

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Twelfth Meeting

Draft Report¹

Chairman: Mr. Istvan Major

1. The International Meat Council (IMC) held its twelfth meeting on 13 and 14 June 1985. It adopted the agenda set out in GATT/AIR/2157.

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 unanimously elected Mr. Istvan Major (Hungary) as Chairman and re-elected Mr. Minoru Nose (Japan) as Vice-Chairman.

Examination of the functioning of the Arrangement

3. Under this item, participants recalled their positions at the special meeting held by the IMC on 15 May 1985 to examine "the adequacy and effectiveness of ... the Arrangement ..." (IMC/16). All participants agreed that the Arrangement functioned well as regards exchange of information and transparency, both as concerns responses to the questionnaire and discussions in the Meat Market Analysis Group and the IMC. The Australian representative suggested that the secretariat examine the possibility of expanding the statistical base of the data collection to include more non-participants of the Arrangement in order to give a more comprehensive picture of prospects for trade in bovine meat. This suggestion was supported by other participants.

¹The list of participants has been published in document IMC/INF/1 on 13 June 1985.

4. Regarding the objectives of the Arrangement, several participants reiterated their views that some of the main objectives, such as the dismantling of obstacles and restrictions, the ever greater liberalization and stability of the international meat and livestock market, and additional benefits for developing countries, had not yet been met. Other participants, although they could agree that some of the objectives had not yet been reached, believed that the overall balance of the work undertaken in both the IMC and the MMAG was positive. One participant said that one of the major objectives of the Arrangement, i.e. the stability of the international meat and livestock market, had indeed been reached.

5. A number of participants were of the opinion that in spite of the different views, the time had come to look ahead and try to seek some common ground within the IMC, where collectively all the participants might be able to perform a useful role in carrying out the aims of the Arrangement. To this end, the Australian representative put forward the following proposals for the consideration of the Council: (i) "that the GATT secretariat report to the IMC at its December meeting on progress at that date of work in the Committee on Trade in Agriculture (CTA) and provide an assessment of the application of the CTA recommendations especially on export subsidies for the beef sector; (ii) that participants to the IMC submit to the secretariat details of promotional activity for their own beef (and other meats) and provide some observations on how successful this activity has been. This information would be collated into a paper by the secretariat and would provide the basis for future discussion in the IMC on how consumption of beef might be promoted; (iii) that the GATT secretariat, with appropriate input from participant countries, be asked to prepare a background paper on the various support/intervention mechanisms in different producer countries, how they work and their impact on beef supplies and trade". He added that his first proposal (i) was naturally without prejudice to whether or not there is a new round of trade negotiations.

6. Preliminary comments on these proposals diverged somewhat. Regarding the first proposal (i), one participant said that it was up to the CTA and its Chairman to decide on how the information to the CONTRACTING PARTIES on the results of the work of the Committee should

be communicated. He noted that according to its mandate, the CTA was expected to report to the session of the CONTRACTING PARTIES in November, and that therefore all participants would, by then, be informed. He also wondered whether it would be appropriate to ask the secretariat to provide an assessment of the application of the CTA recommendations (and his views on this point were shared by others), and furthermore to concentrate especially on export subsidies in the beef sector. Others agreed that should the CTA make progress and arrive at recommendations, then it might be expected that the secretariat inform the IMC on how those recommendations would possibly affect international trade in bovine meat. Other participants shared the view that it should be the CTA which requests information from the IMC and not the other way around. It was decided that proposal (ii) should be discussed under the agenda item on "evaluation of the world market situation and outlook" (see paragraph 24).

