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SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

Note by the Secretariat

The present note has been drawn up by the secretariat of the Arrangement in accordance with the terms of Article IV, paragraph 1(a), of the Arrangement. The note presents a summary of the international situation and outlook for bovine meat and specific elements of the world beef economy on a country-by-country basis. (Summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat will be published as an addendum.) In the preparation of this document, the following sources, inter alia, have been used: several 1987 USDA reports; In Brief, Australian Meat and Livestock Corporation, various issues for 1987; European Weekly Market Survey, Meat and Livestock Commission, various issues for 1987; Weekly Information Bulletin, Junta Nacional de Carnes, various issues for 1987; Informe Ganadero, Buenos Aires, 1987, various issues; Market Commentary, Agriculture Canada - September 1987; Australia Quarterly Review of the Rural Economy, September 1987 - Volume 9, Number 3; Marché International du Bétail et des viandes, CFCE, various issues for 1987; The New Zealand Meat Producer, several issues for 1987; various OECD reports and statistics; and responses to the questionnaire submitted by 9 November 1987.

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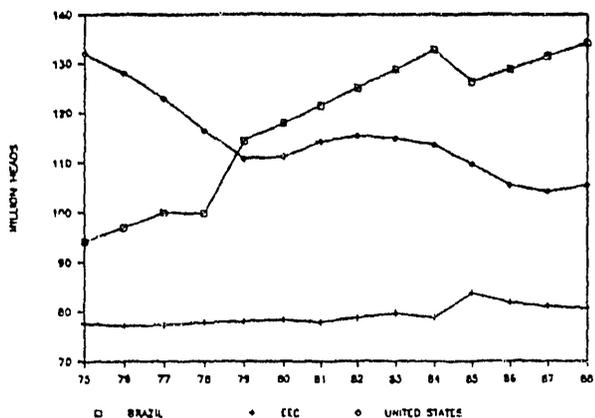
I. MAJOR FEATURES OF THE INTERNATIONAL ECONOMIC SITUATION AND OUTLOOK

1. Revised figures for economic growth in 1987 in the OECD area indicate, at a level of 2.25 per cent, a less favourable situation than expected last year.* The downward revision is due mainly to the minor impact of the fall in oil prices in the economic performance and uncertainty concerning the future course of exchange rates (especially since late 1986). The effects of the very recent crisis on the stock exchange, which started in mid-October, combined with the extreme depreciation of the United States dollar, will upset provisions for growth in 1987 and forecasts for 1988, initially estimated at the same level as for 1987 (2.25 per cent). Inflation rates in the OECD countries have also worsened slightly, and they may run at some 3.5 per cent this year, with a marginal acceleration possible in 1988 (3.75 per cent), particularly in the United States. Employment is forecast to continue growing at a rate of 1 per cent a year in 1987 and 1988, just sufficient to maintain the unemployment level at 8.25 per cent of the workforce for the OECD area as a whole (as the number of jobless may continue falling in North America and Great Britain but may rise in many other countries). In the current year, the developing countries' economies are expected to grow by 3.5 per cent. As regards trade, according to GATT experts**, the volume of world trade in merchandise during the first half of the year had been 3-3.5 per cent higher than during the same period last year. For the whole of 1987, forecasts show an increase of 3.5 per cent in volume terms (the same rate as in 1986). No major change in the growth rate of trade is currently foreseen for 1988.

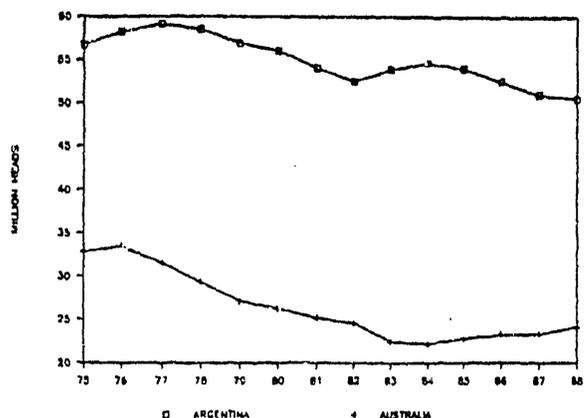
* OECD Economic Outlook, June 1987

** GATT International Trade 1986/87

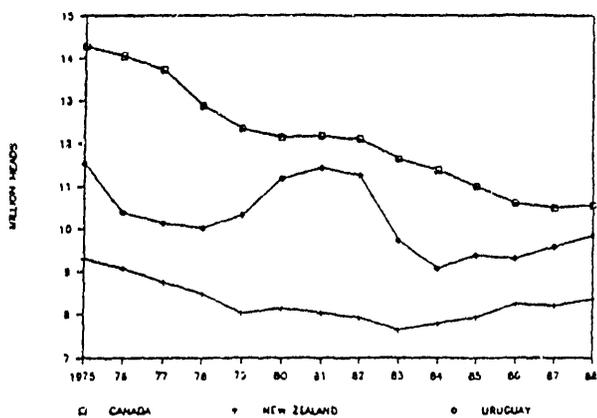
SELECTED COUNTRIES' CATTLE NUMBERS



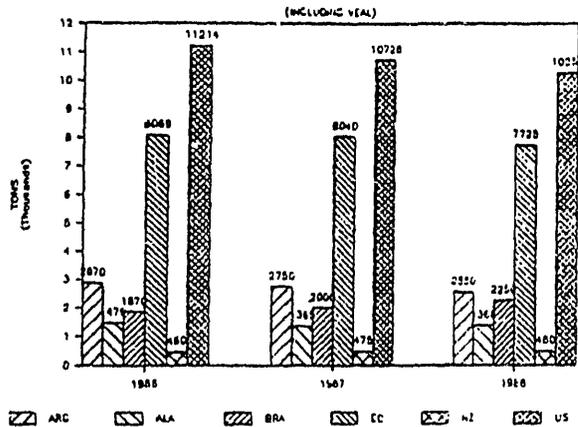
SELECTED COUNTRIES' CATTLE NUMBERS



SELECTED COUNTRIES' CATTLE NUMBERS



SELECTED COUNTRIES' BEEF PRODUCTION



II. THE INTERNATIONAL SITUATION AND OUTLOOK IN THE BOVINE MEAT SECTOR

Situation

General Comments

2. After years of highly depressed international bovine meat prices, 1987 certainly appears to be a year of recovery. Although the upturn in prices was initiated in the autumn of 1986, it has since firmed and reached an increasing number of markets. This recovery took place in spite of important adverse conditions: extremely depressed feedgrain prices which, even if it is true that they benefited cattle-raising in an important (and maybe increasing) number of countries, favoured to a much greater extent the production of pigmeat and especially poultry meat; the consequent large availability of these types of meat; the increased demand for both, but especially for poultry meat, the variety of new products in this sector seeming endless; the lower price of these meats (sometimes four or five times cheaper than beef prices); increasing health considerations which hampered the consumption of red meat; and finally, a lower economic growth than expected in a number of major consuming countries. All these factors had a negative effect on the consumption of beef and veal which, in an important number of countries, added to an apparent "saturation" level of meat consumption. In these conditions, the reason for the bovine meat price recovery was not related to an increase in consumption, but to a decline in production. Although the large sales of the European Community and United States to Brazil last year (with their resulting positive impact on world stocks) seem to have paved the way for the price recovery, the fact is that the herd liquidation phase in a number of major producing countries, such as the North American ones, was coming to an end with the consequent lower level of supplies. Also the impact of the United States and EC milk reduction programmes on the beef sector has begun to slow down. Finally, as a reaction to rising prices, herd liquidation has started to decline (or herd rebuilding to begin) in a rising number of other countries and, as a result, bovine meat production fell.

