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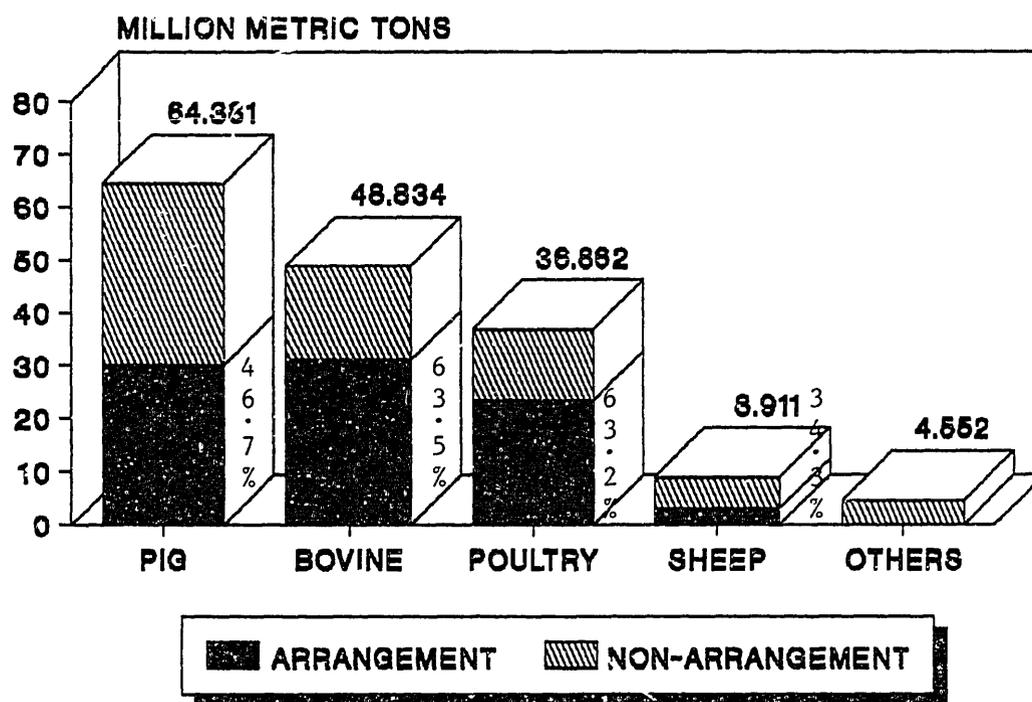
SITUATION AND OUTLOOK IN THE INTERNATIONAL MEAT MARKETS

Note by the Secretariat

Addendum

This addendum includes summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat.

1988 WORLD MEAT PRODUCTION



Based on FAO estimates

PIGMEAT SITUATION IN SELECTED COUNTRIES^{1/}

PRODUCTION

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
CHINA	18,200.0	18,400.0	1.1	18,500.0	0.5
EC	13,307.0	12,774.0	-4.0	12,621.0	-1.2
UNITED STATES	7,114.0	7,247.0	1.9	7,149.0	-1.4
USSR	6,500.0	6,600.0	1.5	6,700.0	1.5
JAPAN	1,578.0	1,635.0	3.6	1,670.0	2.1

CONSUMPTION

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
CHINA	17,995.0	18,190.0	1.1	18,372.0	1.0
EC	12,820.0	12,530.0	-2.3	12,520.0	-0.1
UNITED STATES	7,512.0	7,494.0	-0.2	...	...
USSR	6,794.0	6,994.0	2.9	7,162.0	2.4
JAPAN	2,022.0	1,995.0	-1.3	2,000.0	0.3

EXPORTS

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
EC	561.0	350.0	-37.6	250.0	-28.6
GERMANY, D.R.	313.0	331.0	5.8	...	...
CANADA	259.8	233.8	-10.0	...	...
CHINA	205.0	210.0	2.4	...	...
TAIWAN	180.0	190.0	5.6	...	...

IMPORTS

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
UNITED STATES	516.0	454.0	-12.0	465.0	2.4
JAPAN	461.0	460.0	-0.2	...	...
USSR	300.0	300.0	0.0	...	...
HONG KONG	192.0	200.0	4.2	...	...
EC	103.0	159.0	54.4	180.0	13.2

^{1/},000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals.

I. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT SECTOR

1. In 1988, pigmeat production in countries participating in the Arrangement Regarding Bovine Meat (information is available for twenty-two countries) increased by 3.3 per cent to 30.08 million tons, denoting an acceleration in the growth of pigmeat production. The FAO estimation of total world pigmeat production shows a rise of 3 per cent on year earlier to 64.38 million tons. Forecasts show that production in major participating countries should increase, except in the EC, where it should decrease by some 4 per cent. In the People's Republic of China, higher feed prices by the end of 1988 caused a big increase in slaughterings (forecasts show that 270 million pigs had been slaughtered in 1988, which represents 7 million more than in 1987) and a drop in the domestic price for pork, and a shortage could appear late this year. In the USSR, production continues to increase at a rate of 1.5 per cent a year, and adequate feed supplies permitted a marginal recovery of pig numbers in 1989 (+0.4 per cent in January 1988). Japanese pigmeat production is expected to increase in 1989; even if producer prices were slightly lower, profits were maintained as feed costs went down. Preliminary estimates put Taiwanese production of pigmeat in 1988 at 920,000 tons, marking a drop of 1.9 per cent on 1987, due to the discovery of a high concentration of drugs in the meat.

2. Consumption of pigmeat in 1988 in the countries members of the Arrangement totalled 29.3 million tons, up by 3.2 per cent on year earlier. For 1989, consumption should be lower in all major consumer countries, except for China and the USSR.

3. World pigmeat exports reached 2.05 million tons in 1988 (+1.9 per cent on 1987, a big drop compared to the 1987 growth, i.e., 8.9 per cent), of which 70 per cent came from members of the Arrangement. Exports for those countries totalled 1.4 million tons (+17.2 per cent on year earlier), a record in the Arrangement's history. This big increase is due mainly to much higher exports from the EC and the United States, and the fact that some other small countries - Bulgaria and Norway, for example, whose exports are normally around 3 to 5 tons - doubled their exports in 1988. Japanese imports in 1988 were up by 15.3 per cent and, for the first time in the last few years, Taiwanese exports to Japan have decreased (-8.4 per cent), as excessive levels of drugs have reportedly been detected in its pork.

POULTRY MEAT SITUATION IN SELECTED COUNTRIES^{1/}

PRODUCTION

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
UNITED STATES	9,428.0	9,984.0	5.9	10,722.0	7.4
EC	5,989.0	5,921.0	-1.1	6,067.0	2.5
USSR	3,184.0	3,260.0	2.4	3,360.0	3.1
BRAZIL	1,950.0	2,100.0	7.7	2,180.0	3.8
JAPAN	1,443.0	1,427.0	-1.1	1,427.0	0.0

CONSUMPTION

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
UNITED STATES	9,070.0	9,545.0	5.2	10,284.0	7.7
EC	5,700.0	5,739.0	0.7	5,817.0	1.4
USSR	3,362.0	3,425.0	1.9	3,520.0	2.8
BRAZIL	1,733.0	1,800.0	3.9	1,880.0	4.4
JAPAN	1,703.0	1,729.0	1.5	1,763.0	2.0

EXPORTS

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
UNITED STATES	405.0	426.0	5.2	442.0	3.8
EC	356.0	350.0	-1.7	350.0	0.0
HUNGARY	240.6	180.0	-25.2	180.0	0.0
BRAZIL	217.0	300.0	38.2	300.0	0.0
ROMANIA	125.0	120.0	-4.0	105.0	-12.5

IMPORTS

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
JAPAN	261.0	278.0	6.5	322.0	15.8
SAUDI ARABIA	198.0	198.0	0.0	199.0	0.5
USSR	179.0	166.0	-7.3	161.0	-3.0
HONG KONG	153.0	155.0	1.3	155.0	0.0
EC	100.0	95.0	-5.0	95.0	0.0

