

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

THIRTEENTH MEETING

Draft Report<sup>1</sup>

Chairman: Mr. István Major

1. The International Meat Council (IMC) held its thirteenth meeting on 12 and 13 December 1985. It was informed that no new country had signed the Arrangement since June 1984 and that signatories therefore remained at twenty-six with thirty-five participating countries. The IMC adopted the agenda set out in GATT/AIR/2225.

Examination of the Functioning of the Arrangement

2. Under this item, the Chairman of the Meat Market Analysis Group (MMAG), Mr. Claes Hammar, reported that the Group had discussed a suggestion made by Australia at the IMC's June 1985 meeting concerning the possibilities of enlarging the statistical base of the data collection to include all non-participants in the Arrangement in order to give the most comprehensive picture of prospects for trade in bovine meat. The secretariat had looked into the question, he said, and had proposed that a questionnaire be sent out at the beginning of 1986 to interested GATT contracting parties and observers not members of the Arrangement. The Chairman of the MMAG said that the Group had agreed to recommend to the IMC that it adopt this approach on a trial basis and that the results, as well as the follow-up of this experiment, be evaluated at the June 1986 meeting of the MMAG.

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<sup>1</sup> A list of participants is published in document IMC/INF/2, dated 12 December 1985.

3. He mentioned in this context that the secretariat had informed the Group that it was going to undertake some editorial changes to the questionnaire, in order to facilitate its filling-in and processing. This revision, Revision III, would be sent to all participants in good time before the due date of the replies. In connection with this point, the Chairman of the MMAG appealed to all participants to send in their questionnaire replies on time, that is, by 15 April and 15 October each year at the latest. He said that this time, no participants had replied before the due date, the worst result ever. If that state of affairs were going to continue, the work of the Group and of the IMC would inevitably suffer sooner or later. One participant said that in his view there had been no consensus in the Group to recommend the above-mentioned approach to the IMC since his delegation had not expressly agreed to it. However, he was not now opposed to the IMC adopting such an approach.

4. Some participants expressed doubts as to the benefits or degree of response to such an approach since all countries outside the IMC could not be reached in this way. The representative of Australia did not accept this assessment. On the contrary, he suggested that if all participants of the Arrangement used their goodwill and their points of commercial contact with non-participants it would not be so difficult to obtain adequate data. Following this discussion, the IMC adopted, on a trial basis, the Australian proposal as presented by the Chairman of the MMAG. In light of the responses obtained, the IMC would decide, at its June 1986 meeting, on the course to take and if necessary, discuss alternative ways of getting the desirable data. The Chairman was invited to send a note to all participants, enjoining them to respect the deadlines agreed upon for responses to the statistical questionnaire.

5(i) The Chairman of the MMAG also reported on the discussion concerning beef demand and its erosion in connection with an Australian proposal concerning promotional activities. He said that at the IMC's meeting in June 1985, it was decided that the subject of erosion of demand would be taken up in the MMAG at its December 1985 meeting for further discussion. Accordingly, the MMAG had a first exchange of views on the basis of a secretariat paper called "Beef Demand and its Erosion by Competition from Other Meats and Low Levels of Economic Activity",

contained in IMC/W/10/Rev.1, as well as on the basis of an Australian proposal concerning promotional activity. In fact, he said, the discussion was centered more on how to promote beef consumption than on erosion of demand, and in this regard, the importance of co-operation within the Group was pointed out. In the course of the discussion, it became clear that there was widespread concern in many countries over decreasing or stagnating beef consumption levels in a number of countries, the reasons for which were, inter alia, slow economic growth, high beef prices in relation to other foodstuffs, and in particular other meats, and increased concerns regarding perceived health problems connected with animal protein intake. A number of participants informed the Group of beef promotion programmes undertaken in their respective countries, programmes which evidently differed from one country to another, geared as they were to the particular problems and needs of each country as well as to the dietary habits of its inhabitants. These promotion programmes ranged from all-out advertising campaigns - sometimes aimed at particular age groups or segments of the population, sometimes at all households, using all media available to get the message to as many as possible - to promotional sales at cut prices. Programmes also included important educational objectives both at the selling and buying end such as increasing the skill of butchers to merchandise their product and informing or reinforming the public of the nutritional value of beef.

