

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IMC/19

8 September 1986

Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

FOURTEENTH MEETING

Report*

Chairman: Mr. Michel Van Meerbeke

1. The International Meat Council (IMC) held its fourteenth meeting on 12 June 1986. It was informed that the Arrangement Regarding Bovine Meat had been signed in March 1986 by Nigeria, putting the number of signatories at 27, representing 38 countries. The IMC adopted the agenda as set out in GATT/AIR/2283.

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 elected Mr. Michel Van Meerbeke (Colombia) as Chairman and Mr. José Ramón Prieto (Spain) as Vice-Chairman.

Examination of the functioning of the Arrangement

3. Under this item it was recalled that since its first meeting in February 1980, the number of countries participating in the proceedings of the IMC had increased from 24 to 38 today (signatories increased from 16 to 27 in the same period). Apart from discussing in some detail the current situation and outlook at each session, the IMC started already at its second meeting, in June 1980, to debate the setting up of a subsidiary body to assist the IMC. Such a body, the Meat Market Analysis Group, was established in June 1981. Since this Group is mainly concerned with the situation and outlook discussions and questions of a non-political nature, it has given the IMC the possibility to concentrate on more intricate questions, questions of a policy nature or which have policy implications. In June 1982 flexible procedures for a frank question-and-answer session on matters of a policy nature were established. A number of particular items has been discussed and continues to be discussed by the IMC, some of these items on the basis of secretariat studies.

* A list of participants has been circulated in IMC/INF/3.

4. Under this item a number of participants indicated that the IMC had played a very useful role in the exchange and collection of market information in relation not only to the international beef market but more recently to the markets of other meats as well. It was felt that the IMC and the MMAG were fulfilling the objectives of the Arrangement in this regard. However, as concerns other objectives of the Arrangement, such as expansion and liberalization of trade, several participants felt that the Arrangement had not functioned well and that there was a manifest lack of progress in these areas. An illustration of this, some participants thought, was the failure of the Working Group to agree as to whether there was a serious imbalance, or threat thereof, in the bovine meat market. One participant noted that the IMC had a role of looking at economic policies and that it needed to examine the effects of policies, demonstrated by trends in statistics, to see whether those policies were in the interest of the collective membership of the Arrangement.

5. Another participant considered that, although everything could be perfected, the Arrangement had functioned well, considering its present framework. It was obvious, he said, that the situation in the bovine meat market presented certain difficulties but these should not be exaggerated. Also, it was not easy to study the international bovine meat market in isolation from other factors outside the sector. In this connection attention was drawn to the currently very low feedgrain prices which affected livestock production in certain areas of the globe.

6. Also discussed under this item were two proposals put forward by Canada and New Zealand at the December 1985 meeting of the IMC (contained in IMC/W/49 and Add.1 and in IMC/W/51 respectively). It was then agreed that these proposals remain on the table for the June 1986 meeting.

7. In introducing his country's proposal, the representative of Canada said that the background of the proposal was the lack of progress in the Working Group and the opinion that it would be helpful to have a set of what he termed "objective criteria" or "indicators" which would assist the IMC in identifying an imbalance in the world bovine market. This, he said, would be a neutral process to help the IMC reach a more definite assessment of the situation in the international meat market. Following this process it would then be possible to move forward in an attempt to deal with such an imbalance. In the Canadian proposal there was also a suggestion that it might be appropriate to consider particular regions within the international meat market as often conditions vary from one region to another. He said that five indicators were proposed, none of which was exclusive. The first indicator would be a review of changes in the ratio of bovine meat production to meat consumption in any country. He suggested that this could be termed the self-sufficiency ratio and that this indicator could be monitored in relation to historical levels. A significant change in either production or consumption could be one indicator of an emerging imbalance. A second indicator, he said, would be a significant decrease in the prices of bovine meat traded in any particular zone. A normal

