadian Cattlemen's Association has been complaining that the imports of beef from the Community are involving some decline in market prices received by Canadian producers for their beef cattle, particularly in relation to sales of beef cows and sales of cows from the dairy herds. The EC sales of beef have also introduced a certain degree of uncertainty and instability, at the level of importers, in the normal pattern of beef trade. Since the beginning of 1984, the Canadian authorities have been in contact with the Commission, and have requested that adjustments be made in the level of export restitutions to offset the price undercutting in Canada. On 12 May, the EC reduced its export

refunds for boneless beef to Canada from ECU100 to ECU93.5 per 100 kg. The reduction was equivalent to 6 Canadian cents/kg., insufficient to remove the price undercutting and had no impact on the price at which the Irish beef is being offered on the Canadian market. Further reductions of export refunds have been requested of the Commission. There has been a request from the Cattlemen's Association for a countervailing investigation and the Canadian authorities are examining the facts to see whether there is a case for the imposition of countervailing duties which would be consistent with Canada's obligations under the GATT. Answering a question concerning the effects of EC exports of beef to Canada on this country's exports to the United States, he said that there is a considerable trade, both in live cattle and in beef, between the two countries depending, inter alia, on price relationships and exchange rates. In the past when there has been a certain increase in Canadian imports from different sources, this has been followed by an increase in exports to the United States. However, the direct relationship between these factors is difficult to establish. He added that since the beginning of the current year, Canadian exports to the United States increased by some 5 per cent compared to last year.

42. Answering questions related to the removal of the "price addition" system in his country, the representative of Sweden said that consumer subsidies were abandoned in December 1983 and, as a result, so was the "price addition" system. Consequently, consumer prices went up, but producer prices remained unchanged. At the present stage, it is difficult to predict how production and exports will be affected. In the first quarter of 1984, there was a slight reduction of production as well as of consumption. Exports have also decreased somewhat, while imports increased slightly. For the year as a whole, production is expected to decrease by some 2 per cent, but consumption is expected to remain stable, although it might recover to a certain extent and producers may take some measures to stimulate it if the present upward trend reverses. Exports are expected to decrease by some 4,000 tons, while imports may remain at the same level or increase slightly. However, the developments of competing meats, of the general economic conditions and of real incomes and the employment situation are very important factors rendering difficult any forecast. Referring to the

cost of export assistance measures for beef over the past few years, he noted that the removal of the consumer subsidies implied a change in the export financing system, which is now based on producer levies. All the beef produced is subject to a levy, and exports are financed by funds created by these levies. The export costs - the difference between Swedish prices and international prices - totalled SEK128 million in 1981/82 (SEK6.47/kg.), SEK286 million in 1982/83 (SEK9.17/kg.) and, assuming a relatively stable level of exports in 1984, some SEK300 million in 1983/84 (SEK12/kg.). However, it should be noted that in 1982, the Swedish crown was devaluated by some 16 per cent. If exports decline as expected in 1984, then the export costs could fall to some SEK240 million.

43. Answering a question concerning a possible increase in the market access for grass-fed beef in his country, the Japanese representative said that his authorities decided to increase imports of high-quality beef over the four-year period from the fiscal year 1984 through 1987. At present, no decision has been taken quantifying this increase, but the import requirements are established according to the supply and demand situation in the domestic market and the decision will soon be taken.

44. Answering a question concerning imports by his country from the EC, the Argentinian representative said that to his knowledge the only import operation going on in Argentina was with Uruguay, for a quantity between some 10,000 to 15,000 tons. In regard to imports from the EC, he was not in a position to deny or confirm such rumours.

45. The Brazilian representative informed the Council of the low beef stock situation in his country, and the absence of government stocks. The rumours concerning Brazilian imports of beef from the Community mention very attractive prices. Imports of such meat would help to reduce inflation and to hold down beef prices in the second half of the year, but Brazil also has balance-of-payment problems. At the moment, the only official decision in Brazil concerns the import under the drawback system of some 30,000 to 40,000 tons from Uruguay in the second half of 1984.