7. As regards the third proposal (iii) by Australia, it was stressed that the replies to the questionnaire concerning domestic policies and trade measures largely explain the support and/or intervention mechanisms existing in the different participating countries. However, doubts were expressed regarding the possibility of agreement on value judgments on the effects of different policies. The Australian representative, in reply to these comments, clarified the purpose of his proposal by saying that the outcome of the IMC's Working Party (see paragraphs 11 to 16) did not reflect favourably on the operation of the Arrangement or the ability of the IMC to address serious problems facing world trade in beef, and showed an apparent inability to fulfill the mandate given to it by the Arrangement. In this perspective, an examination of the operation and effects of the various national intervention schemes and Meat Boards on the international beef trade would give the Council a more comprehensive and objective basis on which to judge the effective operation of the Arrangement, and to take steps under the Arrangement to ensure that trade in bovine meat was liberalized. Several participants shared these views.

8. The Canadian representative submitted the following proposals to the Council: "the IMC might investigate the possibility of (a) establishing objective criteria to signal a potential imbalance on the international bovine meat market; and (b) utilizing more precise procedures to deal with such an imbalance, e.g. consultations designed to identify a way of increasing the commercial demand for bovine meat in order to reduce the pressure on prices."

9. As a first reaction, a number of participants welcomed these proposals. It was said that they intended to clarify the different delegations' criteria regarding the definition of an imbalance or threat thereof on the international bovine meat market. However, one participant wondered what was meant by "objective criteria" in the Canadian proposal (a), and stressed the very general and vague beginning of proposal (b). In his opinion, both proposals needed more precision.

10. Both the Australian and Canadian proposals were generally welcomed as indicating participants' will to improve the functioning of the Arrangement. Nevertheless, participants needed time to reflect and consult their authorities, and it was agreed that these proposals should be kept for discussion at the December 1985 meeting of the IMC.

Draft proposals by the IMC's Working Party¹

11. The representative of Argentina expressed once again his country's disappointment with the results of the Working Party. He wondered what alternative a developing country, that presents a serious problem to the IMC (and is supported by a number of other participants) had, when it found itself completely frustrated by the lack of results in the Working Party. Being of the view that the IMC was the forum for finding solutions, he hoped that some might be reached and added that the proposals by both Australia and Canada (see paragraphs 5 to 10) seemed

¹See also documents IMC/15 of 23 May 1985 and IMC/16 of 7 June 1985.

to point to a possible solution. In his opinion, the draft proposals by the Working Party should remain on the Council's agenda. Furthermore, the draft report of the Working Party should also be included in this agenda item. After hearing other parties' considerations, he said that he could agree that there was some agreement on the Working Party's proposals. However, those proposals which were not agreed upon referred to key areas and final and total agreement was not reached for this reason rather than because of any lack of agreement in last minute details. He reiterated his country's view was that it was impossible for Argentina to compete with countries capable of exporting meat at prices not covering production costs as a result of the use of subsidies. Commenting on an assertion that some Southern Hemisphere countries lacked export availabilities, he wondered how those countries could go through normal herd rebuilding at a moment of non-existent profitability in the international market, provoked by large availabilities of subsidized beef.

12. The representative of the European Communities stressed that there was confusion between the notion of stabilization and that of liberalization. The most recent information, and the discussions in the MMAG, clearly showed that for the two Oceanian exporting countries at least, the market situation was at present a favourable one, and consequently there seemed to be no market imbalance there. Nevertheless, the European Communities remained ready to look for a good analysis and, if necessary, to look for adequate solutions. He indicated that the Working Party had come to a certain degree of consensus and regretted the lack of agreement on details of the proposals. Regarding production, he said, the Working Party had agreed that as the bovine meat market experiences considerable fluctuations, market stabilization measures should be applied both in the internal markets and with regard to the external ones. These measures might be of a counter-cyclical nature and in relation to the foreseeable evolution of demand. As regards consumption, there was also agreement in his opinion that, as far as possible, a regular supply of meat at the most reasonable prices possible should be ensured, avoiding restrictive measures affecting consumption, and encouraging the consumption by those facing difficulties in purchasing bovine meat. Turning to imports, he stated that respect of import commitments, both in volume and quality

and without discrimination of origin, was very important. It was also essential to find a remedy to the division of the world market into a "disease-free" zone and a "non-free" zone. Finally, regarding exports, the EC restitutions, he said, merely reflect the situation and market conditions which prevail for the time being on the world market. In his view, there was almost an agreement to say that, in the light of import needs and including new markets, it was necessary to contribute as regularly as possible to the stability of the world market supply situation. It was thanks to the Community exports that the volume of world trade in bovine meat had not shrunk further. The European Community delegation could not accept the idea of including a draft report not adopted by the Working Party on the agenda of the IMC.