price, perhaps based on an historical average for a particular grade of bovine meat could be established and monitored. Should current or expected prices fall below that level this could, in his opinion, signal an imbalance or a threat of an imbalance. A third indicator would be a rapid increase in the proportion of female bovine animals in the total slaughter of cattle. He noted that this was often an indicator of a lack of profitability in the beef sector and this could be an indicator of an imbalance. A fourth criterion would be a rapid change in any country's market share of total world trade in beef, or trade in a particular zone. To examine this criterion historical market shares could be identified, and if any increase of any particular country share beyond a fixed proportion of the base period occurred, it could be an indicator of a possible existence of an imbalance. A fifth indicator would be changes in the level of beef stocks in any country. A rapid rise in beef stock levels would, in his country's opinion, signal the existence of both a current imbalance of the market in the country and the existence of a threat of imbalance for the world market generally. He said that specific criteria or indicators would be developed from data which was already being supplied to the secretariat.

8. The New Zealand representative said that this country's proposal stemmed from his authorities' view that the Arrangement was, to a degree, facing a crisis of credibility as a result principally and most recently of the Working Group's failure to agree on recommendations for dealing with the imbalance or threat thereof in the international bovine meat market. He stressed that the basic point of departure remained the objectives of the Arrangement. He said that the New Zealand paper identified six indicators which his authorities considered might present prima facie evidence of a serious imbalance. These were, however, not exclusive. Five of the six indicators were the same as those identified in the Canadian proposal while the sixth, contained in point (f), exists only in the New Zealand paper. He said that there was nothing particularly special or new about these indicators and wondered whether signatories of the Arrangement accepted that these indicators were necessary and relevant to determining whether an imbalance existed or not. By agreeing to this part of the process, he said, members were still a long way from reaching a determination of serious imbalance but at least they would have the means by which to provide the factual basis for a determination thereof. He indicated further that the assessment process identified in paragraph 8 of the New Zealand paper sought to draw a distinction between essentially cyclical phenomena and those which could be traced to domestic policy decisions. Stage three of the paper was looking at the search for solutions based on the provisions of the Arrangement. He noted that the paper also proposed an economic model for measurement and he suggested that the Meat Market Analysis Group might, in the future, be given the task of examining methodologies with a view to establishing its own economic models. He noted that the IMC had a task that was clearly defined and he believed that the work on these proposals should be carried out in the IMC.

9. A number of participants expressed interest in, and support for, the approach set out in the two proposals and said that these were useful contributions to the work of the IMC, particularly relevant to an examination of the functioning of the Arrangement. It was also said that these could contribute to a better functioning of the Arrangement as well as to reaching the main objectives of the Arrangement. These participants were of the view that work in the IMC on these proposals would not interfere with the overall work on agriculture that will probably take place in the new round of multilateral trade negotiations.

10. Other participants, while finding interesting ideas in the proposals, were doubtful of the feasibility of using indicators as an objective mechanism of assessment of the market situation. It was also said that ambitions should be kept at reasonable levels if any results were going to be reached but that all participants were obliged, in this participant's view, to try to reach a consensus as concerns measures for the revitalization of the functioning of the Arrangement. Another participant said that, while being able to completely support some of the proposed indicators, he believed that it would be wise to proceed in stages, starting with a very objective examination of the proposed criteria, keeping in mind all the relevant economic factors.

11. One participant said that his authorities were always interested in improving the functioning of the Arrangement, especially if this was done in an approach based on economic realities and on a balance of obligations. His authorities would, however, not lend themselves to an exercise based on polemics, which were aimed at putting into question their agricultural policy. As concerns the proposed indicators he said that there were indeed certain indicators which it would be interesting to develop, while others were perhaps as yet incomplete. He thought that it was important in this context to look not only at the situation within the bovine meat sector, but also at other agricultural sectors such as the one concerned with animal feed in view of its importance for the production of bovine meat. He did not believe that one of the proposals in particular could, as now set up, constitute an acceptable solution for his authorities. He suggested, however, that the MMAG should be given the task of further reflection on a possible list of indicators or factors after which the IMC may be able to advance a bit further.