^{1/},000 tons, ready-to-cook basis

II. SITUATION AND OUTLOOK IN THE INTERNATIONAL POULTRY MEAT SECTOR

4. According to the FAO, estimated world poultry meat production totalled 36.86 million tons in 1988, up by some 3.2 per cent on year earlier. Total production in countries participating in the Arrangement Regarding Bovine Meat (information is available for twenty-four countries) reached 23.3 million tons, just a 2.7 per cent rise compared to 1987, marking the first slowdown in recent years (the growth rate in 1987 was 7.9 per cent). However, for the current year an acceleration is forecast, as most major countries (particularly Brazil) are expected to increase their production. Middle East production should grow at a much more inferior rate during 1989 than that of 1988 (4.4 per cent and 14.7 per cent respectively), due mainly to a slowdown in Iraqi production. East European production should recover from last year's decrease and is expected to grow at quite a slow rate (around 0.7 per cent), but, in Poland, it should rise at a rate of 9.4 per cent as the government is likely to help this industry with some feed allocations in order to alleviate meat shortages. Japanese production is forecast to decrease for the first time in recent years, as this industry suffers from a certain lack of competitiveness.

5. Like production, consumption of poultry meat in 1988 in participating countries rose by some 3.2 per cent as compared to 1987. In 1989, it is expected to reach 23.0 million tons, representing a growth of 3.0 per cent on year earlier. The consumption growth rate is expected to drop in all major countries except Brazil (where consumption dropped abnormally in 1988) and the United States. The consumption growth in the Middle East continues its downward trend, and in 1989 it should attain only 2.0 per cent (a very low number if compared to the 1987 growth, i.e., 7.5 per cent), but in 1990 it should start increasing again. East European markets should recover from their low consumption level of 1988 during the current year.

6. World poultry meat exports rose by 10.0 per cent to 1.66 million tons, of which 1.43 million tons (86.6 per cent) came from countries participating in the Arrangement. Exports in those countries were up by 3.6 per cent on year earlier, and it is forecast that in 1989 they should total 1.46 million tons (+1.8 per cent). A big decrease is expected in the Eastern European countries (mostly in Hungary) and exports both to the Middle East and the USSR should drop as production keeps rising in those areas. Thai exports continue their upward trend, and in 1990 Thailand is expected to replace Romania as the fifth major exporting country of poultry meat. Japan accounts for 90 per cent of total Thai exports. Exports for Asian countries continue to rise and Japanese imports are expected to exceed 300,000 tons in 1990, thus more than tripling its imports in four years (1985 imports: 100,000 tons; 1990: 322,000 tons).

SHEEPMEEAT SITUATION IN SELECTED COUNTRIES^{1/}

PRODUCTION

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
EC	1,013.0	1,048.0	3.5	1,075.0	3.5
USSR	910.0	915.0	0.5	920.0	0.5
CHINA	800.0	880.0	10.0	920.0	10.0
NEW ZEALAND	602.5	562.0	-6.7	562.0	-6.7
AUSTRALIA	546.7	565.0	3.3	593.0	3.3

CONSUMPTION

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
EC	1,249.0	1,270.0	1.7	1,275.0	0.4
USSR	944.0	949.0	0.5	...	...
CHINA	800.0	880.0	10.0	920.0	4.5
INDIA	517.0	520.0	0.6	...	...
TURKEY	365.0	370.0	1.4	...	...

EXPORTS

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
NEW ZEALAND	480.0	450.0	-6.3	430.0	-4.4
AUSTRALIA	200.2	196.1	-2.0	...	...
ROMANIA	45.0	45.0	0.0	...	...
TURKEY	20.0	15.0	-25.0	...	...
KOREA, Rep. of	18.0	19.0	5.5	...	...

IMPORTS

	1988	1989	%Change 1989/88	Forecast 1990	%Change 1990/89
EC	249.0	240.0	-3.6	240.0	0.0
JAPAN	128.0	...	...	...	...
USSR	35.0	35.0	0.0	...	...
UNITED STATES	23.0	23.0	0.0	25.0	8.7
KOREA, Rep. of	18.0	19.0	5.6	...	...

^{1/},000 tons carcass weight, includes fresh, frozen and canned product but excludes live animals.

