

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Twenty-Seventh Meeting

Draft Report

Chairman: Mr. Jean-Michel Henry

1. The International Meat Council (IMC) held its twenty-seventh meeting on 18 December 1992. The IMC adopted the agenda set out in GATT/AIR/3375.

Replies to the inventory parts of the questionnaire

2. Participants were reminded that according to Rule 18 of the Rules of Procedure a complete revision of the inventory of all measures affecting trade in bovine meat and live animals, including commitments resulting from bilateral, plurilateral and multilateral negotiations, are due every three years. This revision was consequently due in June 1992. The Chairman indicated that, despite several reminders, including different airgrams and individual faxes sent to participants by the Secretariat, eleven countries had not yet revised their inventories.

3. He emphasized that such a result was not a satisfactory one and that it undermined the good functioning of the Arrangement. He reminded participants that all policy changes should be reported annually in order to allow all participants to duly follow the work of the IMC in a long-term basis. He regretted that a number of participants having taken important decisions at the domestic level, had not provided the necessary information to other participants of the Arrangement and encouraged them to do so. There was no discussion under this agenda item.

Evaluation of the market situation and outlook

4. 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/87 and IMC/W/87/Add.1) and the "Summary Tables" (IMC/W/88).

5. The United States representative replied to three questions raised during the MMAG discussions. The first question related to the level of prices provided in table D.1 of the statistical questionnaire. He informed the Council that the price series appearing in the table were correct. They represented an average of several regional price series collected in the United States. If the EC representative had seen price series 10 per cent below those in the table, that might have been because they related to

the price level in one single region. It was not unusual in the United States that prices vary by up to 10 per cent among regions.

6. The second question related to the projected increase of prices in the second half of 1992, compared to the same period of 1991. He said that USDA experts admitted that the expected price rise appeared to be contrary to the trend (three years of decreasing prices), but they were confident that the projection was accurate. The increase could be explained by the normal evolution of the seven-year-long cattle cycle. When cattle prices increased, there was a stimulus to production and the cattle herd tended to grow. There was no policy reason for the increase in prices, just the normal market evolution.

7. The third question regarded the United States policy on the GSM credit programmes to the former Soviet Union, in light of the economic situation there. The United States representative indicated that although such programmes were under constant scrutiny, taking into account the constant economic changes in the region, no fundamental changes in the credit programmes vis-à-vis the former Soviet Union had been introduced.

8. In reply to a question raised at the MMAG meeting, the Japanese delegate indicated that in the first ten months of 1992, the percentage of beef imports into Japan, by origin, were the following: Australia, 51 per cent; United States, 45 per cent; New Zealand, 2 per cent and others (Canada, Mexico) 1 per cent. Imports originated in those countries because, as with Japan, they were free of Foot-and-Mouth disease (FMD). Any other countries in the same conditions were free to export to Japan. He added that in the Fiscal Year (F.Y.) 1990, imports of chilled beef represented 39 per cent of total beef imports, in F.Y. 1991, 51 per cent and in April-October of F.Y. 1992, 46 per cent. In October 1992, total stocks of imported beef reached 66,000 tons. Almost all of the product was frozen beef for processing and restaurant use. Chilled beef was consumed a few weeks after it reached Japan, almost all of it as table meat. Its share in overall Japanese beef imports was not expected to decrease.

9. The Chairman of the MMAG, Mr. Masanori Hayashi, presented the following oral report of the discussions of the Group to the IMC:

"Mr. Chairman,

Before taking up the report on the Group's discussions on the situation and outlook in meat markets, I should like to comment on the functioning of the Arrangement. Once again, I note that the time-limit specified in the Arrangement's Rules of Procedure for the submission of replies to questionnaires has not been respected by participants, with two exceptions. The direct result has been the absence or late arrival of meeting-room documents in the other GATT official languages and the difficulty for the Secretariat of undertaking a detailed analysis, thereby limiting the possibility of carrying out the assessment necessary to ensure proper discussion in the Group. Mr. Chairman, this has undoubtedly

contributed to what appeared to me to be a less "lively" meeting than usual. Above all, the status of the Uruguay Round negotiations has no doubt been a contributory factor and I hope that our meetings will recover their dynamism at the next meeting to be held in June 1993.