12. At the end of this discussion, participants agreed that these proposals would remain on the table and that the discussion thereof would continue at the December 1986 meeting of the IMC.

13. Also under this item the representative of Australia proposed that the secretariat prepare, with appropriate input from participants, a background paper on the various support and intervention mechanisms in different producer countries and how they work. This would be a factual presentation of those mechanisms and an analysis of how they work. On the understanding that these elements would be collected from information normally supplied to the IMC in the inventories concerning policy measures, and updated as necessary, the IMC agreed to invite the secretariat to prepare the above-mentioned document.

Replies to the Inventory Parts of the Questionnaire

14. Under this item participants were reminded that according to the Rules of Procedure a complete revision of the replies to the inventory questionnaire was to be done every third year in time for the June meeting of the IMC, the second one of which was due this year. To date the secretariat had received revisions from only nine countries wherefore the Chairman urged the participants that had not provided a revision to do so urgently.

Evaluation of the world market situation and outlook

15. 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/52); "Summary Tables" (IMC/W/2/Rev.12); a second revision of "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.2); and the paper "Beef Demand and its Erosion by Competition from Other Meats and Low Levels of Economic Activity" (IMC/W/10/Rev.1).

16. (i) The Chairman of the MMAG, Mr. Claes Hammar, reported on the discussions of the Group which took place on 10 and 11 June. Noting the major importance of the economic situation to the state of the bovine meat sector, he said that the recovery appeared to be well under way in most industrialized countries, although the degree differed from country to country. Inflation and interest rates were decreasing, unemployment levels were stabilizing and even falling in some countries, and employment was rising slightly. In the OECD area some further improvement in economic growth was expected for 1986 and 1987, after a slowdown in the growth rate in 1985. The global economic situation would translate into higher income levels and an increase in consumer demand. He added that the economic picture of a number of countries had been strongly influenced by falling petroleum prices and the drop in the value of the United States dollar against major currencies in the world, and he stressed the difficulties created for oil-producing countries by falling oil revenues. He finally noted that economic growth in many developing countries was less sustained with the supply of many primary products being abundant and prices depressed.

(ii) He indicated that world production of beef and veal was expected to fall in 1986 by 1-2 per cent, as major producing countries or areas were anticipating lower output as a result of cyclical swings sometimes enhanced by domestic programmes. Production in other areas or countries was rising but not enough in the current year or next to compensate for shortfalls elsewhere. Consumption, he said, although rising in some major beef consuming areas, was also expected to fall in 1986, continuing its downward trend of the last few years. However, it was expected that the rate of decrease would slow down and that in the months to come consumption of beef and veal would fall less than production thereof, leading hopefully to a more balanced supply/demand situation in a number of countries and globally. World stocks of bovine meat were still plentiful, but reportedly somewhat less abundant than

late last year. It was expected that these stocks would continue to decrease throughout the year, as production, in some of the countries where high stocks were held, was declining and consumption increasing due to higher disposable incomes. Referring to prices of bovine meat, he reported that they were still very depressed in a number of countries due to still abundant supplies of both bovine meat and competing meats, in particular pork and poultry meat, and low demand in many countries. As production was falling off and demand was increasing under the influence of better economic conditions and the considerable efforts to promote beef intake in many countries, it was expected that market prices would improve somewhat in the latter part of 1986 and in the course of 1987. As concerns prices for traded beef, in particular from the so-called "dirty markets", he said that they were still declining, since supplies of low-priced meat were abundant and competition fierce. He further noted that some very recent large-scale sales at quite low prices would bear witness to that. Prices to other, mainly foot-and-mouth disease-free markets had held up better, partly as a result of exchange rates. As concerns trade, he indicated that no major changes in the global level of bovine meat imports or exports were expected for this year or the next. Export availabilities were expected to increase in those exporting countries where output was recovering, and to remain high or somewhat lower in those where production was falling, but where stocks were still large. One major exporting country was expected to reduce its exports considerably this year, reportedly by as much as 40 per cent, while at the same time, it would purchase large amounts of mostly cow beef for its processing industry and for domestic consumption. Oil revenue countries might see a slight decline in their beef imports per capita but should globally remain at last year's level or slightly higher, due to low beef prices and the fall in the value of the dollar.