(ii) He further said that the discussion in the Group also touched upon the effects and cost efficiency of promotional activities and that here views differed somewhat. Some participants felt that such campaigns were very important to increase beef consumption, that their effects were positive and that they were cost-efficient even though it was difficult, not to say impossible, to measure exactly the effects and cost-efficiency of them. Others doubted the value of promotional programmes, at least their longer-term beneficial effects, especially if the programmes were only in effect for shorter periods. It was agreed, he finally said, that the Group would continue its exchange of views concerning the erosion of demand and ways to remedy this problem at its next meeting in June 1986.

6. Commenting on the discussion held in the MMAG concerning the Australian proposal on trade promotion, the Australian representative said that the intention of his country was not to transform the MMAG or IMC into fora for trade promotion of beef, but rather to stimulate members of the IMC to reflect on how they might improve consumption in their own markets against, in particular, the background of escalating production and decreasing demand and consumption. Indirectly, he said, the proposal attempts to focus the discussion back onto the effects of national and international trade policies. To this end, he said, he would welcome proposals from other participants.

7. Under this item, the IMC also discussed an informal proposal, initially put forward by the Australian delegation at the June 1985 meeting of the IMC, concerning a proposed progress report by the secretariat on the work done in the Committee on Trade in Agriculture (CTA) (see paragraph 3 of IMC/17). Explaining his country's proposal, the Australian representative said that the proposal was put forward on the basis that the provisions of the Arrangement provide for the IMC to undertake negotiations in the beef sector with a view to liberalizing the international market. His country believed it desirable, in the context of a foreshadowed new round of negotiations, for the IMC to consider its role and the contribution it should make in such a round. To that end, the IMC would have an eye on what the CTA might be proposing regarding improvements to the existing framework of GATT rules and disciplines, or a general prohibition on trade-distorting measures with carefully-defined exceptions. However, in view of progress made so far, he suggested that the proposal be kept on the agenda for future meetings, at which time a review of progress in other fora, including possibly the CTA, towards liberalization of the international beef sector and other agricultural sectors, could be done.

8. The representative of the European Community said that, in his view, one could not deduce from the provisions of Article IV of the Arrangement that the IMC had a negotiating role. As concerns the Australian proposal regarding a secretariat evaluation and progress report on the work in the CTA, it was his opinion that it was up to the CTA itself to decide whether to inform the IMC at the appropriate time.

He thought that the appropriate time would have come when the CTA had found global solutions which could solve, inter alia, existing bovine meat problems. The IMC, he said, could not invite the CTA to state on one sector only, and on one particular factor of that sector, i.e., export subsidies, since there is an interrelationship between the different sectors which is extremely pronounced as concerns meat. Thus, he said, the Community could not accept this Australian proposal.

9. While some participants endorsed the Australian proposal, others were of the opinion that it was not appropriate to ask the secretariat to provide an assessment of the application of the CTA recommendations, since assessments, they felt, were the task of the IMC itself. It was decided that the proposal be kept on the agenda for discussion at future meetings.

10. Under this item, the IMC also discussed a Canadian proposal (IMC/W/49 and Add.1) and a New Zealand proposal (IMC/W/51) both of which are concerned with facilitating future assessments of the existence of a serious imbalance within the existing framework and operation of the Arrangement as well as facilitating the search for solutions. As concerns the Canadian suggestions, the representative of Canada explained that these were made against the background of the IMC Working Party's failure to agree to whether a serious imbalance existed or not in the international bovine meat market. He said that the major element of the proposals contained in IMC/W/49 and its addendum is a search for a set of objective criteria or "indicators", in the statistical sense, which would assist the IMC in identifying an imbalance in the world bovine meat market, or in any particular zone of that market. With such criteria, he said, it would be possible to develop a more structured process for dealing with an imbalance. A number of such criteria or indicator were outlined in the Canadian discussion paper, criteria which, it was pointed out, were not all-inclusive, but which the Canadian representative believed to be key elements.