Turning to the discussions in the Group, I would first of all say that the lacklustre situation of the global economy once more had a significant impact on the bovine meat sector in 1992. As a reflection of the sluggish recovery in economic activity, there was a rise in unemployment in a large number of participating countries, even though some decline of inflation rates could be noted. This trend was particularly important in Western Europe where, in addition, the monetary upheavals in recent months in some cases had a negative impact on the demand for meat and its international trade.

The economic changes in Central and Eastern European countries and the republics belonging to the Community of Independent States (CIS) also had a noticeable effect on the meat sector, especially bovine meat in the region, where increased production costs, the fall in cattle prices and the collapse of demand are responsible for the important decrease in cattle herds which will leave an indelible imprint on the sector for years to come. Finally, we have also been told that the difficult economic situation in Africa, added to the problems caused by a terrible drought which is decimating cattle, is jeopardizing food security in many African countries.

Mr. Chairman, not everything was bad for the global meat economy in 1992. For example, it was estimated that bovine meat production in participating countries decreased by approximately 1 per cent, reflecting inter alia the decline in Community production as a result of a reduced cattle herd brought about by the reduction in dairy quotas and the significant decrease in bovine numbers in the new German Länder. Even if the consumption of bovine meat remained static in the European Community, the decrease in production would have led to some recovery in cattle prices, while the price of other meat fell. However, since bovine meat prices nonetheless remained low, intervention buying increased and, at the end of the year, meat stocks in the EEC should be around 1 million tonnes. At the same time, Community exports continued at a steady rate with a noticeable upswing in the first half of the year and an increase for the year as a whole. It is envisaged that Community production will decrease again in 1993 and the beginning of 1994. Consumption should remain stable so the rate of self-sufficiency will fall. We have been told that the reform of the CAP should lead to a drop in the number of cows and, even if there is an increase in yield, production of bovine meat in the medium term could decrease or, in any event, remain close to the present level.

In some Western European countries as well, the unfavourable economic situation in 1992 was mainly responsible for the fall in demand and the decrease in producer prices. Some trends were also linked to changes in agricultural policy objectives, for example, in Sweden where efforts to make production more extensive continue to be felt and the elimination of subsidies has led to a sharp fall in exports.

On the other side of the Atlantic, in North America, cattle numbers continued to grow, but it was pointed out that in the United States the supply of poultry meat and pigmeat is steadily increasing because their production methods and shorter life cycles make them more adaptable to variations in prices and production costs. Although consumption remained static, the increase in the production of bovine meat continued in 1992 and will probably do so in 1993. The result this year was stagnation of imports and a significant increase in exports. For the second year running, the United States has negotiated "voluntary" export restraint agreements with its main suppliers and we have been told that this situation might repeat itself next year. American exports will continue to increase next year, taking advantage of the sustained growth of demand in North Asian markets, especially Japan and South Korea. For the information of the Council, I would like to comment that the functioning of the United States law on meat imports was criticized at the meeting of our Analysis Group. The law was adopted at a time when the United States was not an important exporter of bovine meat (today it is the world's fourth largest exporter) and its originally anti-cyclical mechanism is no longer geared to those objectives but rather to trade goals. Canadian exports of beef to the United States increased significantly, reflecting at least to some extent the decrease in Australian and New Zealand exports to the North American market.

In Australia, a return to more favourable seasonal conditions should result in a decrease in the number of animals slaughtered and a slight fall in production in 1992/1993. This reduction, together with a hardening of export prices, should be largely responsible for a noticeable increase in producer prices following this season's decrease. Although exports to the United States are decreasing, the share of Australian sales of beef on North Asian markets is growing steadily and this trend should continue next year despite increased competition from North America in these markets. There was an increase in production in New Zealand during the year, but its exports fell due in part, we were told, to the imposing of "voluntary" restrictions on exports by the United States and to a reduction in the number of animals slaughtered. However, the increase in the cattle stock in New Zealand should continue in the short term due to the steadily higher profitability of the bovine sector compared with the sheep sector. There should therefore be sustained growth in production and exports next year.