III. SITUATION AND OUTLOOK IN THE INTERNATIONAL SHEEPMEAT SECTOR

7. While 1988 world production of sheepmeat (including goatmeat) is estimated by the FAO to have totalled 8.91 million tons (+2.0 per cent on year earlier), production in the twenty-one countries participating in the Arrangement Regarding Bovine Meat, for which information is available, totalled 3.05 million tons, down by 2.3 per cent on year earlier. The drop in production in two major producer countries (Australia and New Zealand) is the major reason for this situation. Chinese production continued to increase, and in 1990 it should be equal to USSR production (in 1985, Chinese production was 33 per cent less than USSR production) as the favourable wool market encourages big investments in the Chinese textile sector. The USSR is still facing problems regarding increasing production costs, thus reflected in the poor quality of the feed base. New Zealand's drop in production is expected to stop in 1990, after a long process of adjustment due to low levels of farm returns. In 1988, total sheep numbers in New Zealand increased for the first time in the last few years, but in 1989 decreased again (-1.2 per cent on year earlier) reaching 63.8 million head, and no increase is currently foreseen for the next years. Real production prices for lamb are expected to rise in 1989, after some years of continued drop.

8. Total consumption in 1988 in participating countries was down by 1.8 per cent on year earlier, to 2.61 million tons. In Uruguay, per capita consumption in 1988 was down to 13.6 kg., while in 1987 it reached 15.7 kg. In 1989, per capita consumption is expected to drop slightly in New Zealand and Norway, while larger increases are likely to come from Finland, Romania and Canada.

9. World sheepmeat and goatmeat exports in 1988 attained 1.1 million tons, up by some 2.6 per cent on 1987. Total exports of countries members of the Arrangement represented 71.7 per cent of this total; compared to 1987 it was down by 5.6 per cent, as exports from both Australia and New Zealand decreased in 1988 by some 7 per cent on year earlier. In the latter, mutton exports were down by some 12 per cent to 180,300 tons and lamb exports were up by some 3 per cent, but in the current year the opposite situation is expected. The major market for New Zealand lamb is the European Community (around 50 per cent), while Japan, with 43 per cent, is the major export market for mutton. Prices for lamb in all New Zealand markets improved in 1988 and should continue increasing as the market has been facing a tighter supply of lamb. The new agreement between New Zealand and the EC concerning the access of New Zealand sheepmeat to the EC market was finally signed in September after more than a year of discussions. It was agreed that for a period of four years, New Zealand is expected to reduce its deliveries of lamb to a maximum of 205,000 tons a year, of which up to 6,000 tons can be chilled lamb, but they may be augmented by 1,500 tons a year for the three following years. As a compensation, the import levy - 10 per cent ad valorem - will be abolished.

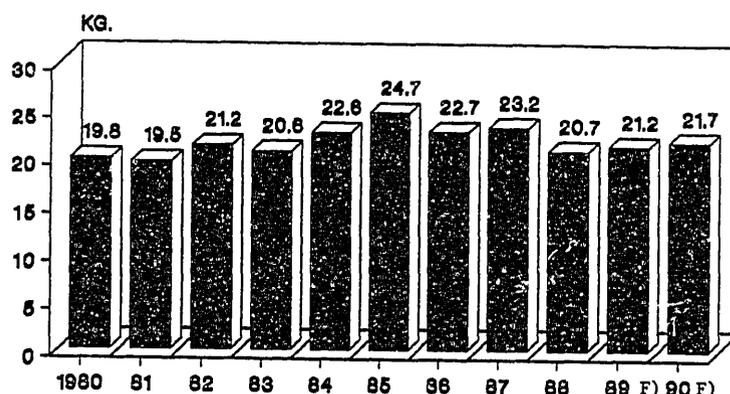
IV. SITUATION AND OUTLOOK IN THE INTERNATIONAL PIGMEAT, POULTRY MEAT AND SHEEPMEAT SECTORS IN SELECTED COUNTRIES

Australia

10. In 1989, production, consumption and exports of pigmeat are expected to increase at the slowest rate of the last few years, and per capita consumption should be, at 16 kg., lower than that of 1984 (16.4 kg.). Higher growth rates are currently foreseen only in 1991, but even then per capita consumption should just equalize that of 1985 (16.6 kg.). As regards poultry meat, production and consumption in 1989 should continue their upward trend, and no changes in this situation are forecast for the next two years.