Production

3. In 1987, world bovine meat production may have fallen by 0.5-1 per cent, to about 44.3 million tons. In North America, production is expected to fall in the United States and Canada, by 4 and 5 per cent respectively. This is the result of the slowdown or end of the cyclical herd liquidation phase (which in both countries was longer than previous ones as a result of the difficulties in the sector over the last few years). In the case of the United States, it could be noted that the decline also reflects the fact that in 1986, beef and veal output was particularly high as a result of the Dairy Termination Programme, which has now come to an end. In South America, production fell in both Argentina (-4 per cent) and Uruguay (-20 per cent). In Argentina the decline was the result of lower slaughter levels, which suggests a slowdown in cattle herd liquidation, while in Uruguay it was the consequence of cattle herd rebuilding, now well under way. Considerably higher average export and producer prices partly explain

this evolution. The situation in Brazil is not clear, but cattle and calf slaughter evolution during the first half of the year suggests that production might fall. In Oceania, the Australian output of bovine meat is expected to fall by 2 per cent as a result of the on-going cattle herd rebuilding, while production rose in New Zealand, in the season ending last September, by 20.5 per cent. This rise was largely a result of the carry-over of livestock from last season, due to the strike in the industry. Indeed, the cattle herd expansion, initiated in 1984, is expected to continue into 1988. In Europe, cattle numbers continued to fall in the European Community (-3 per cent) and production is expected to decline somewhat (-0.4 per cent). However, higher slaughter levels during at least the first half of the year suggest that production could, on the contrary, increase somewhat. Unofficial data for the USSR indicate that production may have risen by about 2 per cent due to improved efficiency and lower feedgrain prices. As a result of sharply higher slaughter weights, reflecting cheaper feedgrain prices, beef and veal production in Japan (where a decline of 1 per cent was registered in cattle and calf numbers after more than ten years of uninterrupted increases) may have risen by about 4 per cent.

Consumption

4. Reflecting expanding supplies of other meats and the decline in beef and veal production, consumption of bovine meat in North America is expected to show a drop of more than 4 per cent in the United States and probably a 1 per cent fall in Canada. In South America, a decline should also occur in Argentina, Brazil and Uruguay. In Argentina this will be because of the production fall, the rise in exports and strongly increased retail prices; in Brazil it will presumably be a result of lower production levels, and also because of the eroded purchasing power of consumers; and in Uruguay, a consequence of the strong production decrease. In Oceania, intake of beef and veal is expected to diminish in Australia, where higher quantities of beef have been diverted to export markets and competition of other meats has risen, while in New Zealand it is expected to rise markedly as a result of production growth and in spite of higher exports and the competition of alternative meats. The consumption of bovine meat could show a slight increase in some European countries, and in the EC the modest growth would be, by and large, the result of the stiff competition of cheaper pigmeat, poultry meat and sheepmeat whose consumption is expected to rise. In the USSR, beef and veal intake should increase along with production and in Japan, a strong consumption rise is expected, in spite of higher retail prices.

Trade

5. In 1987, world bovine meat trade may have fallen by 3-4 per cent in volume but, as a result of increased international prices, it should have increased strongly in value. Timid by Autumn 1986, the recovery of international prices strengthened in the current year (and apparently especially during the first half of the year) and expanded to most areas of trade. The reasons for this recovery are related to the above-mentioned decline in production not only in major importing areas, but also in major

exporting ones. In these conditions, increased import demand faced with lower export availabilities could only but result in higher prices. Also, the continuing decline of the United States dollar against most currencies certainly had the effect of stimulating the import demand and the pressure of world stocks levelled off. In North America, imports increased both in the United States and Canada. However, while exports fell significantly in the latter, in the former, they rose significantly. South American exports probably increased in Argentina as the consequence of strongly increased export prices and in spite of lower production levels, while they fell significantly in both Brazil and Uruguay. Encouraged by higher export prices and increased import demand in their major markets, the Oceanic countries increased exports during the first half of the year. However, for the whole year, while New Zealand exports will certainly increase strongly, Australian exports could show a more moderate rise as a result of low export availabilities. Expected to fall due to a drop in production in the European Community, European exports still reflect high EC sales abroad. Furthermore, in spite of the output decline, the Community still holds important and again rising stock levels. Taking into account the evolution of production, USSR import levels could not have risen strongly in the current year. Reflecting the pronounced rise in consumption, Japanese imports rose accordingly in the first half of the year, and total imports by the year end will be well above last year's level. Although not much data are as yet available, and in spite of an estimated 3.5 per cent economic growth, bovine meat import demand in most developing countries has presumably not recorded any remarkable recovery, taking into account these countries' levels of indebtedness and, for those concerned, the continuing and relatively low oil prices. (This is in spite of the fact that unofficial data suggest that imports by Egypt may have risen by more than 50 per cent, which partly explains the secretariat estimate in Table 1.) At best one can assume that the depreciation of the United States dollar, especially in recent months, may have had a beneficial effect on imports.

TABLE 1
SELECTED COUNTRIES' TRADE IN BEEF AND VEAL^{1/}

A. EXPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
ARGENTINA	251	270	7.6	270 ^{2/}	0.0
AUSTRALIA	829	857	3.4	850	-0.8
BRAZIL ^{2/}	364	300	-17.6	400	33.3
CANADA	103	85	-17.5	77	-9.4
EC ^{3/}	1,117	1,000	-10.5	950	-5.0
NEW ZEALAND ^{4/}	325	413	27.1	403	-2.4
UNITED STATES	238	252	5.9	184	-27.0
URUGUAY	186	108	-41.9	130	20.4
OTHERS ^{5/}	308	287	-6.8	265 ^{2/}	-7.7
TOTAL	3,721	3,572	-4.0	3,529	-1.2

B. IMPORTS

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
BRAZIL	474	250	-47.3	92	-63.2
CANADA	112	143	27.7	130 ^{2/}	-9.1
EC ^{3/}	465	465 ^{2/}	0.0	465 ^{2/}	0.0
JAPAN ^{2/}	272	318 ^{2/}	16.9	350 ^{2/}	10.1
UNITED STATES	978	993	1.5	1,009	1.6
USSR ^{6/}	335	342	2.1	347 ^{2/}	1.5
AFRICA	390	400	2.6	420 ^{2/}	5.0
OTHER ASIA ^{6/}	122	127	4.1	130	2.4
MIDDLE EAST ^{6/}	121	127	5.0	132	3.9
EASTERN EUROPE	45	45	0.0	58 ^{2/}	28.9
OTHER EUROPE	24	24	0.0	27 ^{2/}	12.5
TOTAL	3,338	3,234	-3.1	3,160	-2.3

^{1/} '000 tons carcass weight equivalent, includes fresh, chilled, frozen, cooked, canned and otherwise prepared bovine meat; excludes carcass weight equivalent of live cattle.

^{2/} Secretariat estimate

^{3/} EC of twelve as from 1986

^{4/} Year ended 30 September

^{5/} Includes all other exporting countries participating in the Arrangement Regarding Bovine Meat. Estimates by the secretariat.

^{6/} Source: USDA Dairy, Livestock and Poultry, World Livestock and Poultry Situation, September 1987.

Outlook

6. For 1988, and at a first glance, conditions for the continuation of the international bovine meat price recovery seem to be set: an increasing number of countries, be they importers or exporters, are at the end of cattle herd liquidation or are already in a herd rebuilding phase. Production is consequently expected to fall further or remain relatively stagnant in some major producing countries. As a result, it can be expected that import demand will rise further and export availabilities will again shrink, with a resulting positive impact on prices. And yet, a number of factors, which are not necessarily isolated, throw a shadow over this scenario. The major one is, of course, the decline in beef and veal consumption in an important number of developed countries: available data for 1988 suggest an average decline of some 2 per cent for countries participating in the Arrangement. Another one is the projected continuation of low feedgrain prices. Indeed, and in spite of the recent projections of a 4 per cent drop in world grain production in 1987 and of declining stocks for 1987/88¹, feedgrain prices should remain depressed next year. While being a positive factor due to its effect of lowering bovine meat production costs even in countries where cattle raising in the pasture is traditional, it is also a negative one because it will boost world production of both pigmeat (which in 1987 fell basically because of lower output in China) and poultry meat. With production of each of these meats projected to rise by some 4 per cent next year, their prices are expected to decline even further and will certainly hamper the bovine meat price recovery to some extent. The relative "saturation" level of total meat consumption in an important number of major consuming countries does not leave much room to manoeuvre: in order to be in a position to increase their share in overall meat intake, beef and veal have to be more price competitive (which adds further downward pressure to prices) and to diversify more fully their products. The economic situation in developing countries, where new markets will increasingly have to be found, will remain dependent on uncertain oil prices, low commodity prices (even if these prices recovered somewhat in the current year, they are still well below early 1985 levels) and on the debt reimbursement burden. The European Community bovine meat stock levels remain high and at the beginning of 1988 they will probably be even higher than year earlier. However, taking into account the Community projections for lower beef production it may be that it will absorb part of those stocks. Finally, and last but not least, one can wonder how far the recent stock exchange crisis has affected, or not, the beef and veal sector. Analysis suggests that the above-mentioned rise in commodity prices already seems to have been somewhat eroded. The evolution of future markets in some places also gives an example of possible consequences of the crisis: for instance, livestock futures in the Chicago Mercantile Exchange had slipped down strongly by the end of October due to fears that the event of an economic