11. Introducing the New Zealand discussion paper (IMC/W/51), the representative of New Zealand said that the paper was a first attempt to provide a more explicit framework to guide future interpretations of the

undertakings signatories entered into when signing the Arrangement, setting out the beginnings of a methodology that might assist the IMC in identifying the problems on the international bovine meat market, analysing them in a coherent way, and move to identify co-operative solutions in keeping with the stated objectives of the Arrangement. Briefly, the paper sets out six indicators which taken together might provide prima facie evidence of a serious imbalance, indicators which were all drawn directly from the Arrangement and which, it was suggested, would henceforth be recognized explicitly as the indicators that were relevant when determining whether or not an imbalance existed. He hoped that participants could agree on a list of indicators at this meeting. A second, separate stage in the procedure would be to make an assessment of these indicators to determine whether a serious imbalance existed. This would not be an automatic process but a judgement established on a factual basis provided by the indicators. The third stage would be that of a search for solutions to the imbalance.

12. A number of participants expressed interest in the idea of identifying statistical indicators or criteria in order to facilitate the determination of the existence of a serious imbalance. It was said that such a set of indicators would significantly contribute to a better functioning of the Arrangement. It was also said that the work done including the solutions proposed in the IMC's Working Party should be taken into consideration when discussing the proposals by Canada and New Zealand. It was further said that what was needed to be addressed was the long-term structural difficulties that might exist in the market. One participant said that it seemed to him that the two proposals aimed at an interpretation of the provisions of the Arrangement in a certain direction which was unacceptable to his delegation, a task which he believed was extremely difficult and which in any case should be undertaken in negotiations, if at all. He therefore suggested that these two proposals be set aside for the time being and perhaps looked at again when negotiations in the new round have started. In this connection he pointed out the importance of other sectors for that of bovine meat, such as the dairy sector and the forage sector. He also said that what was really needed were criteria for the evaluation of the different factors but that was in his opinion next to impossible to reach agreement on. He suggested that the MMAG be invited to prepare

the work of the IMC, by listing a certain number of factors that could assist the IMC in evaluating the situation. In this regard it was explained by another participant that "factors" had a in his opinion causal implication whereas "indicators" were something that could be measured statistically and that therefore a distinction between these two terms had to be made. Many participants said that they were not now in a position to take a final stand on the proposals or any part of them; more reflection was needed and the proposals should therefore be left on the table for discussion at the next meeting.

13. At the June 1985 meeting of the IMC, Australia put forward an informal proposal "that the GATT secretariat, with appropriate input from participating 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" (paragraph 5 of IMC/17). It was agreed at that time to keep the proposal on the agenda for the December 1985 meeting. One participant said that this proposal posed the same problem as the first Australian proposal, namely that it invites the secretariat to evaluate a situation, a state of affairs that his delegation could not accept, since such an evaluation would always have subjective elements in it. This view was not shared by all other participants. Without further substantive discussion of the proposal, it was agreed that it would be kept on the agenda for the next meeting.

#### Draft Proposals by the IMC's Working Party

14. At the June 1985 meeting, it was agreed that the Chairman of the IMC would conduct consultations with interested delegations on whether to include in this agenda item not only the draft proposals but also the draft report by the Working Party. The IMC was informed that such consultations had not led to a consensus, thus the draft report could not be included for discussion under this agenda item. Some participants regretted this but expressed the hope that it could be used as reference material since in their view the situation that gave rise to the Working Party was still in existence and therefore a number of the points in the draft report were still pertinent. As concerns the

draft proposals by the Working Party, some participants were of the opinion that these were relevant to the discussion concerning the Canadian and New Zealand proposals. The representative of Argentina stated that the views he had expressed on the subject at the June 1985 meeting were still valid. Although one participant was of the opinion that items should not be kept on the agenda permanently just in order to figure on that agenda, it was agreed that the subject would be taken up for further discussion at the next meeting of the IMC.

#### Replies to the Inventory Parts of the Questionnaire

15. Under this item the Chairman reminded the participants of Egypt, Guatemala, Paraguay and Poland that they had not yet submitted their initial reply to the inventory questionnaire and invited them to do so as soon as possible. The representative of Poland informed the IMC that the Polish reply would be forthcoming shortly. The Chairman noted for information that according to the Rules of Procedure, a complete revision of the replies to the inventory questionnaire would have to be done in time for the June 1986 meeting. A GATT/AIR/- will be circulated to this effect.\*

#### Evaluation of the world market situation and outlook

16. To assist the discussion under this item, the IMC had the following documents at its disposal: "Situation and Outlook in the International Meat Markets" (IMC/W/47); "Summary Tables" (IMC/W/2/Rev.11); "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).