11. Sheep and lamb numbers in March 1989 were 6.7 per cent higher than in 1987, thus denoting the interest of producers in rapidly increasing their flocks as wool prices continued to rise. Slaughtering of sheep and lambs for the period January-July 1989 was down by 8.8 per cent on year earlier (also due to high wool prices). As a result, production in the first half of 1989 was down by 8 per cent; however a big recovery is foreseen in the second part of the year, and total production should attain 565,000 tons in 1989, up by 3.3 per cent on year earlier. Per capita consumption in 1989 is expected to recover from its big drop in 1988, but at 21.2 kg. it is still 9 per cent smaller than its 1987 level. Sheepmeat exports in 1988 should attain 196,100 tons, down by 2 per cent on year earlier. Exports to the Middle East should continue to decrease, while exports for the EC and Japan should be higher than those in 1988. As regards exports of live sheep, problems appeared in a shipload containing 300,000 live sheep exports in August to Saudi Arabia. Saudi Arabian veterinary officials rejected those sheep as they had been declared diseased, and after a suspension by Australia of all its exports of live sheep to Saudi Arabia, discussions between these two countries seem to have been re-established. In 1988, Australia exported 7,028 thousand head of live sheep, of which 50 per cent went to Saudi Arabia.

AUSTRALIA SHEEPMEAT CONSUMPTION PER CAPITA 1980-1990



Brazil

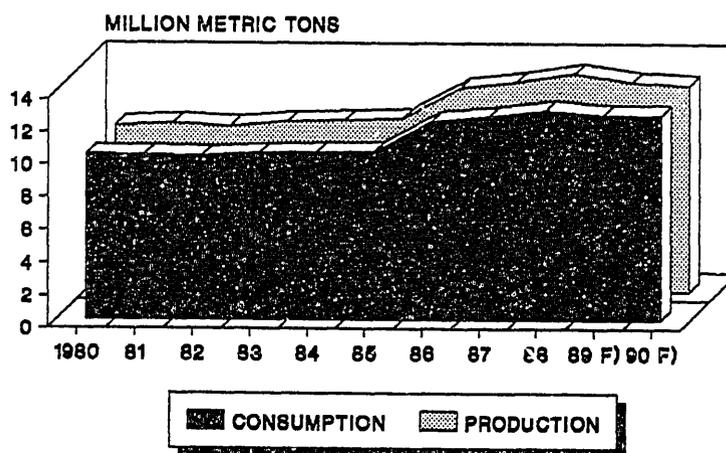
12. Piguemeat production in 1988 decreased by 8.3 per cent on year earlier, reaching 1.1 million tons, as low pigmeat prices and high feedgrain prices resulted in low profitability. However, a recovery is foreseen for 1989, when production should attain 1.15 million tons. As a consequence, per capita consumption should be marginally higher in 1989 if compared to 1988, but it will not yet exceed its 1987 level. Piguemeat imports dropped from 35,000 tons in 1987 to 2,000 tons in 1988 as the domestic bovine meat market seems to have overcome the crisis period of 1986-1987. Exports are likely to have been the same as in 1987.

13. Brazilian poultry meat production in 1988 reached 1.95 million tons, showing a decrease of 1.0 per cent on year earlier for the first time since 1984, but in 1989 it should rise again by some 8 per cent. Per capita domestic consumption had consequently dropped reaching 12.0 kg. in 1988. Exports for 1988 reached 217,000 tons and increased for the first time since 1982. The loss of some important markets such as Iraq and Egypt can explain this previous decrease, but Brazilian industry has been looking for new markets, the most recent ones being Cuba and probably the USSR. In 1989, exports should reach 300,000 tons.