The instability of world beef markets

46. At its June 1983 meeting the IMC requested the secretariat to prepare a paper on the subject of instability in world beef markets. This paper was presented for the IMC's consideration, at its December 1983 meeting, as document IMC/W/25. At that meeting it was agreed to maintain the topic as an agenda item for the June 1984 meeting. Participants were invited to make written comments on the subject well before the June 1984 meeting, as a result of which Australia presented a note, circulated as document IMC/W/33. Participants agreed that the secretariat paper provided a good basis for discussion.

47. The Australian representative said that the secretariat paper correctly identified the fact that instability in world bovine markets had increased, it identified the major causes of the increased instability and it correctly pointed out that the effects of instability were most serious for major traditional beef exporting countries. He disagreed, however, with some conclusions of the paper. Firstly, he argued, restrictive import measures on the world bovine meat market had not decreased since the mid-1970's, quite the contrary. In this regard he pointed to the introduction of the EC's variable levy system in 1977 and the revision of the United States' Meat Import Law in 1979. Secondly, it was Australia's belief that there was no doubt that export subsidization was a major contributor to market instability. In this respect he pointed to the increased share of world beef markets accounted for by the EC. Furthermore, he said it cannot be concluded that national stabilization measures contribute to international stability, quite the contrary. Moreover, that view was confirmed by the secretariat document. With regard to price movements in Australia, he agreed that prices had been unstable, but this was the result of the measures taken by importing countries to restrict Australian exports and of the EC's export policy; it did not represent a malfunctioning of the free market system. In conclusion, he suggested that the document on this subject be transmitted to the Working Party and that this topic be kept on the agenda of the Council at future meetings.

48. The representative of the European Community agreed with the conclusions of the paper that there were, on the one hand, a number of "natural factors" causing instability and, on the other, a number of factors related to the market, such as the fluctuation of demand, the fluctuation of exchange rates and the cyclical fluctuation of production. In view of this latter factor many countries had introduced stabilization measures for their domestic markets which had, in turn, contributed to the stability of world markets. The EC representative strongly contested the Australian assertion with regard to the contribution of export subsidies to market instability. In particular he pointed out that the FAO study to which reference was made in paragraph 9 of IMC/W/33 had been supported by only a limited number of FAO delegates.

49. The representative of Uruguay indicated, in supporting the conclusions of IMC/W/33 that the EC's export subsidy policy had caused Uruguay to lose numerous markets in North Africa and the Middle East. Moreover on markets that were not lost prices had been forced down drastically.

50. The representative of Canada said that IMC/W/25 identified what was the essence of the work of the IMC. In particular the paper pointed out how small world trade was in relation to world production and consumption, therefore small changes in these latter factors had enormous consequences for trade. He said that he had to agree with the paper's pessimism as regards the chance of reducing instability. In this regard trends in pork and poultry consumption and likely future trends in economic growth were of special relevance. He said, however, that if importing and exporting countries were prepared to make even small changes in their policies the effects for world trade could be very significant.

51. The representative of Argentina disputed the claim of the EC and the secretariat status report whereby large price increases had recently been experienced in Argentina. In fact, he said, prices were only at about year-earlier level in real terms. Moreover, he said, Argentina

considered the EC's export policy to be the major destabilizing force in world meat markets. Nonetheless he considered IMC/W/25 to be an important contribution to the work of the IMC and hoped that it would be introduced into the work of the recently established Working Party.

52. The representative of New Zealand said that there were three major factors affecting world market stability; protectionism, domestic price support policies, and beef export subsidization. He also wished to associate New Zealand with the views expressed by Australia in IMC/W/33.

Derestriction of documents

53. At the December 1983 meeting of the IMC, some participants expressed interest in a wider distribution of some IMC documents, in particular the studies prepared by the secretariat. The secretariat was invited to look into the question and report to the IMC at its June 1984 meeting. To this end, the secretariat prepared a note, (IMC/W/36), in which the practice currently followed in the IMC and other bodies of the GATT was set out. After a brief discussion, participants agreed that no document would be derestricted for the time being, considering in particular that there was no time at present for the necessary revision of some of these documents, in view of the workload that the newly established Working Party would entail for the participants and the secretariat.

Date of next meeting

54. The IMC decided to hold its next meeting on Thursday 13 and Friday 14 December 1984 preceded by the meeting of the MAG on Monday 10 and Tuesday 11 December 1984.