(iii) After his summary of the global situation and outlook in the bovine meat sector, Mr. Hammar indicated that the Group's discussion took place on a region-by-region basis, and he gave a quick run-through of the main elements of particular interest in each region. He said that the situation and outlook of the bovine meat sector in countries in Oceania were described as somewhat better than that of other rural sectors where difficulties were greater. Production in the main two producing and exporting countries in the area was expected to increase in 1986, moderately in Australia and considerably more in New Zealand (+18 per cent), due partly, it would seem, to a backlog of slaughter animals as a result of strikes. Total consumption was expected to increase somewhat in both countries as well as exports. However, he noted that it was said that there was a number of uncertainties for export prospects connected to, inter alia, developments in these countries' main export markets as well as to low prices in world markets. The situation in certain Asian countries seemed to be one of continuing import needs, with the exception of one major market (the Republic of Korea), which would reportedly keep its borders closed during the current year. Competition in this region had been strengthening since some of these markets had opened their borders to beef imports from countries where foot-and-mouth disease was endemic.

(iv) In North America large availabilities of low-priced feedgrains continued to exert a major influence on the bovine meat sector. Indeed, these were not only responsible for increased cattle slaughter weights but also for ample supplies of competing meats such as poultry and pigmeat. Hence cattle and beef prices had continued at low levels. Additional amounts of cow beef on the market as a result of the Dairy Termination Programme in the United States exerted further pressure on the market. By the end of the year, supplies of bovine meat were expected to be down somewhat, those of other meats were expected to remain abundant, consumption to stagnate or even to fall somewhat and prices to recover a little. These trends would strengthen in 1987.

(v) In South America, he said, production was projected to decline in the three major producing and exporting countries (Argentina, Brazil and Uruguay). Consumption would decline slightly in both Argentina and Uruguay and increase in Brazil. Argentinian exports were expected to recover somewhat, the other two countries projecting lower export levels, Brazil considerably lower. In fact, the Group had heard from this country's representative that his authorities had decided to import during the current year as much as 250,000 tons, which was an increase of more than 600 per cent from year earlier. As concerns Europe, large supplies of bovine and other meats were still depressing market prices. In one area, this was the result not only of cattle herd liquidation linked to important dairy cow slaughterings following the implementation of milk quotas, but also of improved productivity favoured by very low feedgrain prices. On the demand side, a recovery in consumption was under way as a consequence of the general economic recovery and in some parts also as a result of sales campaigns. As a consequence, it could probably be expected that a more balanced supply/demand situation would result in the next 18 months or so. In the Soviet Union, beef production had been increasing so far this year and should this hold true for the whole year, imports could decline.

(vi) On the African continent, one of the main importing countries (Egypt) continued to have large import needs, partly explained by the population increase. This was a market with rather stringent health and sanitary regulations, and which was quite price-conscious. He indicated that the Group heard a statement by the UNCTAD representative on the situation in a number of African countries not members of the Arrangement, and heard from the representative of FAO a number of considerations on the factors affecting African countries' production of meat, one of which was recurring drought conditions. Obviously a number of these countries was also affected by the drop in oil prices, and by the low prices of primary products. He mentioned the fact that not much was said about the situation in the Middle East, except that the import capacity of these countries was being affected by the sharp decline in oil prices. It was also noted that, basically as a result of the declining foreign population in this area, a number of Gulf States were replacing imports of high-quality beef by more imports of lower-quality beef, in order to place beef on the domestic market at more accessible prices to the local populations.