¹FAO, "Perspectives de l'alimentation, No. 6, 1987 - octobre 1987"

recession might undermine consumer demand for beef. At the time of writing, world stock exchanges have been declining for three weeks, the depreciation of the United States dollar has accelerated, and questions about a possible economic recession (or in avoiding it, the risk of the implementation of policies leading to higher inflation and rising interest rates) are still in the air. In summary, after a year of price recovery, and although conditions within the beef and veal sector seem to be set for another relatively "good" year, the sector remains heavily dependent on the uncertain evolution of major external factors.

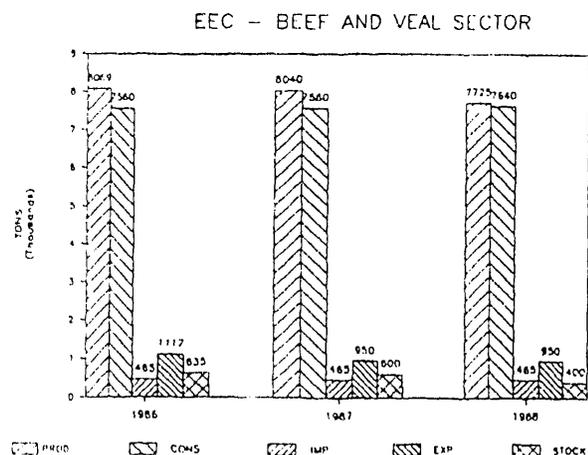
III. COUNTRY-BY-COUNTRY ANALYSIS

EUROPEAN COMMUNITY

7. Last May/June, the European Community cattle herd showed a decline of about three per cent, to 83,073 million head, EC(12). This indicates that 1987 was probably the fourth consecutive year of declining cattle numbers. Practically all categories of cattle have diminished but, as might be expected taking into account the dairy quotas and their reduction decided in December 1986, the most important decline was the one of dairy cows which fell from 23,968 million, EC(10) to 22,954 million, a drop of 4.2 per cent (for the EC(12), the fall may be estimated at around 4 per cent, to 25,176 million head). Although no data are available, it is reported that cattle slaughter increased in the first half of the year. Again as a result of the December 1986 decisions, slaughter of female cattle seems to have been particularly important, but all categories of cattle would have registered a decrease.

8. Beef production in the Community during the first half of the year is estimated to have increased as a result of higher slaughter rates caused by low feed grain prices (the share of production originating from fed steers currently represents more than a third of total beef production). Veal production, which had increased marginally in 1986, seems to have risen more strongly from January to June. Under these conditions, the official estimate of even a slight beef and veal output decline, 0.4 per cent, to 8,040,000 tons, by the year end, seems difficult to match. Indeed, current tendencies suggest, on the contrary, that production could show an increase. Beef and veal consumption, which fell at the beginning of the eighties, has recovered somewhat since then and, by the end of 1986, again reached its 1980 level (now for the EC(12)), 23.5 kgs, on a per capita basis. Estimates for the current year have been revised downwards and suggest only a modest growth in total consumption, +0.3 per cent, to 7,580,000 tons, solely due to the

population increase, as per capita consumption is expected to remain unchanged. Bovine meat intake in the Community is largely dependent on general economic conditions, but also on the relative prices of other meats. This is again evident this year, the consumption of all other meats, pigmeat, poultry meat and sheepmeat being expected to show an increase not only on a total consumption basis, but also on a per capita one.



9. After having reached the record level of 1,117,000 tons in 1986 (1,167,000 tons including the carcass weight equivalent of live animals), EC exports of bovine meat are expected to fall in 1987. Present projections are for 950,000 tons of beef and veal, and 50,000 tons for the carcass weight equivalent of live cattle. Although no official data are available, it would seem that in spite of increasing prices on world markets (which at least partly explain why EC export restitutions were lowered at the end of 1986), exports to date have indeed been lower. During the first quarter of the year, the fall would have been of about 12 per cent. Part of the reason is, no doubt, that the Community is not exporting important quantities of its intervention stocks. Indeed, by the end of August these stocks, at almost 600,000 tons, were about 14 per cent higher than year earlier, and about 12 per cent higher than in December 1986 (EC intervention purchases were only about 5 per cent lower than year earlier, but sales had fallen by as much as 60 per cent). Private stocks could presently be at a level close to 150,000 tons. Import levels are expected to remain relatively unchanged at 465,000 tons. EC imports are largely the result of international agreements and it is interesting to note that following negotiations related to the EC enlargement to include Spain and Portugal, Argentina's "high-quality" beef quota was raised by 4,500 tons and the frozen boneless beef quota (at 20 per cent ad valorem tariff) by 3,000 tons. In 1988, both exports and imports could remain stable.

10. While free-at-Community frontier offer prices have been increasing since mid-1986, during the first half of the 1987/88 season, EC market prices were on average 6 per cent below last year. Prices of qualities eligible for intervention were about 17 per cent below the intervention price, and 3 to 5 per cent below the intervention's purchase price. However, the present tendency is towards strengthening market prices which are expected to recover in the months to come.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	85,540.0 ^{3/}	83,073.0 ^{4/}	-2.9	81,400.0	-2.0
Beef and veal: ^{2/}					
Production	8,069.0	8,040.0	-0.4	7,725.0	-3.9
Consumption	7,560.0	7,580.0	0.3	7,640.0	0.8
Imports	465.0	465.0	0.0	465.0 ^{3/}	0.0
Exports	1,117.0	950.0	-15.0	950.0 ^{3/}	0.0
	^{1/} '000 head, May/June	^{2/} '000 tons		^{3/} Secretariat estimates	
	^{4/} Actual				

FINLAND

11. At an estimated 1,440 million head by 1 December 1987, the Finnish cattle herd continued the declining trend initiated at the beginning of the eighties (and only briefly interrupted in 1984). The decline, which averaged 1.3 per cent during the first five years of the decade, accelerated in 1986 and 1987 to show average decreases of 5.2 per cent and 3.0 per cent respectively. In 1988, cattle and calf numbers are expected to fall by a further 1.6 per cent. This decrease in total cattle numbers is the result of sustained efforts to curb milk output. The drop in numbers of dairy cows and heifers has averaged 7 per cent annually since 1984. The objective is to reach 545,000 dairy cows (not including heifers) by the end of the decade. Currently they are estimated at 580,000 head. Inspected slaughter increased by some 0.5 per cent, to 622,000 head. As may be expected, the increase was largely due to higher female cattle and calf slaughter, which would have risen by 3.1 per cent and 3.6 per cent respectively, but was partly offset by a decline in adult male cattle slaughter (-2.4 per cent).

12. In spite of the above-mentioned rise in inspected cattle slaughter, production of beef and veal, which in the first half of 1987 remained relatively stable (-0.2 per cent), is estimated to show a decline of about 1 per cent, to some 123,000 tons by the year end. This seems to be the result of the increased rate of female cattle slaughter (54 per cent) in the total mix. Consumption of bovine meat, which in the last few years has been showing a series of ups and downs, rose by about 0.8 per cent in the first half of the year, and, for the year as a whole, is estimated to rise by 1.4 per cent, to 104,000 tons. This would correspond to a per capita increase of 0.7 per cent, to 21 kg. In Finland, as in many other European countries, pigmeat traditionally shows the highest per capita consumption. With prices 25 per cent below those for beef, it accounts (at around 33 kg. per capita) for about 56 per cent of overall per capita consumption of meat.