13. The Australian representative expressed once again his disappointment in the Working Party's inability to make recommendations, despite the fact that a majority of participants were of the view that there was at least a threat of an imbalance in the international bovine meat market. No changes in the situation seemed to have occurred since then. The issue of imbalance in the world market was a long-term problem, and one which should be kept on the Council's agenda. In his opinion, the evidence of the structural surpluses in the EC, coupled with major uncertainties regarding import opportunities in the world market, would be more likely to increase, rather than diminish, market imbalances. He suggested that at the IMC's December 1985 meeting, participants should be prepared to discuss whether or not market imbalance had increased during 1985, and if so, what action might be taken within the Council to remedy that situation.

14. The New Zealand representative indicated that in any assessment of the market situation, factors such as exchange rate variations and fluctuations on prices of animal feed were side issues, and he joined others in saying that the question of export subsidies was of much greater importance. The fact that in some ten years, the European Community had moved from being a net importer of beef to the world's largest exporter, had to be taken into account when analysing the market imbalance, or threat thereof. The question to be addressed was how this had occurred and what steps needed to be taken to redress the situation

and achieve the Arrangement's aims of expansion, liberalization and stability of world meat trade. He added that the draft proposals, although imperfect, did provide a good basis for cooperation in attempts to redress the balance.

15. The representatives of a number of countries shared the points of view of Argentina, Australia and New Zealand. Disappointment in the lack of results of the Working Party and in the lack of political will to find solutions for the market imbalance was stressed, and there was full support to keep the item on the agenda for the December meeting. The Colombian representative, after referring to the disturbing results of the EC dairy quotas on the meat market, wondered whether the IMC should try to find out what would be a reasonable price level, and one of stability, for international trade in bovine meat.

16. It was agreed that the subject of the draft proposals by the IMC's Working Party should be kept on the agenda for the December 1985 meeting of the IMC. It was also agreed that the Chairman would conduct consultations with interested delegations on whether to include in this agenda item the draft report of the Working Party.

Replies to the inventory parts of the questionnaire

17. The representative of Brazil informed the Council that his country's Government had fully eliminated the tax on industrialized products for the production of bovine meat intended for export. The Chairman recalled that Egypt, Guatemala, Paraguay and Poland had not yet submitted replies to the inventory part of the questionnaire and invited these countries to do so as soon as possible. The representative of Colombia informed the IMC that his country's reply was ready to be handed over to the secretariat for circulation.

Evaluation of the world market situation and outlook

18. To assist the discussions under this item, the IMC had the following documents at its disposal: "Situation and Outlook in the International Meat Markets" (IMC/W/45); "Summary Tables" (IMC/W/2/Rev.9); "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 a revision of secretariat paper "Beef Demand and its Erosion by Competition from Other Meats and Low Levels of Economic Activity" (IMC/W/10/Rev.1). In order to simplify the work of the Council, the Chairman suggested that the discussions under this item be divided into three sub-items: (a) situation and outlook; (b) the medium-term world demand/supply outlook; and (c) the erosion of beef demand.