(vii) To conclude, the Chairman of the MMAG highlighted a few points which have had or were likely to have some influence on the bovine meat sector this year. One was the tragic accident in Chernobyl. He noted that more stringent controls on production in a number of countries had been introduced and that concern had also been expressed over temporary cutbacks in exports due to import restrictions in a number of importing countries or areas. The other was the Dairy Herd Termination Programme in the United States, the immediate effects of which over the next few months would be an increase in the supplies of cow beef, some of which (90,000 tons) had been sold to Brazil at a very competitive price. He recalled that Brazil was anticipating imports of some 250,000 tons this year, partly for its processing industry and partly for domestic consumption but added that this was apparently a situation which was not likely to be repeated next year, Brazil being normally a major exporting country. A third point was the considerable influence of low feedgrain prices on the production of both bovine meat and competing meats, resulting in lower production costs for producers and, possibly, in higher production levels, in particular, of competing meats.

(viii) The Group, he said, also had a short, separate discussion on consumption based on a paper prepared by the secretariat and issued in its revised form in May 1985. This discussion was a continuation or follow-up of the one held at previous meetings in the IMC and the MMAG. One conclusion that could be drawn from these discussions, and it would seem a pretty evident one, he said, was that demand for, and consumption of, bovine meat was first and foremost linked to income levels in most parts of the world. Secondly, he said that relative prices of different meats played an important role in the consumption of bovine meat, meaning that there were shifts from one meat to another according to the price level of each meat in a number of countries but that at any given income level total intake of meat, red or white, remained at about the same level. Because of abundant supplies of cheap feedgrains, supplies of competing meats were plentiful, moderating prices of both these and those of bovine meat. It was pointed out, he continued, that in order to promote consumption of bovine meat, co-operative efforts would be of value and that there was scope for comparative advertising in promotion campaigns. Certain countries also had government programmes to enhance consumption of beef. Such programmes would appear to be of particular importance, to the traders of the world, in countries where beef consumption was still relatively low.

(ix) Finally, he added a few words about attempts to increase information about the bovine meat sector. He recalled that it was agreed at the IMC meeting in December 1985 to send a bovine meat questionnaire, accompanied by a letter explaining the purpose, to potentially interested GATT contracting parties and observers, not members of the Arrangement, with the intention of getting information for a more comprehensive picture of prospects for trade in bovine meat. This approach had been adopted on a trial basis and a questionnaire, especially drawn up for this purpose, had been sent to 34 GATT signatories and observers in February with a request for a reply by the end of May. The results of this experiment were to be evaluated at the June meeting of the MMAG and a possible follow-up to be recommended by

the MMAG to the IMC decided upon. By the end of May five responses had been obtained. Those participants that had expressed themselves on the subject were of the opinion that it was too early yet to make an evaluation and that in fact a longer trial period was needed before making an assessment of the results. They indicated, however, that they believed that the exercise was useful and the replies received so far interesting. They had also suggested that participants should attempt to encourage non-participants to reply. The conclusion of the short discussion on this subject, he said, was a recommendation from the MMAG that the IMC decide to prolong the experiment to at least the end of the year, asking the secretariat to renew the invitation to potentially interested GATT signatories and observers, not members of the Arrangement, to reply to the questionnaire. By the end of the year, he said, the Group might have a better idea about the possibilities of getting additional data this way.

17. The IMC agreed to prolong the experiment of sending a bovine meat questionnaire to potentially interested GATT signatories or observers not members of the Arrangement Regarding Bovine Meat, as recommended by the MMAG (see paragraph above).

18. In the following discussion, the representative of Argentina expressed his country's concern about the consequences of the recent sale of bovine meat, at heavily subsidized prices, from the United States to Brazil and the planned ones from the European Community to Brazil. He said that these sales could but add further pressure on the already low international prices, in particular on export prices from the so called "dirty markets", that is markets where foot-and-mouth disease is endemic. He noted that following the depreciation of the US dollar, Argentina had been expecting some recovery in international prices, a recovery that had not as yet materialized and this state of affairs would obviously not be helped by large-scale sales at prices well below the current level. He also expressed his concern about the "trade war", between the United States and the European Community, the consequences of which, he said, would affect in particular the developing countries.