13. Reflecting lower production levels and increased consumption, exports of beef and veal, in spite of having risen by 15 per cent in the first half of the year, are estimated to show a 15 per cent drop by the year end, to 19,000 tons. The USSR is virtually the sole destination for Finnish exports of fresh, chilled and frozen product, while 75 per cent of canned and cooked product went to Egypt and Saudi Arabia during the first six months of the year. Export prices between January and June 1987 averaged around US\$1,030 per ton f.o.b., up by approximately 14 per cent (or 10 per cent in real terms) from year earlier.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	1,567.0	1,485.0	-5.2	1,440.0	-3.0
Beef and veal: ^{2/}					
Production	124.9	123.0	-1.5	122.0	-0.8
Consumption	102.6	104.0	1.4	104.0	0.0
Exports	22.3	19.0	-14.8	17.0	-10.5

^{1/},000 head, 1 December ^{2/},000 tons

SWITZERLAND

14. In 1987, Swiss cattle and calf numbers continued the virtually uninterrupted decline that started at the beginning of the decade. According to the last 21 April cattle census, all categories of cattle registered a decrease, which was particularly strong for steers (-20.7 per cent), beef cows and heifers (-17.9 per cent) and bulls (-11.3 per cent). Total cattle herd decline was of 2.3 per cent, to 1,857,600 head. This fall, the strongest since 1981, seems to have been due to lower cattle prices during 1986 (on average 3.2 per cent below 1985 levels) provoked by the over-production situation of 1985/86. The 1988 cattle census is expected to show a further herd decline of some 0.4 per cent. However, steer, beef cow and heifer numbers are expected to recover somewhat.

15. Reflecting strengthening prices since the beginning of the year, cattle slaughter increased by 6.5 per cent during the first two quarters of 1987. The increase was particularly pronounced in the first quarter (+12 per cent) but slowed down in the second quarter (+1.5 per cent). As might be expected, beef and veal production followed the same rising trends, and by the end of June showed an accumulated increase of 5.8 per cent. For the first time in the last few years, cattle slaughter is expected to show a decline by the year end. As a consequence, but also because of somewhat lower carcass weights, beef and veal production is estimated to drop by 1.4 per cent, to 167,000 tons.

16. Consumption of bovine meat which, in the first quarter of the year had risen by as much as 6.7 per cent compared to year earlier, fell back in the second quarter and, from January to June, the overall increase was of only 1.3 per cent. Although the strong rise in consumption during the first quarter appears clearly to be due to lower retail prices during that period, there is evidence that, as in many other countries, beef and veal intake is being eroded by the consumption of other meats, especially poultry meat. Indeed, while the consumption of all other meats is expected to show an increase by the end of the year (poultry by 2.8 per cent), bovine meat consumption is estimated to fall by 1.5 per cent.

17. During the first half of 1987, Switzerland imported 5,800 tons of beef, 1,200 tons more than last year. However, taking into account the above-mentioned evolution of both production and consumption, it can be estimated that import levels for the year as a whole will not differ much from last year. Major suppliers of the Swiss market were the European Community and Latin America. Exports are estimated at some 4,000 tons (which is a record level), the EC being by far Switzerland's major client.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	1,902.0	1,857.6 ^{4/}	-2.3	1,850.0	-0.4
Beef and veal: ^{2/}					
Production	169.4	167.0	-1.4	165.0 ^{3/}	-1.2
Consumption	177.6	175.0	-1.5	173.0	-1.1
Imports	10.8	11.0 ^{3/}	1.9	10.0 ^{3/}	-9.1
	^{1/} '000 head, 21 April	^{2/} '000 tons		^{3/} Secretariat estimates	
	^{4/} Actual				

POLAND

18. The last 21 April cattle census showed that herd liquidation continued in 1986 and the beginning of 1987, and even accelerated. With a 3.6 per cent drop in numbers, the Polish cattle herd, which has been declining since 1979 (the only exception being 1982, when it rose by 1 per cent), now counts about 10,525 million head. This is 20 per cent less than in 1978 and the same level as in the mid-1960's. Cattle herd liquidation, in spite of the good seasonal conditions during the last four years, seems to be due to low profitability in the sector. Dairy cow and heifer numbers, which represent 55-60 per cent of the herd, continued to fall in spite of the measures introduced last year by the Government to stimulate milk production, including higher milk prices. This fall is reported to have continued in the current year. However, unofficial sources suggest that cattle and calf slaughter may fall by as much as 14 per cent this year which indicates that cattle herd liquidation might come to an end.

19. In the absence of official data, the secretariat estimates that Polish beef and veal production will fall by some 8 per cent in 1987, to 650,000 tons. Increased slaughter weights resulting from relatively good hay harvests and probably increased feed compound imports, would partly compensate the decline in slaughter levels. As a result of the production fall, lower import levels and higher exports, consumption of bovine meat may decline by 6-7 per cent, to around 590,000 tons. The analysis of data

reveals that in Poland, in spite of prices at present 32.9 per cent higher (pork bone-in) and 58.4 per cent higher (pork loin bone-in) than comparable beef cuts (bone-in roast beef and boneless beef, respectively), consumption of pigmeat continues to outdo, by far, the other meats. In 1986, its consumption reached 34.2 kg. per capita, with that of beef and veal only being 16.9 kg. Poultry meat consumption is still at only 7.6 kg., but has been rising steadily over the last few years.

20. Exports of beef and veal increased sharply during the first half of 1987, 29,900 tons as against 6,500 tons last year, 86 per cent consisting of fresh and chilled beef. With 11,700 tons, product weight, the USSR was Poland's major market (about 63 per cent of exports) for this type of meat. The average value of these exports was about US\$1,090 per ton f.o.b. Exports of canned and cooked product totalled 2,300 tons product weight, of which 2,000 tons went to the Federal Republic of Germany. In the second half of the year, exports are estimated to fall by almost 36 per cent when compared to the same period of last year, and consequently, the overall export increase by the end of the year could be of some 13 per cent, to 59,700 tons. Poland is also an important trader of live cattle and is expecting a 24.4 per cent rise in exports in 1987, to 372,000 head. With 87 per cent (174,900 head) of the total in the first half of the year, the European Community was its major market, followed by Lebanon (11,700 head).

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	10,919.0	10,523.0 ^{4/}	-3.6	10,400.0 ^{3/}	-1.2
Beef and veal: ^{2/}					
Production	706.0	650.0 ^{3/}	-7.9	630.0 ^{3/}	-3.1
Consumption	631.0	590.0 ^{3/}	-6.5	585.0 ^{3/}	-0.8
Exports	52.7	59.7	13.3	36.0	-39.7
	^{1/} '000 head, 21 April	^{2/} '000 tons		^{3/} Secretariat estimates	
	^{4/} Actual				

SOUTH AFRICA

21. According to the last August census, the South African cattle herd increased by 2.6 per cent, to 8,032,000 head, compared to year earlier. After five years of declining numbers largely due to persistent drought conditions, herd rebuilding is now under way. Should favourable weather conditions allow, cattle and calf numbers might increase by as much as 7 per cent in 1988. Total slaughter should fall this year by some 5 per cent. Underlining the strong cattle herd recovery, calf slaughter fell by 23.5 per cent, while female cattle slaughterings declined by 6.5 per cent. In 1988, cattle slaughter should decrease by a further 6 per cent, after which, in 1989, it is expected to begin to increase again.