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<sup>1</sup>GATT/UNNUMBERED, dated 17 January 1986

17(i) The Chairman of the MMAG, Mr. Claes Hammar, reported on the discussions which took place in the Group earlier in the week (9-10 December). Before giving his report he noted that the "mood" in the room seemed to him to be one of more optimism, albeit cautious, than in the last two or three meetings and naturally, he continued, it was tempting to say that this was due to an improved market situation, in spite of the numerous uncertainties and "grey areas" still affecting it. He said that although the overall economic growth showed a marked slowdown in 1985, and this was the case notably in one of the major beef consuming regions, North America, there were areas where the economic recovery remained relatively strong such as in Oceania and Japan and others where the upswing initiated in 1984 persisted during 1985 as in the European Community. However, many developing countries continued to struggle with serious economic difficulties, high inflation and unemployment rates, which present low primary product prices did not help to solve.

(ii) He remembered having said in his June report to the IMC that these general economic factors did, of course, affect the bovine meat demand. He noted that the clearer picture we now had of 1985 seemed to confirm that high unemployment levels were still having a negative impact on beef demand. He said that the Group again heard reservations as to the extent to which rising incomes affected demand in certain countries. As in the June meeting, the question of beef and veal prices "per se" and the relative prices of other meats, coupled in some regions with health and dietary concerns, were referred to by a number of participants as major factors affecting beef and veal demand.

(iii) During 1985, the bovine meat sector was characterized by a global rise in production, an increase in consumption and a higher volume of trade. However, large availabilities and higher output of all types of meat, low feedgrain prices and a weak demand in a number of major importing regions were responsible for generally depressed bovine meat prices, although developments varied significantly from one country or region to another. In Oceania the improved general economic situation, together with good seasonal conditions and strengthening prices (partly

due to the effects of the devaluations of the Australian and New Zealand dollars against the US dollar during the first half of the year) allowed an expansion of the beef industry in this region. Herd rebuilding was under way, slaughter weights were expected to rise somewhat and the increase in output registered in 1985 was projected to continue in 1986. Consumption was expected to increase slightly and exports, which began to recover in 1985 were projected to rise further in 1986, especially as a result of a forecast strengthening in import demand in traditional markets. In North America, the red meat and livestock sector was said to be strongly affected by large supplies of all types of meat, financial problems in the farm sector and the slowdown in economic growth. Lower priced feed grains and forages had boosted poultry meat production and kept pigmeat output (although declining) at high levels. Depressed feeder cattle prices seem to have pushed producers to delay marketings in the spring, and slaughter weights rose to record levels, keeping beef production at higher levels than year earlier in spite of declining slaughter. In 1986, he said, slaughterings were expected to continue to fall, and slaughter weights were already declining. Beef production would consequently decline. Imports, which rose in the United States during 1985 would continue to increase in 1986, while in Canada, which implemented its meat import act for the first time in 1985, a decline of 7 per cent occurred. Although the Canadian delegation indicated that it was not yet in a position to inform the Group about a possible imposition of import quotas in 1986, it said that next year imports should remain stable.

(iv) Moving to the South American continent, he said that although it was clear that the situation there continued to be of great concern, it would seem, if not always by the content, at least by the tone, that some improvement was registered compared to year earlier. The export performance of Brazil and Argentina in 1985 and the beginning of herd rebuilding in Uruguay seemed to suggest that such an improvement was indeed taking place. However, it was stated that the sluggishness of the international market and especially the low level of prices in most of these countries' traditional export markets continued to adversely affect the bovine meat sector. Producers remained under strong pressure by high production costs and were pushed to sell their animals adding downward pressure on already low domestic prices and provoking an

increase in internal consumption. In Uruguay, however, domestic prices had recently begun to increase, and the Group was informed of a strong price recovery in Brazil since mid-September. The impact of climatic conditions on cattle-raising in this region, to which local producers were highly vulnerable, was illustrated by the drought in Brazil and the dramatic floods in Argentina. For 1986, Argentina and Uruguay were forecasting an increase in beef production, while the Brazilian output was not expected to change. Moreover Argentinian exports were expected to rise, those of Uruguay to decline, while Brazilian prospects remained unknown.

