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TIGHT SUPPLIES AND GROWING DEMAND BOOST WORLD TRADE IN BEEF

Tight supplies and growing demand are expected to sustain the two-year old recovery of the world beef market into 1990. Along with higher prices, declining feed costs should mean wider profit margins for beef exporters. Another positive factor is that trade liberalization in several Eastern European countries may significantly raise meat shipments to that region.

These are among the conclusions of a report¹ on the international meat markets published today by the GATT. The report examines trends in production, consumption and trade of bovine meat, and summarises developments in pigmeat, poultry meat and sheepmeat. It offers an outlook for 1990 and lists significant trade policy developments in member countries of the Arrangement Regarding Bovine Meat.

The GATT report highlights the key developments in the world beef market in 1989:

- Higher beef prices were due mainly to short supplies. The world beef and veal production declined because of growing cattle herd retention in many countries - the producers' response to higher prices. Argentina, Uruguay and New Zealand - which suffered from serious droughts - were the three major exceptions to the trend of growing inventories.
- While trade value was at higher levels, trade volume decreased by about six per cent or 3.5 million tons. This was the first volume decline in many years.

¹The International Markets for Meat 1989/90 available in English, French and Spanish from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21. Price 25 Swiss francs.

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- However, beef shipments to East Asia increased. Japan emerged as the world's second largest of beef (after the US) as a result of an ongoing liberalisation programme. The Republic of Korea has resumed its imports of beef. (Two GATT dispute-settlement panels established to examine, respectively, US and Australian complaints were disbanded after Japan announced a liberalisation programme for beef and other agricultural products at the July 1988 Council meeting. Three panel reports recommending the phasing out of Korean import restrictions on beef were adopted by the Council in November 1989.)
- The United States overtook New Zealand and became the world's third biggest exporter of beef. The new rankings reflected a substantial rise in US beef sales to Japan. On the other hand, aggregate sales of four major world beef exporters (Australia, the European Community, Brazil and New Zealand) fell by more than 400,000 tons.
- The EC became a net importer of beef. Its intervention stock levels and intervention purchases decreased significantly in 1989 leading to a substantial drop in the Community's beef exports.
- Brazil's resurgence as a major importer and a substantial decline in beef exports have benefited the other two major South American exporters. Argentina and Uruguay have increased shipments to traditional Brazilian markets (such as the Middle East) and to Brazil itself.
- Good weather in a number of countries, especially the United States, boosted forage and feed production and lowered prices. Declining production costs substantially increased profit margins in the beef industry.

The favourable market conditions for beef exports are expected to continue in 1990 and 1991. According to the GATT report:

- Beef and veal supplies should decrease further, or at best remain stagnant, because of cattle herd rebuilding in more countries.
- In North America, herd rebuilding coupled with rising beef exports to Japan and Korea should strengthen demand. The United States will probably overtake the Community to become the world's second largest exporter of beef.
- The EC beef exports in 1990 are projected to be substantially lower (500,000 tons or less) than its shipments in recent years due to consumption running higher than production, and intervention stocks being close to nil.

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- There are two major question marks. One concerns the extent to which the ongoing economic liberalisation efforts in certain Eastern European countries could raise demand for beef imports in that region. The other is whether Brazil can come back as a major exporter.

The GATT report concludes: "despite some imponderables and relatively unchanged volume reflecting tight supplies, the value of international bovine meat trade can be expected to grow further in 1990 and possibly into 1991, as a result of strengthened international prices".

Note to Editors

The Arrangement Regarding Bovine Meat, negotiated in the Tokyo Round, has been in force since 1 January 1980. There are 27 signatories to the Arrangement: Argentina, Australia, Austria, Belize, Brazil, Bulgaria, Canada, Colombia, Egypt, European Community, Finland, Guatemala, Hungary, Japan, New Zealand, Nigeria, Norway, Paraguay, Poland, Romania, South Africa, Sweden, Switzerland, Tunisia, United States, Uruguay and Yugoslavia.

TABLE I

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

A. EXPORTS

	1988	ESTIMATES 1989	%CHANGE 1989/88	FORECAST 1990	%CHANGE 1990/89
ARGENTINA	320	360	12.5%	420	16.7%
AUSTRALIA	902	832 ^{2/}	-7.8%	920	10.6%
BRAZIL	529	280	-47.1%	450	60.7%
CANADA	89	111	24.7%	120	8.1%
EC	752	670	-10.9%	480	-28.4%
NEW ZEALAND	462	430	-6.9%	350	-18.6%
UNITED STATES	313	450	43.8%	508	12.9%
URUGUAY	131	175	33.6%	120	-31.4%
OTHERS ^{3/}	227	213	-6.2%	160 ^{2/}	-24.9%
TOTAL	3,725	3,521	-5.5%	3,528	0.2%

^{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 estimates

^{3/} Includes other exporting/importing countries participating in the Arrangement Regarding Bovine Meat. Estimates by the secretariat.

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