22. As a result of the lower slaughter levels, beef and veal production is estimated to fall by about 5 per cent, to some 604,000 tons. Lower slaughter levels, accompanied furthermore by expected lower carcass weights, should result in even lower production in 1988. However, production is officially forecast to increase by 3.4 per cent. The secretariat has not received any further information to explain this apparent contradiction. Partly as a consequence of the decline in production, beef and veal consumption is set to fall by almost 6 per cent in the current year, but it will still exceed production by 54,000 tons. Currently without stocks, South African expects to import some 31,500 tons of beef and veal and 150,000 live animals. As usual, imports will come largely from neighbouring countries, but in the ten months up to July 1987, imports (of low-quality beef for the processing industry) from Europe amounted to some 12,000 tons.

23. Retail prices of bovine meat increased strongly (by 20 per cent in real terms), and as in many other countries, consumption continues to be increasingly affected by the intake of cheaper pigmeat and poultry meat, together estimated to rise by some 5 per cent. Beef and veal per capita consumption which exceeded poultry meat consumption by some 10 kg. in the beginning of the 1980's, will only exceed it by some 4 kg. this year.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	7,828.0	8,032.0 ^{4/}	2.6	8,300.0	3.3
Beef and veal: ^{2/}					
Production	636.1	603.7	-5.1	624.5	3.4
Consumption ^{3/}	697.6	657.7	-5.7	655.0	-0.4
Imports	23.9	31.5	31.8	31.5	0.0
^{1/} '000 head, 31 August		^{2/} '000 tons		^{3/} Estimates	
^{4/} Actual					

BRAZIL

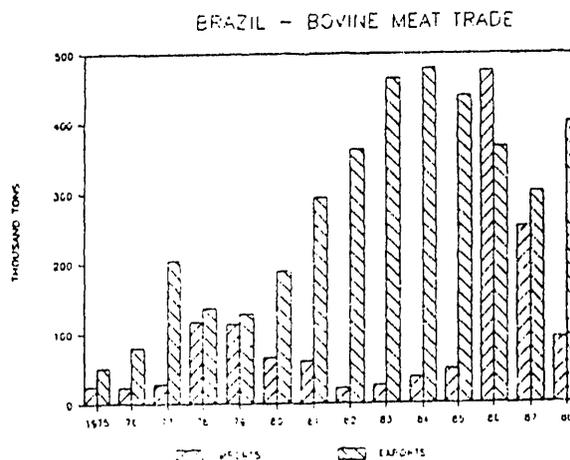
24. Cattle and calf numbers in Brazil are estimated to total 131,503,000 head in 1987, up by 2 per cent from last year. Although a further 2 per cent increase is projected for 1988, it has been suggested that the practically uninterrupted rise in cattle numbers of the last twenty years might soon come to an end. More severe credit conditions, rather high interest rates and more recently, prices below historical averages, would be the reasons for strong cattle supply in the next slaughtering season and may consequently give rise to a phase of herd liquidation. Although it is too early to draw clear conclusions from the analysis of the official data, it can be noted that cattle and calf

slaughter fell by 9 per cent during the first six months of the current year. At this pace, total slaughter for the year as a whole would be at around 8 million head. Projections for 1988 and 1989 suggest an increase of 28 per cent and 31 per cent respectively, which could confirm the possibility of herd liquidation.

25. Bovine meat production during the first half of the year fell by almost 7 per cent, to 1,137,000 head compared to year earlier. Taking into account the fact that slaughtering off-season takes place between September and November, the June forecast of a production increase of 17.6 per cent to 2,200,000 tons by the year end seems unlikely to materialize. Indeed, beef and veal production is expected to have fallen in the current year by 6 per cent, to 1,750,000 tons, according to a secretariat estimate. One of the reasons for this decline in production might well be low producer prices which, after the recovery registered at the beginning of the year following the price liberalization, would reportedly have fallen to levels below historical averages. Should the above-mentioned recovery of slaughter levels take place, production could recover strongly in 1988 to reach some 2,250,000 tons. Presumably as a result of the decline in production, but also because of the consumers' eroded purchasing power, total consumption of beef and veal fell by more than 6 per cent during the first half of the year, while per capita consumption diminished by approximately 9 per cent. Simultaneously, both total and per capita consumption of pigmeat and especially of poultry meat continued to rise. Per capita intake of the latter amounted to 6 kg., only 2.4 kg. less than that of beef.

26. Following the record level reached last year for well-known reasons, Brazil's imports are expected to decline significantly in 1987.

From January to June they totalled 110,000 tons, of which some 70 to 80 per cent appear to consist of the delivery of last year's large purchases from the European Community and the United States. Since the beginning of the year, Uruguay has been Brazil's major supplier. By the year end total imports may have reached some 250,000 tons (including last year's import deliveries). Similarly, exports were estimated to have fallen sharply in the current year, amounting to 109,000 tons from January to June, some 50 per cent less than last year. Exports of fresh, frozen and chilled beef and veal represented some 23 per cent of total exports and the major markets were Iraq and the European Community. Exports of canned product amounted to some 84,000 tons and major markets were the EC (especially the United Kingdom) and the United States. Imports are expected to decline further in 1988, while exports are expected to rise.



	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	128,925.0	131,503.0	2.0	134,133.0	2.0
Beef and veal: ^{2/}					
Production	1,870.0	1,750.0 ^{3/}	-6.4	2,250.0	28.6
Consumption	1,988.0	1,850.0 ^{3/}	-6.9	2,030.0	9.7
Imports	474.0	250.0 ^{3/}	-47.3	92.0	-63.2
Exports	364.0	300.0 ^{3/}	-17.6	400.0	33.3
^{1/} '000 head	^{2/} '000 tons	^{3/} Secretariat estimates			

ARGENTINA

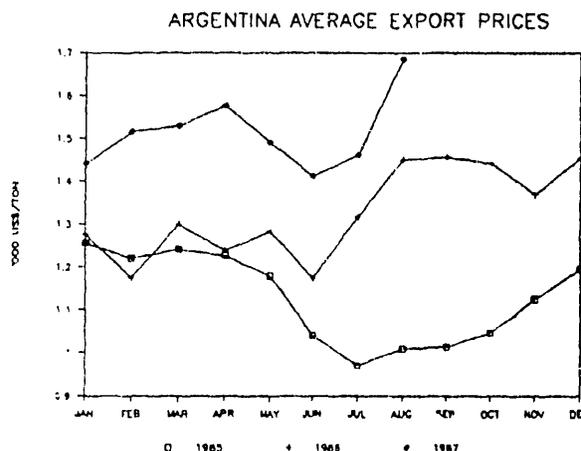
27. At an estimated 51,000,000 head by June 1987, down by around 3 per cent from last year, Argentinian cattle and calf numbers reached their lowest level since 1971. However, during the first eight months of the year, inspected slaughter (about 75 per cent of total slaughter) fell by 8 per cent. This could mean that the expected 7 per cent decline in total slaughter by the year end, to 13,000,000 head, could well materialize. However, and although from January to August the female cattle percentage in the total slaughter mix fell from 47 per cent last year to 45 per cent this year, this still seems too high (and indeed heifer slaughter remained practically unchanged at 15 per cent of the total) to suggest the beginning of herd rebuilding. Nevertheless, strongly increased cattle prices should stimulate producers to start rebuilding their herds soon. From January to August 1987, steers index price at Liniers averaged 121 (1960 = 100) up by 37.5 per cent from year earlier, reaching 148 last August, a record level for the last ten years. Total cattle slaughter may decline by a further 6 per cent in 1988.

28. In spite of a 7 per cent decline in slaughter levels, production of beef and veal is projected to fall by only 4 per cent, to 2,750,000 tons in 1987, as a result of increased slaughter weights. During the first seven months of the year, slaughter weights averaged 211 kg. against 203 kg. year earlier. Per capita consumption of bovine meat has fallen markedly since last July (in August it reached its lowest level of the last four years at some 75 kg.) and the decline from January to August was of some 7 per cent, to around 81.5 kg.¹ This was not only the result of increased exports and

¹ Estimated by the secretariat based on data published by the Argentinian "Junta Nacional de Carnes".

falling production, but also of strongly increased retail prices (the average non-deflated retail price for cuts included in the consumer price index moved from 1,087 australes per kilogramme in January, to 5,608 australes per kilogramme in August) at a moment of seriously eroded salaries. Taking into account the strong elasticity of beef demand in Argentina, it can be expected that the recent measures announced by the Argentinian authorities, including a 59 per cent rise for minimum salaries, will encourage the demand for beef.