(a) Situation and Outlook

19. Discussion under this sub-item was led off by a report by the new Chairman of the Meat Market Analysis Group, Mr. Claes Hammar. At the beginning of the MMAG meeting, he said, he gave what seemed to him to be a somewhat gloomy picture of the bovine meat market situation and outlook. By the end of the discussion, he had the feeling that the situation was still one of concern although there were some positive signs in a number of markets. He especially noted that the dichotomy of the international bovine meat import markets into foot and mouth disease-free markets and non-free markets was, in his opinion, still apparent. He made first some general comments, starting with the general economic situation. He noted that a large number of countries experienced a strengthening of their economies in 1984, with declines in inflation and, in some cases, a gain in employment. For the current year, he said, the most recent information generally suggested that the momentum in the economic recovery was slowing down in some countries, and that no significant improvement was expected in the unemployment situation. These factors were reflected in the demand for bovine meat. It was stressed by a number of participants, he said, that continued high unemployment levels have a negative effect on demand for beef. However, some doubts concerning the possible positive impact of the economic recovery on beef demand were also expressed. That is to say that in spite of improved economic conditions, and consequent rises in consumer incomes, the demand for beef had not increased, or increased marginally, in a number of countries. This seemed to suggest, he noted, that demand for beef may be more sensitive to other factors, such as relative prices of other meats and nutritional concerns, especially in

countries where the overall consumption of meat was already high. Turning to the international market situation, he noted the more assured outlook on the market presented by Australia and New Zealand. It appeared that improved producer prices has built up some confidence in the market, even if they result largely from the depreciation of their currencies, good pasture conditions, and improved demand in some of their traditional markets, especially in the United States. The increase in herd numbers would be beneficial for future export possibilities. The confidence in the market outlook, however, was not shared by other Southern Hemisphere exporters such as Argentina, Uruguay and Colombia. And here, he said, appeared a clear reference to the market dichotomy alluded to at the beginning of his report. Indeed, while the traditional markets for the two Oceania beef exporting countries were mainly disease-free markets, offering relatively attractive prices, the traditional markets for South American exporters (frozen bovine meat) were the non-free markets, which were subject to strong competition as a result of large export availabilities, particularly in the European Community. In the opinion of the South American exporters, these large availabilities, coupled with export subsidies, were keeping prices depressed in North Africa, especially in Egypt, the Middle East, and perhaps in the Soviet Union. He noted, however, that greatly depressed prices in the Argentinian domestic market, and deteriorating purchasing power in Uruguay resulting from serious economic problems, also had a negative impact on the meat industry of these countries. Consequently, exports in 1985 were expected to remain at the low level reached by Argentina in 1984, and to decline significantly for Uruguay during the current year. In the Northern Hemisphere, major factors affecting the bovine meat market appeared to be the reduction of beef production in the European Community and some improvement in its internal market prices expected in the second half of the year. Stock levels (intervention and private) which totalled 800,000 tons at the end of 1984, were expected to decline to some 650,000 tons by the end of this year. This still represented a high level compared to previous years. In the meantime, European Community exports were expected to increase further this year, but to decline in 1986. In other west European countries, also faced with over-production problems in recent years, production was expected to stabilize or decrease in 1985/86. He noted that the situation in Canada

was characterized by a lack of confidence among the producers, with the demand for beef seriously affected by high levels of unemployment and competition from other meats, as well as by health considerations. The group was informed by the Canadian representative that an agreement concerning imports of beef from the European Community had been reached, according to which his country would import 10,668 tons, product weight, from the European Community in the current year, up from 2,700 tons set by the Canadian authorities previously. Consideration was also given to increasing the quota for Nicaragua, while high quality beef had been exempted from import restrictions. In the United States, he noted, large availabilities of meat in the market had until now kept domestic prices of beef from increasing as earlier forecast. Prices did, in fact, even decline somewhat. The abundance of poultry meat seemed to be largely responsible for this situation. Plentiful and relatively cheap feed supplies would apparently keep poultry output at a high level throughout the year. Nevertheless, the expected decline in beef production in the second half of the year was believed to have left room for increased imports. In this connection, he noted the remarks by the United States representative concerning the relatively gloomy medium- to long-term prospects for the beef sector, as a result of competition from other meats, particularly poultry meat. As concerns participating countries in Asia, it was noted that although in Japan the growth rate of beef consumption was declining, demand continued to rise, and imports in 1985 were expected to increase slightly. It was also noted that the Republic of Korea was not likely to import any beef this year, because of ample domestic supplies of meat. Turning to Eastern Europe, he said that total meat production in the Soviet Union increased by some 6 per cent during the first four months of 1985, but may decline for the year as a whole. Indeed, although decreasing beef purchases somewhat, the USSR was expected to remain an important beef importer in the medium term. He noted that other countries in Eastern Europe were making efforts to increase output of all meats and to keep up exports. In Poland, for instance, the process of adjustment of meat production to domestic feed supplies had come to an end, and the four-year trend of declining production was reversed in 1984. Total beef exports increased and should rise again this year. In Hungary, beef production was