(v) Across the Atlantic, he continued, the situation in the European Community's bovine meat sector was marked, in 1985, by a decline in production and an increase in consumption, stable export and import performances and high stock levels. After a critical year in 1984, during which cyclical high production levels were strongly accentuated by the measures taken to reduce milk production, it was said that the 1985 economic recovery and a stabilizing unemployment situation allowed for a recovery in internal beef demand. However, domestic market prices in the Community remained relatively low (in December 1985 152 ECUs/100 kg.) and clearly below the intervention price. This was said to be due to the existing oversupply situation. For this reason, the Community was led to amplify support measures. The increase in slaughter weights noted in the Community was, as in other countries or regions, largely due to prevailing low feedgrain prices, and this might be the source of certain problems in 1986. Indeed, the EC production of pigmeat was expected to rise by 3-4 per cent in 1986 as a direct consequence. Production of bovine meat was expected to decline in 1986, while consumption rises will be offset by large supplies of pork. Some strengthening in prices was nevertheless expected. As far as trade is concerned, imports were projected to rise, while exports would decline, the Community expecting a self sufficiency ratio at around 100 per cent in 1986. Stock levels were declining and by the end of 1985 those would total some 780,000 tons. This trend was projected to continue in the years to come. Turning to other European countries, he noted that in the North efforts to reduce production continued, although in some of them, for instance in Norway, such measures were being phased out. With

the exception of Sweden, consumption decreased in all of these countries (as well as in Switzerland) in 1985, but was expected to recover in 1986.

(vi) The group was informed that in 1985 the Soviet Union may have increased its beef production by 2-3 per cent, while total meat production rose by some 1.5 per cent. An increase in beef imports of some 5 per cent was likely to have occurred, while imports of other meats were expected to have remained unchanged. In 1986, unchanged cattle numbers, at best, may be expected, slaughter weights should rise and a 2-3 per cent rise in beef production could be reached. Imports may decline somewhat. In Poland, beef and pigmeat production increased in 1985, but the strongest increase was registered by poultry meat (15 per cent, following a 34.6 per cent rise in 1984). Exports of live cattle were expected to have dropped sharply. In Hungary, the decline in cattle numbers came to an end in anticipation of increased prices in January 1986 and production seemed stable. The Group was further informed that while in Yugoslavia beef and veal production was rising, demand declined (as well as demand for sheepmeat), and pig and poultry consumption increased.

(vii) In Japan, where the level of protein intake was said to already be high, consumption of beef was rising, as well as production and imports. In 1986, imports would continue to rise as a result of the understanding with Australia and the United States. Unhappily, he said, there was no information concerning other Asian markets, and it might be useful if the IMC could fill this lacuna. As concerns the African continent, the Group was informed that the relatively high stocks of beef in South Africa had been absorbed by the domestic market. Not much was said about the beef situation in many developing countries, although it would seem that import demand there would remain depressed as a result of factors such as balance-of-payments problems, continuing low oil prices and the departure of foreign workers.

(viii) In summary, he said, the situation in the bovine meat market seemed to be improving slightly. However, a number of non-negligible factors should keep participants from an excess of optimism. These factors were, inter alia:

1. an economic recovery which was not expected to mark any major improvement compared to 1985's expanding but sluggish economy;
2. continuing high levels of unemployment;
3. low feedgrain prices and resulting higher supplies of other meats, strongly competing with a generally higher priced bovine meat;
4. serious financial problems in the farm sector of a number of countries;
5. long-term downward trend in beef consumption in a number of countries;
6. continuing depressed demand in some major importing areas (Middle-East, North Africa); and finally,
7. mainly resulting from the above, rising, but still strongly depressed international bovine meat prices.

(ix) As a last point, he noted that fluctuations in the values of the different national currencies against the US dollar played an important role in the international bovine meat market in 1985, and will most likely continue to do so in 1985.

18. Commenting on the report by the Chairman of the MMAG, the New Zealand representative said that although there were indeed some signs of improvement in the beef market situation, these signs must be seen in the context of an extremely depressed situation and that there was no cause for complacency on the part of participants. In her opinion, in order to ensure a sustained improvement in market conditions, a number of significant changes must occur. New Zealand saw therefore no reason for any cautious optimism in the short term. With the current depressed market conditions, and the projected declines in consumption it was unlikely that a strengthening of prices would

follow the expected decrease in production. Record stock levels were unlikely to be disposed of in the first half of 1986 and further EC efforts to reduce dairy production would extend the effects to the beef sector through higher slaughter levels.