29. Reflecting rising prices in international markets beef exports rose by 31.4 per cent, to 202,700 tons, during the first eight months of the year. This increase was almost all due to the dramatic increase (53.4 per cent, to 136,800 tons) in exports of canned and cooked products which benefited from stronger import demand by the United States (exports to this market rose by 37 per cent, to 77,200 tons) while imports by the European Community almost trebled to reach 48,800 tons, as a consequence of the "re-opening" of the United Kingdom market. Sales of fresh, chilled and frozen beef and veal remained relatively unchanged at 65,900 tons, with the EC accounting for about 47 per cent of the total, while imports by Brazil, although having doubled for the period as a whole (6,000 tons) have fallen sharply since March. It is worth noting that, in spite of the improved picture of its external trade, the export sector in Argentina went through serious problems last August. Extremely high steer prices in the domestic market rendered sales abroad non-competitive in dollar terms and the result was a sharp drop in exports. Aware of the fact that the cattle "future price system" introduced last May has proved inadequate to curb prices, and in spite of the reduction in the number of middle-men in the distribution chain, the Argentinian Government is reported to have given the "Junta Nacional de Carnes" exceptional powers to overcome the situation. These would include the suspension of auctions at the Liniers market whenever "the number of head of cattle on offer is lower than the estimated demand". Furthermore, it can be expected that the recent devaluation of the austral will stimulate exports again. Total exports for the current year have been estimated at 265,000/270,000 tons.



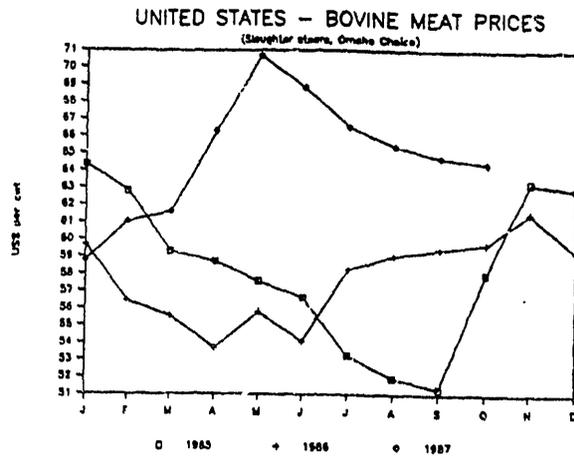
	1986	Estimates 1987	%Change 1987/86	Forecast 1988 ^{3/}	%Change 1988/87
Cattle and calf numbers: ^{1/}	52,500.0	51,000.0 ^{4/}	-2.9	50,500.0	-1.0
Beef and veal: ^{2/}					
Production	2,870.0	2,750.0	-4.2	2,550.0	-7.3
Consumption	2,620.0	2,450.0	-6.5	2,280.0	-6.9
Exports	251.0	270.0	7.6	270.0	0.0
^{1/} '000 head, 30 June		^{2/} '000 tons		^{3/} Secretariat forecast	
^{4/} Actual					

UNITED STATES

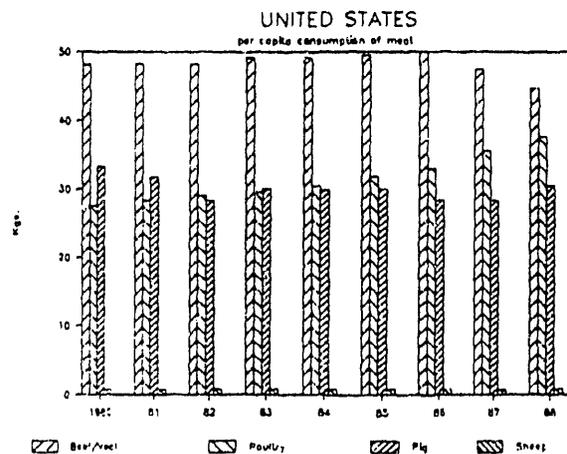
30. According to the 1 June 1987 cattle and calf inventory, the United States cattle herd fell by 2 per cent, to 112,100 million head. The fact that in June 1986 the fall had been of 3.2 per cent indicates that cattle herd liquidation is slowing down. With the exception of beef cow numbers, which increased slightly, the numbers of all the other categories of cattle fell or remained practically unchanged. As a consequence of the Dairy Termination Programme, dairy cow numbers registered, at about 5 per cent, the most pronounced drop. Estimates indicate that, in spite of the current slight increase, beef cow numbers will show no significant recovery before 1989.

31. Commercial cattle and calf slaughter during the first half of the year fell by 5.4 per cent. All categories showed a decline, but the drop in cow and calf slaughter, which accelerated in the second quarter, was particularly strong: beef cow slaughter fell by around 12 per cent, dairy cow by 21 per cent, and calf by 16.6 per cent. This was largely the result of the end of the Dairy Termination Programme. Although the fed cattle slaughter proportion of the total was higher, it also fell somewhat in absolute terms and average weights dropped. Consequently, commercial beef and veal production in the first six months of the year fell by almost 5 per cent, to around 5,300,000 tons. By the year end, as a result of continuing lower cattle and calf slaughter in the second half of the year, total beef and veal production, at some 10,730,000 tons, should be 4-5 per cent below last year's level. Projections for 1988 suggest a near 5 per cent drop in slaughter, but higher slaughter weights will result in a 4 per cent fall in production.

32. Cattle prices increased markedly during the first half of the year (choice fed steer prices at Omaha were, on average, 15.5 per cent higher than year earlier) and even if the price rise has slowed down somewhat since then (largely as a result of continuously expanding supplies of already abundant and lower-priced competing meats), prices were still some 10 per cent above their level of last year. The rise in cattle prices was reflected in retail beef prices, which in 1987 should average 4 per cent more than last year. With reduced output and higher retail prices, consumption of beef and veal, already largely eroded by cheaper competing meats, can only fall. This year total consumption could drop by some 4.2 per cent (5.2 per cent per capita, to 47.4 kg.) and in 1988 by a further 3.4 per cent (4.1 per cent per capita), while both pigmeat and poultry meat consumption are expected to rise.



33. Reflecting the lower rate of cow slaughter, imports of beef and veal during the first half of the year were up by almost 19 per cent to around 385,200 tons (product weight) of which about 86 per cent were boneless beef. Australia and New Zealand were again the major suppliers with 43 per cent and 32 per cent respectively of total United States imports, while Canada, facing lower export availabilities as a result of lower production, saw its share decline from 13 per cent to 9.5 per cent. With the meat import law "trigger level" for 1987 established at 653,100 tons (product weight) and continuously rising imports in the second half of the year, the United States invited both Australia and New Zealand to "voluntarily" restrain their exports to 327,500 tons and 199,000 tons maximum. The 1988 "trigger level" could be calculated slightly above 690,000 tons, and total imports are expected to exceed 1 million tons.



34. From January to June 1987, United States exports of beef and veal increased by 50 per cent to 91,202 tons (product weight). This impressive increase is partly explained by the delayed shipments of beef to Brazil, following last year's large sale to this country, which took place at the

beginning of the year. However, excluding these, exports still show a strong 26 per cent increase. Indeed, sales to Japan rose by more than 15 per cent (to 57,000 tons), sales to Canada more than doubled (to 6,000 tons) and sales to the EC increased from 580 tons to 4,500 tons. Total exports by the year end are projected to show a 6 per cent increase, to about 252,000 tons and in 1988 could decline by some 27 per cent.

35. The United States currently has two export assistance programmes in force which affect bovine meat: the Targeted Export Assistance Programme (TEA) and the Export Enhancement Programme (EEP). The TEA was authorized by the Food Security Act of 1985 and was implemented "to help United States producers finance promotion activities for United States agricultural products disadvantaged by the unfair trade practices of competitor nations". This programme supports a number of commodities and a sum of US\$7,000,000 was provided for red meat in the fiscal year 1987. The EEP "is designed to counter unfair trade practices of competitor countries in third markets". Among other livestock and poultry commodities, the EEP supports the export of 65,500 dairy cattle, targeted to thirteen countries. Approved sales up to last September amounted to 49,264 head to eleven countries and EEP exports were valued at US\$5 million, to five countries (Indonesia, Morocco, Iraq, Turkey and Oman).