European Community

14. The pig inventory in December 1988 dropped for the first time in the last few years (-2.4 per cent on year earlier). Piguemeat prices had started to increase by the end of 1988, and they remained firm during the first half of 1989, as production continued to drop in member states. In fact, production in 1989 is expected to decrease by some 4 per cent to 12,774 thousand tons, and in 1990 it should be down again. Higher prices would be reflected by lower per capita consumption (38.5 kg. in 1989 against 39.6 kg. in 1988) and this situation should occur again in 1990, even if the drop is expected to be less significant. As regards exports, in 1989 they should be "dramatically" lower if compared to the record level of 1988 (-37.6 per cent), mostly due to reduced exports to the United States, where prices are relatively weak if compared to EC prices. On the other hand, imports should be up by 54.4 per cent in 1989, the firmer EC

EC PIGMEAT PRODUCTION AND CONSUMPTION 1980-1990



market and lower import levies during the first half of the year being the major reason for this development. A revision of the import system for pigmeat is being discussed; proposals concern changes in (1) the method of calculating the sluicgate price - designed to reflect pigmeat production costs in non-EC countries, and acting as an indicator of prices of imported pigmeat - and the import levy (both elements act to set a minimum import price); and (2) the measures which can be taken when there is a substantial rise in pigmeat prices.

15. Poultry meat production in 1989 in the EC is expected to decrease after years of continuous growth (-1.1 per cent on year earlier), as production costs keep rising and new marketing opportunities become increasingly limited. Per capita consumption, however, is not forecast to suffer from the situation, and low prices of poultry meat should permit it to pass from 17.5 kg. in 1988 to 17.7 kg. in 1989. Exports of poultry meat should be slightly lower in 1989 (-1.7 per cent) and an increasingly saturated international market demands more and more creativity and incentives from exporting countries.

16. The total sheep flock in December 1988 reached 108.2 million head, up by 5.2 per cent on year earlier. Sheepmeat production in 1989 should be up again, reaching 1,048 thousand tons. Per capita consumption in 1989 should attain 4 kg. (up by 2.6 per cent on 1988), but, in 1989, for the first time in recent years, it should equal its 1989 level. Imports are expected to decrease in 1989 (-3.6 per cent) to 240,000 tons, the same level as forecast for 1990. As for pigmeat, a revision of the sheepmeat system is currently being debated; it includes (1) the application of Voluntary Restraint Agreements (VRAs) between the EC and New Zealand (already concluded), Argentina, Uruguay, Australia and some East European countries; (2) the annual ewe premium; (3) the distinction between light lamb producers and heavy lamb producers; (4) the introduction of a phasing-out of variable premium; and (5) a private storage aid. The new basic sheepmeat regulation will come into force on 1 January 1990.

United States

17. Pigmeat production should increase in 1989 (+1.9 per cent on year earlier) and higher production is expected to have been concentrated in the first half of 1989. Net returns to producers are expected to be negative until mid-1990, despite a probable decline in feed costs. As a result of this situation, pigmeat production in 1990 is expected to decrease for the first time since 1986. United States imports in 1989 should decrease by 12 per cent on year earlier, the main reason being the shift from pigmeat to live pigs as regards imports from Canada. This shift was intensified after the United States International Trade Commission recognized that imports of Canadian pork were injuring United States pig producers and decided to tax those imports with a countervailing duty of Cdn ¢ 3.6/lb. Imports of live pigs from Canada increased by 91 per cent in the first half of 1989. After the big increase of exports in 1988 (+66 per cent), in 1989 they should attain 91,000 tons (+3.4 per cent), the Japanese market being the major one. For 1990, however, a drop is forecast, as Mexican imports should diminish.

18. Poultry meat production in 1989 is expected to accelerate its growth, as profitability in the broiler sector (which represents 78 per cent of total poultry production) is expected to continue during the current year. Exports of poultry meat in 1989 are expected to increase by 5.2 per cent on year earlier, and they should be up in all major importing countries. For the first time since the 1980 United States embargo on farm exports to the USSR, the Soviet Union bought 15,000 tons of poultry meat from the United States. As regards exports under the Export Enhancement Program (EEP), for the period January-September 1989 only 6,400 tons had been exported, of which 5,000 tons went to Iraq, 500 tons to Saudi Arabia and the rest to various other countries.