19. Other participants agreed with these views, and the Australian participant enumerated the factors which in his opinion had a negative impact on demand and said that these factors coupled with the record levels of export availabilities from the EC produce a rather depressing outlook for trade in 1986. The Argentinian representative added that his country continued to be adversely affected by the highly subsidized exports from the Community and that although there was some scope for improvement for the Argentinian exports in 1986, they would remain far below their traditional levels. In spite of a forecast decline in EC production and stock levels, no real market improvements could be reached while the beef sector in the Community had not completed its readjustment process.

20. The representative of the European Community said that, in his opinion, there were already signs of improvement, such as the recovery of beef prices in the United States market. Beef demand in the next few months would strengthen in spite of a stronger competition from poultry and pigmeat favoured by very low feed prices. Production was declining in major markets such as North America and in the Community. It was rising however in Oceania, following rising domestic prices, and exports by most of the Southern Hemisphere traditional exporters were increasing. In these conditions, he believed there were reasons for a certain optimism.

21. As concerns the medium-term outlook paper contained in IMC/W/16/Rev.1 the Secretariat was invited to update the main body of that document. It was understood that this could be done only if participants provided the secretariat with the necessary forecasts as soon as possible. No further discussion took place in the IMC on the erosion of demand as this had been covered in the MMAG during the examination of document IMC/W/10/Rev.1. It was agreed that the subject would remain on the agenda for the meeting in June.

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

22. Two sets of written questions had been received by the secretariat in advance of the meeting (IMC/W/48, IMC/W/50). The questions were submitted by Australia and New Zealand and addressed to the European Community, Japan, Sweden and the United States.

23. Answering a question relating to the level of assistance which was being given to its beef exports, the long-term nature of its supplies to Taiwan and an indication of the levels of supply, the Swedish representative said that the Swedish statistical reply to the IMC showed that his country has exported beef to Taiwan for a couple of years. In 1984 exports amounted to around 400 tons at US\$ half a million, or at an average price of US\$1.25/kg., f.o.b. Sweden. In 1985, exports increased; in the first quarter Sweden exported 600 tons at an average price of US\$1.5/kg. and in the second quarter exports were at about the same level. In the last few months, exports to Taiwan declined. According to the information from one Swedish exporter, prices were ranging from US\$1.85 to US\$4.55/kg. depending on what kind of beef cut was being exported. Referring to the level of export assistance in Sweden, he said that at present exports were entirely financed by producer levies. In the last Swedish policy notification (IMC/INV/6/Rev.5) detailed information on the subject was submitted and some figures on the 1984/85 slaughter fees were given. These totalled 1,743 million crowns and were collected by the producers. Other financial sources at the disposal of the Meat Regulation Association amounted to 143 million Swedish crowns, which meant that the slaughter fees accounted for more than 90 per cent of the total funds. The main use of these funds was the financing of export costs of both beef and pigmeat (1,370 million crowns) of the remainder, 175 million were spent on storage and 144 million on price campaigns. There were not yet figures available for 1985/86, but they would be of the same order. In 1985 there were no external sources available for financing beef exports which were entirely supported by the slaughter levies. It is difficult to say exactly what part of these funds went to beef or to pigmeat exports as they apply to both meats. However, calculations can

be made from the amounts collected per kilo of each meat, which were also notified in IMC/INV/6/Rev.5. Regarding the long-term nature of supplies, he added that the Swedish surpluses of beef and their probable future development depend on a number of factors such as the general economic situation, the success (which remained to be seen) of the campaigns to increase consumption, the competition in the various markets and the global supply and demand situation. Sweden has a preference for exporting beef to traditional markets in its neighbourhood, i.e. to the EC, countries in Eastern Europe, the Soviet Union and some other countries in Europe, for instance Norway. The market potential was at present not very bright in Eastern Europe and the Soviet Union, and the hopes of a better future for beef exports resulting from the five-year agreement reached with the USSR in early 1985 were at present not very high, because of the recent developments in that market. Consequently, some exports had to go to markets other than the traditional ones, even if these exports were minor when compared to the total. In the long term, exports were expected to decrease as a result of a better balance between production and consumption. Sales to Taiwan will also depend on the demand and supply situation in that market and in other markets in the region, but it could be noted that the situation had changed in the last few months with prices offered by the Taiwanese importers being less remunerative than they were earlier in the year. This development seemed to be connected with the appreciation of the Swedish crown against the Taiwanese dollar. Exports to Taiwan, he said, could be taken as a sign of the depressed market situation in countries nearer to Sweden. He added that his authorities certainly did not want to undercut the prices offered by Australia or any other exporter and would therefore welcome all co-operation that could be achieved in this field.