19. Argentina's concerns regarding beef sales to Brazil were shared by a number of other participants. In this connection the distortive effects on the bovine meat trade of heavily subsidized exports of grains was also mentioned, sales which favoured further over-production of meats.

20. The representative of Australia said that there were various uncertainties regarding Australia's future market prospects. One of these concerned the disposal of supplies in Australia's major market, the United States. He noted that developments on that market were mirrored almost exactly in the movement of prices on the Australian market. He further said that he would be interested to know the basis on which the sales price of beef to Brazil had been established. He further said that he had understood that further sales from the United States stocks could be necessary to meet the requirements of the Dairy Termination Programme and that the funds necessary to provide for such

sales to meat market prices were coming from the Commodity Credit Corporation and were virtually unlimited. These factors, he said, added an element of uncertainty that would have an impact on Australia's own future projections on the prospects of Australian exports.

21. The New Zealand representative noted that the economic situation in his country was not as bright as that described in the MMAG Chairman's report for industrialized OECD countries, in particular in New Zealand's rural sector. To illustrate this, he said that in less than twelve months lamb prices had dropped by 45 per cent; of the 55,000 farmers, 5,000 would probably have to leave the land. The ratio in the dairy industry is even higher and producers there will get a 43 per cent drop in their payout this season compared to last due, to a large extent, to reduced returns from markets. Finally, he noted that the combination of cheap feedgrains and the ability of poultry producers, in particular, to respond quickly to that situation did not bode well for any increase in beef prices.

22. The representative of the European Community informed the IMC that, after a request from Brazil for Community beef it had established a procedure for sales of 100,000 tons of intervention beef to Brazil, via the Community operators, on a tender basis, the minimum quantity of which is 10,000 tons. At the time of the meeting the price was not yet known, but he said that the best possible price was aimed for, taking into account the prices already offered by the United States. He said that these Brazilian beef import needs were of a reportedly temporary nature and would probably not disrupt the international bovine meat market. He also informed the IMC that EC production of bovine meat was projected at some 7,900,000 tons for 1992, while consumption would reach some 7,800,000-7,850,000 tons.

23. The representative of the United States informed the IMC about its recent sale of 90,000 tons of low-priced bovine meat to Brazil. He explained that this sale was the result of legislation concerning the Dairy Termination Programme which required that the USDA buy a minimum of 180,000 tons of bovine meat on the US market in order to minimize the effect of the programme on the market. The USDA was required to sell half of the quantity for export and had funds at its disposition for that purpose to sell at competitive prices. He said that part of the reason to sell this beef at heavily subsidized prices was to counter subsidized beef exports by the EC. He indicated further that it was not entirely excluded that further beef sales at subsidized prices would be made but he did not believe that another large scale sale was very likely.

24. The Brazilian representative explained the background to his country's decision to import large amounts of bovine meat. He said that until the end of February this year, the Brazilian economy had been marked by persistent high inflation rates and by the transfer of investments to the financial market. In February the new federal administration adopted a package of social-economic measures ("the Economic Stabilization Programme") which inter alia froze retail prices and established guide-lines for negotiations on wages. Consequently, he

said, the private sector faced some difficulties adjusting its activities to the new economic reality. These difficulties, he said, were mainly related to the definition of profit margins between the industrial sector and its suppliers. The programme also resulted in the necessity of building food stocks to provide the essential basis for the price freeze. He said that the food sector had played a fundamental role in the calculation of the inflation rates. Moreover, he noted, the domestic food supply had been negatively affected by unfavourable weather conditions which prevailed in the main production areas of the country in the second half of 1985 and at the beginning of the current year. Furthermore, the government measures introduced to correct wages and the price freeze immediately revived consumer demand for beef, although, he said, the present level (16 kg/capita) was still far below that of the late seventies (22 kg/capita).