declining. Hungary is one of the largest pigmeat exporters in the world and estimated that its exports would remain stable in 1985. In summary, he enumerated the general points which came out from the group's two days' work:

1. the improved economic situation in 1984 and a slowdown of the growth rate forecast for 1985;
2. the effects of unemployment levels and competition from other meats on beef demand;
3. the dichotomy of the international bovine meat import markets between "foot and mouth disease-free areas" and "non-free areas";
4. the more assured outlook on the international markets of the Oceanian exporters, dealing especially in the "disease-free areas";
5. the pessimistic outlook of South American exporters, traditionally dealing in the "non-free areas";
6. the long-term downward trend in beef consumption in the United States as a result, inter alia, of the competition of poultrymeat;
7. the projected reduction of beef production in the European Community and in some other European countries facing over-production problems, and an expected decline in European Community stocks by the end of the year;
8. the forecast gradual decline of the Soviet Union's imports of beef in the years to come and the efforts of other Eastern European countries to increase self-sufficiency and exports.

As a last and general remark, he noted that a significant point that came out in the discussion was the fact that the values of the different national currencies against the United States dollar, played an important role in the international bovine meat market. Finally, he thanked the observers from ECE, OECD, FAO and UNCTAD for their participation in the discussions.

20. Concluding his report, the Chairman of the MMAG stressed the importance of the presence of experts in the group's meetings, and expressed the hope that more would be present at the December meeting.

21. Commenting on Mr. Hammar's report, and more specifically on the relatively more optimistic outlook for some Southern Hemisphere suppliers, the representative of Australia said that the recent strong devaluations of his country's currency against the United States dollar allowed returns to the Australian producers to improve somewhat in spite of the relatively weak prices of meat in the Pacific basin. He expected some market improvements in that area for 1985, particularly with the return of the Republic of Korea to the international market. He referred to the very aggressive meat promotion campaign that the Australian Meat and Livestock Corporation (ALMC) was currently undertaking involving, inter alia, the improvement of merchandizing techniques to counteract the successes obtained by other meats, especially poultrymeat, not only in the domestic market, but also in international markets. Nutritional concerns were also addressed by the AMLC in its promotional campaigns. He concluded by expressing the hope that the higher level of prices in the foot and mouth disease-free area would not be affected by EC export subsidies. The New Zealand representative agreed with the views expressed by the Australian representative, and shared with him the hope expressed in his last comment.

22. The Canadian representative indicated that at the beginning of the current year, his authorities had established a system of beef import quotas. The quota allocated to the European Communities had recently been increased, and the increase of the Nicaraguan quota was under consideration. He stressed that the total level of imports was initially set at the level of the Minimum Access Commitment (which increases each year with the population growth) conceded by Canada in the Tokyo Round. He noted that, as a result of the decline of beef consumption in Canada, this meant that imports of beef were providing an increasing percentage of total requirements in his country (10 per cent in 1984). Referring to trade in beef between the United States and Canada, he said that there was a very large volume of two-way trade of

both beef and live cattle for slaughter. Canadian exports to the United States of manufacturing beef, the same quality as is imported into Canada from other countries, stem from the premium paid for freshness by the meat processing industry in the United States for this quality of meat. Canadian imports from the United States are cuts of beef to be used in hotels and restaurants. In normal years, at least 80 per cent of beef imported from the United States is high quality beef. In 1984, it reached some 20,000 tons.