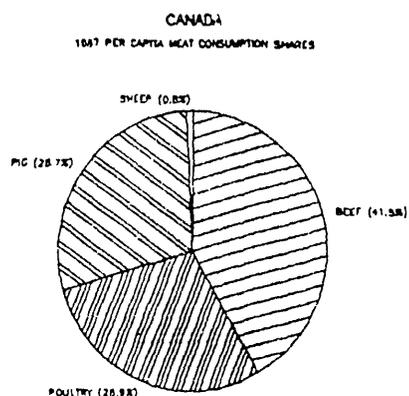
	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	114,400.0	112,100.0 ^{4/}	-2.0	110,000.0 ^{3/}	-1.9
Beef and veal: ^{2/}					
Production	11,214.0	10,728.0	-4.3	10,251.0	-4.4
Consumption	11,960.0	11,461.0	-4.2	11,074.0	-3.4
Imports	977.6	993.4	1.6	1,009.2	1.6
Exports	238.4	251.7	5.6	183.7	-27.0
^{1/} '000 head, 1 June		^{2/} '000 tons		^{3/} Secretariat estimate	
^{4/} Actual					

Source: USDA, Livestock and Poultry, Situation and Outlook Report, August 1987.

* This paragraph is based on information published in USDA's Dairy, Livestock and Poultry: United States Trade and Prospects, FDLP 5-87, September 1987.

CANADA

36. After ten years of cattle herd liquidation, Canadian cattle and calf numbers are expected to show a 1 per cent increase, to 10,587 million head, by 1 January 1988. Total cattle and calf slaughter is estimated to have fallen by 7 per cent in 1987, and although all categories of cattle were affected, the fall was particularly strong in cow and heifer slaughter levels (11 per cent) and of calves (around 9 per cent). This clearly suggests that cattle herd rebuilding is under way and has undoubtedly been encouraged by strongly increased producer prices (almost 14 per cent higher during the first three quarters of the year when compared to year earlier). A further 2 per cent rise in numbers is projected for next year. Following cattle slaughter trends, and in spite of somewhat higher slaughter weights, beef and veal production in 1987 is estimated to have fallen by around 7 per cent to 965,500 tons. In 1988 it could continue to slide down by 2-3 per cent. As a result of lower production levels, higher retail prices and increased competition from lower priced meats (provoked, as in many other countries, by low feedgrain prices) Canadian consumption of beef and veal is estimated, at 1,026 million tons, to fall by 2.4 per cent, or by 2.9 per cent in per capita terms. This trend is expected to continue next year, although maybe at a slower rate (1-2 per cent).



37. Reflecting lower production levels, beef and veal imports rose strongly in 1987, and are estimated at 142,700 tons, 28 per cent up on year earlier. In the first half of the year, imports of frozen beef and veal, which represent the bulk of Canada's imports (close to 70 per cent during this period) came from its two major traditional suppliers, Australia (55 per cent) and New Zealand (34 per cent). Imports of fresh and chilled beef and veal (about 25 per cent of total bovine meat imports) virtually all came from the United States. Imports of live cattle (by and large, fed cattle), also virtually all from the United States, rose sharply and should total some 90,000 head (+53 per cent) by the year end. While live cattle imports are expected to continue to rise next year (+19 per cent) beef and veal imports should decline by some 9 per cent. Lower supplies also resulted in lower export availabilities. During the first half of the year beef and veal exports fell by 21 per cent, and by the year end, they should total some 85,000 tons, 18 per cent less than last year. Live cattle exports rose by 8 per cent from January and should show a 1 per cent rise by December, to 180,000 head. Canadian exports of live cattle virtually all go to the United States, which also absorbs more than 90 per cent of total Canadian beef and veal exports. In 1988 both live cattle (-11 per cent) and beef and veal (-9 per cent) exports are projected to fall.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	10,590.7	10,492.7 ^{3/}	-0.9	10,587.0	0.9
Beef and veal: ^{2/}					
Production	1,040.0	965.5	-7.2	934.0	-3.3
Consumption	1,051.5	1,026.0	-2.4	1,010.0	-1.6
Imports	111.5	142.7	28.0	130.0	-8.9
Exports	103.4	85.0	-17.8	77.0	-9.4
	^{1/} ,000 head, 1 January	^{2/} ,000 tons		^{3/} Actual	

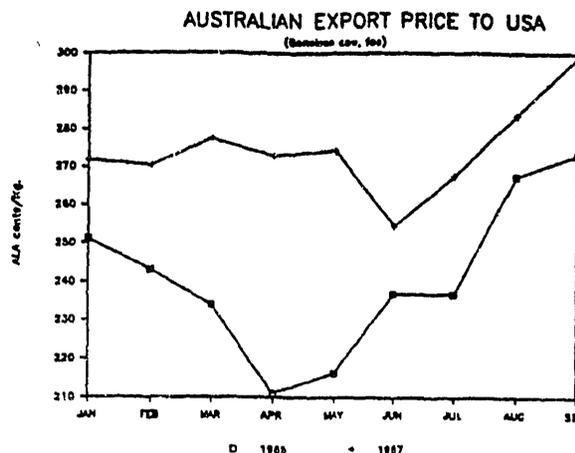
AUSTRALIA

38. The Australian cattle herd is forecast to total, by March 1988, some 23.5 million head, an increase of 1.1 per cent. This is a slower growth than earlier expected and partly reflects increased profitability in the sheep industry as well as strong beef export demand. At 3,996,400 head, slaughtering levels from January to July 1987 rose by 3.9 per cent compared to year earlier. However, with the female cattle share in the total slaughter mix sliding down (to 47 per cent in 1986) and calf slaughter 13.4 per cent below last year, cattle herd rebuilding continued. In this regard, it is worth noting that since 1985, when herd rebuilding began, the average annual rate of increase of the Australian cattle herd has only been of 1.9 to 2 per cent, far below the rate during the last period of continuous herd rebuilding (from 1967 to 1976) when the average rate of increase was 6.5 per cent.

39. During the first seven months of the year and in response to strong import demand from Australia's two major markets, the United States and Japan, production of beef rose by almost 5 per cent, to 876,743 tons. For the year as a whole the increase might be of some 2 per cent, the slowdown in production for the rest of the year partly reflecting the "voluntary" export restraint agreed with the United States¹, although this will be partly offset by the expansion of the Japanese market in late 1987. Beef and veal consumption has fallen to some extent compared to year earlier, not only because of increased export demand, but also because of the continuously rising competition of lamb, chicken and pork. Per capita beef and veal consumption is expected to fall by around 5 per cent to approximately 39 kg., while lamb, chicken and pork per capita intake may increase by 2.7 per cent, 4.3 per cent and 6.5 per cent respectively to a total of 57.8 kg.

¹ See page 22, paragraph 33

40. Australian exports of beef and veal in the year July 1986 to June 1987 increased by 18.4 per cent, to 554,151 tons (product weight). Exports to the United States rose by 19 per cent, to 285,050 tons; to Japan by 17.8 per cent, to 114,593 tons and to Canada by 6.2 per cent, to 34,173 tons. Since the beginning of the calendar year 1987, exports were encouraged by higher export prices. Under the influence of rising feeder calf prices in the United States, the price for Australian boneless cows for export to this country has increased by around 14 per cent in the first eight months of 1987. Both production and exports are expected to fall slightly in 1988 from 1987 levels and herd rebuilding is expected to continue in response to good seasonal conditions and improved returns to producers.