25. The result of these measures was that the livestock sector became more attractive for investments. Due mainly to the resulting intense speculative demand for young animals and calves, farmers have, however, had problems to rebuild their cattle herds. As a consequence, offers of fat animals for slaughter dropped. These, he said, were the reasons why the present situation in Brazil reflected an apparent lack of slaughter animals, leading the Brazilian Government to take corrective measures to secure the food supply and to safeguard the price freeze.

26. As mentioned above one of these measures concerned the building of bovine meat stocks and the first attempt in this direction aimed at using domestic meat. To this end a gentleman's agreement was reached at the beginning of March between the Government and the livestock sector. The result of the agreement, however, did not satisfactorily meet the requirements of the Government as far as quantities and prices were concerned. Having thus exhausted the domestic possibilities, the Brazilian authorities decided to import 250,000 tons of bovine meat through bilateral contacts, and without prejudice to exporters of processed meat under the draw-back system. In this context, he said, it should be stressed that these contacts were open to all countries interested in selling and in a position to meet the Brazilian requirements. This governmental decision, he noted, was aimed not only at assuring the price freeze and the normal flow of supplies to the domestic market but also at pressuring the involved sectors to comply with the programme in the short term.

27. Concluding, he stressed the importance of the Economic Stabilization Programme to the fight against inflation and to the maintenance of the national currency's purchasing power. The strict observance of the guidelines foreseen in the programme was presently an overall priority and the successful outcome must not be hindered by any other concerns in the domestic sectors.

28. The IMC had a very brief discussion concerning the second revision of IMC/W/16 regarding the medium-term outlook. One participant regretted the lack of forecasts from a majority of the participants and expressed the hope that more would be forthcoming before the next meeting. It was agreed that the paper would stay on the table for the next meeting of the IMC and that the secretariat would update the table with the projections, circulated to participants separately, in light of any new forecasts.

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

29. Two sets of written questions had been received by the secretariat in advance of the meeting (IMC/W/53 and IMC/W/54). The questions were submitted by Canada and New Zealand and addressed to Australia, the European Community, Japan, New Zealand and the United States.

30. Answering a question related to the increased level of exports during the period January to April 1986, the Australian representative said that the 18 per cent export rise registered during that period was the result of increased production in the early months of the year. This was the consequence of the dry season conditions which led producers to reduce stocking levels, in case a drought developed. However, recent rains in some areas and depressed export market conditions had resulted in reduced cattle offerings. Exports in the calendar year 1986 should reach about 448,000 tons, only some 3 per cent above year earlier.

31. In reply to a question related to the strike in the meat packing industry in the early months of 1986, the New Zealand representative said that the strike had lasted for 6 weeks and its effects on production approximately 8 weeks. There had been disruption of normal slaughter and shipping patterns, with obvious time lags for shipping and a resulting carry-over of slaughter might occur. The implication for New Zealand markets were more easily perceived in the sheepmeat area than in the beef one. His country traditionally holds stocks in the domestic market in order to cover potential industrial problems which might affect either the slaughter, the shipping, or the wool industries. These supply storages allow the stored product to float through to the market. When new supplies arrive, they very quickly go into the system to take up the vacuum. So the initial impact on the market was minimal. It would take a longer strike for any real effect. Normality of the product movement would be reached very soon and New Zealand expected to fully supply all its traditional markets.

32. Answering questions related to the implementation of the Dairy Termination Programme (DTP), the United States representative said that the programme was not expected to have any impact on the calculation of the trigger level of the Meat Import Law. He pointed out two reasons for this; one was that the supply of cow beef was only one of many factors in the formula used to calculate the trigger level, and the second one was the fact that the abnormally large supplies of cow beef on the market in 1986 would probably be somewhat offset by abnormally low supplies of domestic cow beef in 1987. This would be the result of largely below normal levels of culling rates of cows expected for 1987. Consequently, the trigger level would probably remain virtually unchanged next year. In reply to a question related to the USDA's purchases of beef as part of the DTP, he said that the USDA had been directed to remove a total of 400 million pounds of beef from the US market. Half of this beef was to be used in domestic assistance programmes and the other half to be shipped overseas to the US military establishments or exported to foreign markets. The purchases in the