(b) The medium-term world demand/supply outlook

23. Commenting on the note by the secretariat, document IMC/W/16/Rev.1, the Australian representative noted that since its publication on 27 April 1983, programmes to cut dairy production in the European Communities and the United States were introduced, and a number of other events had occurred since then, affecting the different factors related to trade in bovine meat. He indicated, for instance, that the current forecast was 1,295,000 tons for the Australian production of beef for 1987, as against the higher level forecast at the time of drafting the document. He also referred to the long-term decline of per capita beef consumption in many developed countries and the growing share of other meats in the overall meat intake, as against the expectations in the same document. After a number of other considerations, he added that it was Australia's opinion that the growth of beef consumption in the countries covered by the secretariat's note would be close to zero in 1987, as against a forecast increase of 5.3 per cent there included. There will be a significant deterioration in the level of trade, in particular, a decline of export opportunities, with production decreasing in exporting countries and rising in importing countries. He stressed his country's apprehension with regard to the extent to which the policies of some major producing and consuming countries, with no relation to the realities of the market, seriously distorted world trade. He suggested that, in view of the deteriorating trade outlook, the secretariat should update document IMC/W/16/Rev.1 and in particular should provide an assessment of the outlook until 1990. The Council took note of his comments, but no decision was taken on this last point.

24. The Australian proposal on promotional activity for beef (see paragraph 5, proposal (ii)) raised the interest of a number of countries. One representative expressed the view that it would be interesting to know what was being done to promote beef consumption in countries where demand was declining as a result of the competition of other meats and/or as a result of health considerations. Another representative said that his country's Government did not promote meat or beef, which was the responsibility of non-governmental associations. For this reason, it would be difficult to collect the requested information. He also stressed the difficulties of assessing the success of such activities. Also in his view, the problems in the beef sector were related more to production and export policies. Nevertheless, he recognized the importance of promotion campaigns, but believed they would not solve the problem as such. Price was the consumers' major concern. Furthermore, the IMC was a forum of policy discussions and should not turn into one of beef promotion.

25. One participant pointed out that the demand trends at present were not as high as projected in 1983 in document IMC/W/16/Rev.1, resulting, inter alia, in high levels of stocks overhanging the international market. For this reason, he welcomed the Australian proposal. If promotional campaigns resulted in maintaining or increasing beef consumption, this was the most direct method of reducing stock levels. Another area which deserved attention was the one involving new products. Other participants, although not opposing the Australian proposal, wondered whether an examination of promotional activities (public and/or private) could be conclusive and hesitated on the timeliness of such a proposal.

(c) The erosion of beef demand

26. Referring to document IMC/W/10/Rev.1, the representative of the European Community expressed the view that the graphs included therein clearly showed the stability and even slight increase recently of meat consumption, and particularly the consumption of beef in both the EC and Japan, and the instability and declining trends in the other countries covered by the document. Also, the development of one or another type of meat was directly related to the comparatively higher productivity,

or productivity improvements of these other meats. It would be interesting to discuss in future meetings, he said, for which type of bovine meat the productivity improvements were the strongest: in meat produced from grain-fed cattle, or in that from grass-fed cattle.

27. Referring to the document's assertion that the main determinant of beef consumption was the price of beef compared with the price of other meats and that for beef consumption to recover, beef prices would need to be more competitive with those of competing meats, the Australian representative said that this meant that beef prices, presently at very low levels, would have to decline further and would consequently not be very attractive for beef exporters. On considerations concerning health and changing diets, he referred to the research being done in his country by the AMLC, and to the promotion campaigns mentioned in paragraph 21. With respect to the Japanese market, he noted that it was a controlled one, and that beef prices there would be lower in the absence of these controls. He also noted the gloomy assessment of the situation in the United States and Canada, which was not encouraging for Australian exporters. He wondered how much the intervention system in the European Community had affected beef consumption, compared to pig and poultry, and whether this would not be the cause of the stable consumption of beef compared to the enormous production increases.

28. The Argentinian representative expressed the view that the most important factor affecting beef consumption was price. In these conditions, the existing production support mechanisms in a number of countries, provoking higher incomes compared to the production costs of efficient producers, would result in import restrictions. This meant lesser amounts of cheap imported beef in those countries and consequently higher consumer prices. These mechanisms clearly masked the beef demand potential existing in those countries.