	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	23,436.0	23,263.0 ^{3/}	-0.7	23,515.0	1.1
Beef and veal: ^{2/}					
Production	1,477.7	1,509.0	2.1	1,485.0	-1.6
Consumption	664.0	657.0	-1.1	635.0	-3.3
Exports	829.0	857.0	+3.4	850.0	-0.8
	^{1/} '000 head, 31 March	^{2/} '000 tons		^{3/} Actual	

NEW ZEALAND

41. Total cattle numbers in New Zealand totalled some 8 million head by June 1987, a decline of about 3.4 per cent compared to year earlier. Beef cattle numbers registered a 3.7 per cent fall, to 4.7 million head, while dairy cattle numbers dropped by some 2.9 per cent, to 3.3 million head. However, these figures are difficult to compare with those from 1986 which were inflated by the meat workers' strike that affected the industry

at the beginning of last year. Indeed, during 1987 cattle numbers, and especially beef cattle numbers rose compared to 1985, as a result of the shift from sheep to beef production because of increased profitability and improved producer confidence in the beef market. Some expansion of the cattle herd is expected to continue in the next two to three years. Inspected slaughterings in 1987 are expected to show an increase of 17.8 per cent, to 2,967 thousand head, reflecting the carry-over of livestock from the previous year provoked by the industry's strikes. In 1988, total slaughter may rise by a further 4 per cent, but adult cattle slaughter (2.19 million head in 1987) is expected to decline by approximately 1.5 per cent.

42. At 562,800 tons, beef and veal production in the season 1986/87 (year ending 30 September) may have been as much as 20.4 per cent up from year earlier. This sharp increase is by and large due to the carry-over of livestock from the previous season, caused by the strikes and presumably also to the supply of livestock retained by farmers in the 1985/86 season in the expectation of higher returns in the current season. Financial pressures on farmers may also have led to some de-stocking. While there has been a strong import demand from New Zealand's major "traditional" markets, especially the United States, New Zealand farmers did not benefit as did Australian producers from the increase registered by the United States import prices. This was because of the appreciation of their currency against the United States dollar (during the first six months of 1987, the New Zealand dollar was quoted on average at around 4 per cent higher than during the same period of 1986 and some 22 per cent over 1985). Nevertheless, taking into account the expected consumption levels for the current year, it can be assumed that at least some part of the export price increase did reach the producers. Indeed, total beef and veal consumption is estimated to be around 130,000 tons, up by around 10 per cent.

43. During the season ended in September 1987, beef and veal exports are expected to have totalled 265,000 tons (product weight), an increase of 27 per cent. This was of course largely due to the above-mentioned stock carry-over originated by the strikes of early 1986 and boosted by the strong import demand from major markets. Exports to the United States are estimated to have increased by as much as 56 per cent during the first six months of the 1987 calendar year, and are estimated to have totalled some 210,000 tons for the season ending last September. Exports to Canada, the second largest market, have also risen, largely as a result of the countervailing duties action by Canada on EC beef imports. In 1987/88 the effects of the strikes of early 1986 will have been totally absorbed and New Zealand will return to "more normal" export patterns. Total exports for 1988 are projected at 258,000 tons (product weight).

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	8,237.0	8,000.0 ^{4/}	-3.4	8,341.6	+4.3
Beef and veal: ^{2/}					
Production	467.0	562.8	+20.5	480.0	-14.3
Consumption	118.0	130.0	+10.2	118.0	+2.6
Exports ^{3/}	208.5	265.0	27.1	258.0	-2.6
	325.3	413.4	27.1	402.5	-2.6

^{1/} '000 head, 30 June

^{2/} '000 tons, year ending 30 September

^{3/} Product weight. Figure in second line is the approximate carcass weight equivalent.

^{4/} Actual

JAPAN

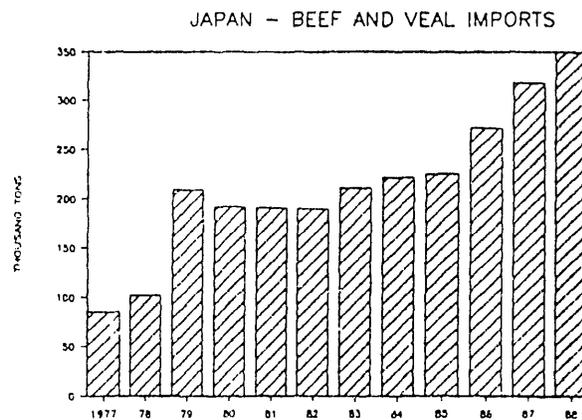
44. For the first time since the slight decrease registered in 1975 (-0.2 per cent), cattle and calf numbers, according to the last cattle census in February, fell to 4,694 million head, a drop of 1 per cent. Although it would seem that beef cattle numbers have increased slightly, the data available show that with the exception of steers, which statistically include bulls and which increased by 35,000 head, all the other categories of cattle diminished: dairy cows and heifers by 54,000 head, and beef cows and heifers by 30,000 head. Non-official sources suggest that cattle numbers could recover again as from next year. Slaughter levels for the first six months of the year fell by 2.4 per cent and the fall was entirely due to a drop in female cattle and calf slaughter, which seems to confirm this projection. Resulting from the increase of adult male cattle in the slaughter mix, sharply higher average slaughter weights (+4.6 per cent) in the first six months of the year allowed production to rise by 2.7 per cent, to 263,000 tons, in spite of lower slaughter levels. It may be expected that this trend will continue during the rest of the year, and production may total some 580,000 tons, up by almost 4 per cent.

45. With a rise of around 9 per cent from January to June 1987, the estimated consumption of bovine meat (both total and per capita) equalled or even surpassed the annual average rates of increase of the 1970's. Furthermore, this rise largely exceeded the consumption increases of both pigmeat (3.4 per cent) and poultry meat (7.3 per cent). The causes for such a development could have been related to an expected cut in retail

prices following the measures introduced by the Japanese authorities in the course of 1986, and up to end 1986 and the reduction of stabilization prices in March 1987.¹ However, an analysis of price statistics shows an increase of around 1 per cent on the average retail prices for beef. This seems to suggest that those measures did not have much impact at the retail level. In fact, wholesale prices declined (by 2.7 per cent for table grade and 5.3 per cent for manufacturing grade) probably not only as a result of productivity improvement, but also as a result of lower import prices of feedgrains and beef resulting from a sharply strengthened yen. Furthermore, statistics also show a 2 per cent decline of the average retail price for pigmeat, which is more than two times lower than the beef price, rendering the beef consumption increase even more surprising.

46. Reflecting the rise in demand, imports of beef and veal during the first half of 1987 jumped from 115,000 tons last year to 144,000 tons in the current year (+25.2 per cent).

Live cattle imports also rose markedly, by 22.6 per cent, to 19,000 head (excluding breeding cattle). The two major suppliers of the Japanese market benefited largely from these increased imports. Australia saw its beef exports rise by 13.3 per cent, to 51,000 tons (product weight), but it was the United States, which with a 28 per cent increase, to 38,000 tons (product weight), saw its market share rise from 33 per cent year earlier, to 40 per cent. Last August, the Japanese authorities announced an increase in the global import quota, which for the current fiscal year (1 April 1987-31 March 1988) brought it to 214,000 tons (product weight). This represents a 37,000-ton increase over the expected amount, resulting from various understandings with some exporting countries. Taking into account that these understandings expire in March 1988, it can be assumed that they will be renegotiated.



¹ See "The International Markets for Meat - 1986/87", paragraph 53, and IMC/W/59, paragraph 28.

	1986	Estimates 1987	%Change 1987/86	Forecast 1988	%Change 1988/87
Cattle and calf numbers: ^{1/}	4,742.0	4,694.0 ^{3/}	-1.0	4,730.0 ^{3/}	0.8
Beef and veal: ^{2/}					
Production	559.0	580.0 ^{3/}	3.8	580.0 ^{3/}	0.0
Consumption	829.0	880.0 ^{3/}	6.2	930.0 ^{3/}	5.7
Imports	272.0	318.0 ^{4/}	16.9	350.0 ^{4/}	10.1

^{1/} '000 head, 1 February

^{2/} '000 tons

^{3/} Source: USDA, World Livestock and Poultry Situation, September 1987

^{4/} Secretariat estimate