domestic market were not expected to displace normal commercial sales as they were placed into channels where meat consumption was very low (sector of the population that receives food assistance). The US intention, with the meat shipped overseas, was to make every effort to avoid displacing normal sales of beef on the world market. The Brazilian market appeared as an ideal one as it was not traditionally supplied by anyone in such quantities. In reply to another question, he said that the use of 15 per cent of the funds or commodities available under the export enhancement programme to encourage export sales of meat and meat products, was not a binding provision. He added that all the export enhancement programme must follow a number of rules which include being directed at subsidized competition and trying to minimize impact on non-subsidizing suppliers. Another rule provides that the programme must be budgetarily neutral inside the CCC and the USDA and, as a result, very few of the proposals for export enhancement are actually implemented.

33. In reply to a question related to recent initiatives aiming at the liberalization of the agricultural import régime, the Japanese representative said that as far as beef imports were concerned, his Government takes measures in harmony with the domestic beef production objectives. As a result, beef imports have been increasing steadily. In July 1985 Japan had taken import measures directly related to beef in the form of a so-called "action programme". The programme consisted of the promotion of imported beef at fairs, exhibitions, etc. In relation to the forthcoming GATT Round, he noted that the treatment of agriculture is currently being discussed and that consequently his authorities are not in a position to comment on how the Japanese policy principles will affect the beef sector in the context of the new negotiations. With regard to the "simultaneous buying/selling transaction tender scheme" (SBS), he indicated that the scheme was introduced with the purpose of adapting the Japanese beef marketing and distribution system to the changes in the supply and demand situation and to the diversification of types and cuts of the product. Its objective was to facilitate the direct negotiation between the Japanese end users and the overseas suppliers with regard to the type of beef and specifications. The SBS was in fact part of the framework of the price stabilization scheme, and not a change in Japan's import regime. Turning to the role of the LIPC in the functioning of the system, he said that the LIPC set so-called "planned purchasing and selling prices" at which it expected to buy or sell. The bids were made by end users and importers simultaneously and the calculation of the selling price was established by the LIPC on the basis of the price level in the international market, and that of the purchasing price on the basis of the domestic market price.

34. Answering a question on the postponement of the changes of the beef régime, the European Community representative said that the EC Ministerial Council would re-examine before January 1987 the Commission's proposals concerning the reform of the Community's beef price system and consequently he was not in a position to comment on its effects now. However, the EC had continued its action aiming at 1) the stabilization of the beef market; 2) the utilization of the budgetary

funds available in the most economic manner possible; and finally 3) assuring a fair income to the producers. The Community believed that in the medium term this was the correct way to return to a balanced situation between supply and demand. Regarding recent measures implemented in the Community to curb milk output by a further 3 per cent in the next two seasons, he indicated that they might result in a maximum additional slaughtering of about 500,000 dairy cows. This would intervene, in opposition to what happened in the 1984 programme, at a moment of cyclical low level of adult cattle slaughtering. He added that the variable slaughter premium and the calf premium (applied only in some EC countries) would be ended by 31 December 1986 and that the suckler cow premium (which covers all EC countries) would remain in force.

The instability of world beef markets

35. No discussion of substance was held under this item since it had been largely covered under other items of the agenda. It was agreed that the place of this item on the agenda of the next meeting would be decided in consultation with interested delegations, the suggestion being that it be placed as a sub-item to the "Examination of the functioning of the Arrangement" or alternatively to the "Evaluation of the world market situation and outlook".

Date of the next meeting

36. The IMC decided to hold its next meeting on Thursday 11 and Friday 12 December 1986, preceded by the meeting of the MMAG on Monday 8 and Tuesday 9 December 1986.