29. The Japanese representative estimated that the secretariat had been optimistic in its assessment of the future of Japanese beef consumption. He considered that beef consumption would indeed continue to increase but at a slower pace. Protein intake in Japan was already at a sufficient level and the competition from fish would be more severe as a result of the recent slowing down in fish price rises. The United States representative indicated, concerning the doubts raised in the

secretariat's paper, that he believed that the American cattle industry would be able to increase its profitability if the economic incentive were there.

30. The New Zealand representative stressed the importance in developed countries of high prices for beef relative to prices of other meats on the domestic markets, which he believed was usually the reflection of some formal support programme. He also believed that health issues did, indeed, influence consumption. In developing countries, balance-of-payments problems largely hamper the potential import demand for beef. Also, the traditional dietary patterns in these countries normally favour the consumption of fish or other meats. However, the availability of subsidized beef has recently provoked changes in these habits, especially in the Middle East.

31. The representative from Canada said that the lower share of poultrymeat in overall meat intake in his country, compared to the United States, reflected higher prices of this meat in Canada, clearly showing the importance of relative prices. Consumers were prepared to respond to price changes and it was more important, in his opinion, to have higher levels of consumption, even less stable, than stable consumption at lower levels.

32. The Council decided to transfer the discussion on beef demand and document IMC/W/10/Rev.1 to the Meat Market Analysis Group, continuing the discussion there at the December 1985 meeting.

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

33. The secretariat did not receive any written questions in advance. A number of questions were, however, addressed orally, under this item, to the following countries: Canada, United States, Sweden and the European Community.

34. In reply to a question related to the import quotas in his country, the Canadian representative said that the reason for the introduction of those quotas in January 1985 was the importation of large quantities of

beef from non-traditional suppliers at low prices. These prices were having an adverse affect on the returns of slaughter calves and on producer returns. If imports of beef at depressed prices came to an end, then a continued quota system would not be necessary. As part of the agreement reached recently (see paragraph 22), he said, the European Community authorities gave assurances that they would take into account the level of Canadian domestic prices when setting the export restitutions to that market. Consideration of the import regime that would apply in 1986 had not yet begun.

35. Responding to questions related to the dairy cow programme in his country, the United States representative stated that the programme was not successful in reducing milk production. The number of cows declined only slightly, and the participation in the programme was very small. Producers retained better quality heifers and on 1 April 1985, those heifers came on line, calved, and were presently producing more milk. Since the number of cows slaughtered as a result of the programme was relatively small, it did not significantly influence beef prices. Indeed, the influence that may have occurred was caused more by the cattle slaughtered as a result of the drought conditions prevailing in the second and third quarters of 1984. On a question related to the new export programme recently launched by his country, the delegate of the United States said that no sufficiently detailed information was available to him at the time of the meeting. Nevertheless, he indicated that the programme applied to all commodities and that the Government was accepting proposals and studying them. With respect to imports of beef and veal, he said no restrictions were expected in the foreseeable future.

36. In reply to a question concerning the export aid system in Sweden, the Swedish representative said that the main source for financing the overwhelming share of exports came from producer levies. Nevertheless, exports were also being financed, to a minor extent, by means derived from import levies. He estimated the share of this type of financing as being less than 10 per cent, this estimate being very approximate as the system applied also to pigmeat. The import levies are collected by the State, but they are not included in the State budget. It was considered

that these means belonged to agriculture as part of the compensation for agricultural production in Sweden. In fact, these means reduce the agricultural prices that are granted or reached in agricultural negotiations with producers. Referring to the future of this system, he added that imports of beef to his country constitute part of it. The primary objective in the meat area is the balance between production and consumption. Producer prices are protected to the extent that the quantity produced corresponds to the quantity consumed. Even when there is a balance between exports and imports, there may be seasonal surpluses and some trade provoked by consumer preferences. It might be expected that the Food Commission will arrive at a new policy establishing that Swedish production and consumption should come into balance and that such a situation would make room for imports at the same level as exports. This is what the Swedish Agricultural Agreement is about. As long as world market prices were lower than producer prices, the import levies - whose primary objective is to protect producers - would remain in application.