24. Commenting on the Swedish reply, the Australian representative indicated he would like his question to remain on the agenda for the next meeting in order to allow the Swedish representative to explain to the Council exactly what his country did in respect of subsidization of beef exports and its intentions regarding the Taiwanese market. The Australian concerns were essentially related to the price depressing

effect of such a policy. Swedish export prices to Taiwan were at 69 Taiwanese dollars per kilogram c.i.f. out of Sweden, in the vicinity of 20 per cent below the Australian price, compared to 80 Taiwanese dollars per kilogram c.i.f. out of Australia for the same type of beef (boneless manufacturing quality).

25. In reply to a question related to the proposal by the Commission of the European Community to reduce dairy quotas by a further 3 million tons in 1986, the EC representative said that this action would result in slaughterings of 750,000 dairy cows, of which about 500,000 would be slaughtered, at best, by the end of 1986. The other 250,000 cows would be converted to beef cows. The impact on production in 1986 would be minimal, and only a small increase would be noted at the beginning of 1987 (by the end of 1986 and early 1987 the total increase would be some 50,000 tons to 100,000 tons), after which production should decline as the result of the decrease in cow numbers. In the longer term, the number of breeding cows would decline, while the share of beef cows would rise significantly. Responding to a question about the recent EC sales to the Soviet Union, he said that until the last quarter of the year there were no sales to the USSR in 1985. The recent beef sales did not receive higher subsidies (as can be seen in the Official Journal of the Community) than others and allowed the Community to keep the level of exports to that country at about 100,000 tons to 110,000 tons per year. Indeed, the contract under way covered exports during the fourth quarter of 1985 and first few months of 1986. These sales, he added, were an active contribution to alleviate the Community intervention stocks without threatening the world bovine meat market. Referring to export restitutions to certain Asian countries, he indicated that this was a contribution to the opening of new markets for bovine meat in countries where a certain economic growth was presently under way, and non-satisfied beef import demand existed. He further said that countries other than Australia and New Zealand were also exporting beef to those markets. Because the Community wants to open new import markets there was no intention to restrict quantities of beef eligible for restitution destined for them. World consumption of bovine meat could in his opinion only benefit from this. Turning to a question related to beef production surpluses, the Community representative

emphasized that production and prices were of a cyclical nature and that EC exports served to fill the gap created by a period of relatively low availabilities in certain exporting countries in the Southern Hemisphere. Presently the production cycle was in its declining phase, and output should fall by some 400,000 tons between 1984 and 1986. The main factor of this cyclical evolution was the market price. Its present low level derived from a slowing down of production. All this, he said, illustrated the reaction of EC producers to market forces.

26. Commenting on the Community replies and on the EC intentions in setting restitutions for exports to a number of Asian countries, the Australian representative indicated that his country was selling to some of these markets, before the Community considered exporting to them. Australia sold meat to China, to Hong Kong and to the Philippines. In other words, subsidies were not market-opening measures, but price depressing and market displacement measures. The New Zealand representative said that the replacement of efficient producers in an existing market by heavily subsidized exports could hardly be seen as a way to seek and to develop new markets and encouraging consumption. The Hungarian representative indicated that in his country's view, the USSR was part of the world market. The heavily subsidized exports by the EC to the Soviet Union did not constitute a danger, but a real obstacle for Hungarian exports to that country. His country could not compete with the immense budget resources spent by the Community to support its sales to the Soviet Union and other markets.