The representative of Japan told us that both production and imports of bovine meat in his country were increasing. In 1992, imports should increase by 20 per cent as a result of the decrease in stocks and market liberalization measures. The result of this liberalization has been a sharp fall in the wholesale meat price since 1989 and this trend should continue in 1993 in anticipation of the new decrease in customs duties which will occur next April. Consumption continues to increase despite the economic downturn. According to the medium-term forecast, in 1997 the beef deficit in Japan will still be around 700-800,000 tonnes.

Finally, Mr. Chairman, I regret to inform you that the information we received on the market situation in South America is limited. It can be noted, however, that exports from Argentina appear to have declined sharply

and Brazil seems to have taken its place due to a significant decline in domestic demand as a result of the serious economic recession. Uruguay also appears to have increased its exports, taking advantage of the situation in Argentina. International prices for bovine meat have reportedly eased slightly on the North American market but rose on North Asian markets. In areas which are not free of foot-and-mouth disease, prices, including those of high-quality meat, are said to have dropped slightly. They are expected to recover to a certain extent next year.

Regarding the trend in markets for other meat, I will start by underlining the increase in the production of pigmeat in all participating countries, especially in North America, where the fall in producer prices has been partly compensated by the decrease in grain prices. This trend will continue next year. In the European Community, the effect of the fall in pigmeat prices has been to limit growth of production, although there could be renewed growth in 1993. It would appear that we are moving towards new global records for pigmeat production as the information collected by the Secretariat shows that the production of the largest producer in the world, China, is also likely to continue to grow. Trade in pigmeat experienced relatively limited growth this year, due in particular to a sharp decline in Community exports.

Global production of poultry meat continued to increase in 1992. Supported by growing demand and the low price of grain, poultry meat is, as you know, the most important competitor of bovine meat. The comments made by participants once again drew attention to this fact, even though we heard that some countries still restrain this trend somewhat artificially. Increased production in the majority of countries naturally leads to less pronounced trends in international trade, without any major fluctuations and with relatively limited possibilities for expansion.

In conclusion, I would like to mention that the New Zealand sheepmeat industry continues to be adversely affected by the relatively low price of wool; by increased competition from other meat and, we were told, by competition from the subsidized production in the European Community, which is New Zealand's largest market. The recent improvement in wool prices implies that the earnings of producers in Oceania could increase in the short to medium term. Exports of sheepmeat increased slightly in New Zealand, but decreased in Australia, even though there was a rise in imports of sheepmeat and live animals in the Middle East.

To summarize, Mr. Chairman, I would say that international market trends for bovine meat in the short and medium terms essentially depend on the following factors.

1. The trend in the overall economic situation and its impact on the demand for meat;
2. Market trends in central and eastern Europe, in particular, in the republics of the former Soviet Union;
3. The impact of the European Community's Common Agricultural Policy reform;

4. Trends in demand in North Asian countries;
5. The effects of the outcome of the multilateral trade negotiations on international markets for meat.

In concluding, Mr. Chairman, I would like to thank participants, especially those from central and eastern Europe, who did their best to participate actively in our meetings. I also wish to thank observers from FAO and ECE/FAO for their contribution."

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

10. No written questions had been submitted in advance. Because no oral questions were raised, there was no discussion under this item.

Examination of the functioning of the Arrangement

11. The Chairman regretted that a number of delegations, including some of the most important ones, had for a long time been absent from the meetings, had not submitted statistics, or submitted them long after agreed deadlines, and had not, in the recent past, submitted the required information regarding domestic policies. He stressed that he had had informal consultations with a certain number of delegations and the Secretariat, on the examination of the functioning of the Arrangement. After such consultations and despite an unsatisfactory situation, he thought that, given the non-finalization of the Uruguay Round, the IMC should adjourn discussions on the matter, including the revision of certain rules of procedure which seemed to be haphazard. However, he kept open the possibility of convening a special meeting during the first half of 1993 on this question.

Date of the next meeting

12. The IMC decided to hold its next meeting on Friday, 18 June 1993, preceded by the meeting of the MMAG on Wednesday, 16 and Thursday, 17 June 1993.