37. Answering a question related to the effects on the internal and external red meat market of the enlargement of the European Community to include Spain and Portugal, the representative of the European Community said that the rules of the Common Agricultural Policy would apply to both countries as from January 1986. Regarding the access for third countries to those markets this was a GATT Article XXIV:6 matter and, consequently, a matter for negotiation. In reply to another question on exports to Canada in 1985, he indicated that Canada had fixed an import quota of 10,668 tons to the Community. The quota excluded high quality beef, but presumably the Community would not export important quantities of this quality. He added that Canada took safeguard measures in 1985, and that the agreement reached with the Community in no way prejudices the EC GATT rights on exports to that country, and he hoped that the measures would be confined to 1985. Regarding the pre-fixation of export restitutions, the Commission always took into account prices on the international markets and in the market of destination. Referring to the European Community price system, its representative indicated that those are institutional prices, intervention and guide prices, which in 1985/86 have remained at the same level as those of 1983/84. There was not one single export price

in the Community, since there were as many prices as there were meat qualities and different markets. A restitution for a certain quality in a certain market was given, depending on the price difference existing between the price of the same quality in that market and in the Community. Referring to the consumption of beef, he noted that the Community continued its policy of encouraging consumption, for instance, at the level of social collectivities; nevertheless, any rise in beef consumption largely relied on the economic recovery. He said that the European Community was now on its way to a better balance between production and consumption. This normalization from an abnormal situation, provoked by the dairy programme and the related high level of cow slaughterings, should occur in 1986. Cow slaughter in 1984 increased by 15 per cent, or 1,415,000 head, and heifer slaughter by 11 per cent, or 400,000 head. As from mid-1985, cow- and heifer-slaughterings were expected to return to more normal levels, and by 1986 this level should decline further by some 400,000 to 500,000 head. He added that data clearly showed the cyclical evolution of production in the Community, and that once the effects of the dairy programme came to an end in 1986, the situation would again be a normal and cyclical one. This would also imply a return to balance between supply and demand. Market forces provoked the auto-regulation of the market and prices should vary accordingly. Exports in 1985 were primarily related to other countries' export availabilities. As these were still relatively reduced, EC exports would still be high, at about the same level as in 1984, or 800,000 tons. In 1986, exports were expected to decline.

38. The Colombian representative stated that he had expected to be in a position to bring back from the meeting references for his country to allow Colombia to plan its beef production on the basis of a balance between the demand in its external traditional markets and that in its domestic market. He had to note, however, that the balance in the international market was now kept by the exit of some and the entry of others, whose subsidized prices could not be a reference. For countries like Colombia, with economies largely relying on agriculture and cattle raising, this situation could only signify low incomes, higher unemployment and a very difficult political situation.

The instability of world beef markets

39. At the December 1984 meeting of the IMC, it was suggested that this item stay on the agenda for the June 1985 meeting. To assist the discussion, two documents remained on the table: a note by the secretariat on "The instability of world beef markets" (IMC/W/25), and comments on the subject by Australia (IMC/W/33).

40. The representative of Australia said that in his view the two important problems affecting the world beef market, price depression and market displacement resulting from unfair competition, were the result of domestic policies which have an adverse effect on world trade. The solution consequently lay in less interference in the market place, and it was in this sense that Australian proposal (iii) (see paragraph 5) was to be seen. He would revert to this problem at the December 1985 meeting of the IMC. The New Zealand representative supported and endorsed this statement. It was agreed that this item remain on the agenda for the next IMC meeting.

Date of the next meeting

41. The IMC decided tentatively to hold its next meeting on Thursday 12 and Friday 13 December 1985 preceded by the meeting of the MMAG on Monday 9 and Tuesday 10 December 1985.