27. Responding to a question related to the market opening measures implemented by his authorities, the Japanese representative said that, like in other countries, his country's livestock industry was going through a difficult period with support prices at the same level for several years, and farm numbers decreasing. In this situation the Japanese government announced its estimates for fiscal year 1987, with imports at 177,000 tons and present import levels aligned with this objective. Compared to fiscal year 1983, the 1987 objectives represented an increase of 36,000 tons. With respect to which supplying countries benefitted from this increase, he said that depended on each country's ability to exploit the Japanese market situation. Commenting on the "SBS" system, he indicated that this system was introduced with

the purpose of adapting to changes in the beef supply/demand situation and to the diversification of the types and cuts of the product in the Japanese marketing and distribution system. It aimed at facilitating the negotiation between the end users and overseas suppliers with respect to the type of beef and its specification. The "SBS" system was operated within the total amount of quota allocated for the buying and selling operations of the LIPC and therefore did not have any effect on overall quota figures. To a question related to the factors which Japan would take into consideration when determining which countries to be consulted the next round on negotiations on its global beef import quota, he replied by quoting paragraph 2 of document L/5858, the Japanese notification of its action programme: "with respect to beef on which arrangements are made among interested countries, Japan shall observe the arrangements in good faith and also with regard to the handling after the expiration of the present arrangements, Japan shall start the consultations one after another according to the arrangements".

28. In reply to a number of questions on the new United States' Farm Bill, the US representative noted that the Bill was currently being discussed in Committee and that its provisions were not yet in a final form. Therefore, his reply was solely based on information available to him on Bills which have not as yet been passed. Concerning the Beef Promotion Bill he said that both the House of Representatives and the Senate versions included a proposal to promote the consumption of beef in the United States. Both of these Bills would provide for a foreign assessment on the sale of cattle and equivalent assessment on imports of beef. The programme, as currently drafted, provided for a committee composed of cattlemen from the various States and importers of beef. The make up of these Committees would be on a proportionate basis, depending on the number of cattle from the State, and the importers participation would be based on the value of beef that they import. The assessment right now, as the Bills are drafted would be one US dollar per head "each time that an animal is sold in the United States", and an equivalent assessment on imported beef. Currently there was not a coefficient developed to convert imported frozen beef into a live animal equivalent, but some type of coefficient would be developed by the USDA.

As regards the impact of the proposed Dairy Bill on cow cattle slaughter in the United States, he said that the administration did not support any measures to specifically reduce dairy cattle herds. The favoured version of the Dairy Bill was simply to adjust prices of milk and allow market forces to take care of the dairy cattle herd. However, the Committees appeared to be leaning towards including a dairy cattle herd reduction programme in the Dairy Bill. Based on that, it could be assumed that there would be some additional cow slaughter. The house of Representatives' Bill placed a ceiling of 7 per cent of the total dairy cattle herd that would be slaughtered. So, assuming this extreme, it would result in the additional slaughter of approximately 100,000 head of cattle, or in an additional beef production for the US market of some 180,000 tons. The impact of this on consumption and imports in the United States would be very minimal. It would account for only 2 per cent of production, and estimates suggested a 4-5 per cent drop in output in 1986. In reply to a question on whether or not a levy that might be imposed on imported beef for promoting the consumption of beef would be permitted during periods in which there were restrictions on imports, the US representative said that neither of the current versions of the beef promotion act included any language that referred to the US meat import law.

29. Answering an oral question related to the arrangement negotiated between Canada and the EC in relation to the import levels of beef and veal to the end of 1985, the Canadian representative said that during 1985 a second petition had been put before the Import Tribunal by the Canadian Cattlemen's Association against EC exports of beef. This was still under consideration, it was therefore not possible, at present, to say whether there would be any change in the original findings of the Tribunal's earlier position which declared that EC exports to Canada were not causing serious injury to the Canadian beef market. As regards the level of imports in 1986, the issue was also under consideration and no information was available as to whether any decision had been taken. However, he said there is a guaranteed minimum access requirement under the GATT, and in 1986, this would be respected. A decision on import levels would nevertheless be taken before the end of 1985, as this was required by the Canadian legislation.

The instability of world beef markets

30. To assist the discussion under this item, on the agenda since June 1983, two papers were on the table: a note by the Secretariat "The Instability of World Beef Markets" (IMC/W/25) and comments on the subject by Australia contained in IMC/W/33. No discussion took place under this item as it had been largely covered under other items. It was agreed to return to it at the June 1986 meeting of the IMC.

Date of next meeting

31. It was agreed that the International Meat Council will hold its next meeting on Thursday 12, and Friday 13 June 1986, preceded by the meeting of the Meat Market Analysis Group on Monday 9, and Tuesday 10 June 1986.