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OVERSUPPLY AND FALTERING DEMAND UNDERMINE WORLD BEEF MARKET

Production expansion amid faltering consumer demand led to a 3 per cent drop in world exports of beef and veal in 1990, and is expected to further weaken international beef prices this year. The general economic slowdown last year held down beef consumption while the Gulf crisis resulted in the closure of major beef markets. Producers in the European Community faced an additional problem: an outbreak of bovine spongiform encephalopathy (BSE or "mad cow disease"), in the United Kingdom, dampened demand. In Eastern Europe, beef exporters have started to veer away from traditional trade arrangements to concentrate instead on "hard currency" markets like Western Europe.

These are among the conclusions of a report on the international meat markets published today by the GATT. The report examines trends in production, consumption and trade of bovine meat, and summarizes developments in pigmeat, poultry meat and sheepmeat. It offers an outlook for 1991 and lists significant trade policy developments in member countries of the Arrangement Regarding Bovine Meat.

Before the Gulf crisis, Iraq and Kuwait had accounted for 3-4 per cent of world beef imports. Imports from their largest supplier - the European Community - amounted to some 100,000 tons in 1989. The loss of these markets and an outbreak of BSE in the United Kingdom which shook

*International Markets for Meat 1990/1 is available in English, French or Spanish from the GATT Secretariat and accredited book sellers.
Price SwF 25.

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consumer confidence in several other markets contributed to a 284,000-ton drop in EC beef exports last year.

The GATT report highlights other key developments in the world beef market in 1990:

- Total bovine meat production of signatories to the Arrangement increased by 1 per cent to 31.4 million tons. Most of this growth was due to a 4 per cent expansion in the European Community. Drought conditions encouraged higher slaughter rates in Australia resulting in a 8 per cent rise in bovine meat production. Beef output fell in the United States (-1.1 per cent), Canada (-2.6 per cent), New Zealand (-4.4 per cent) and Argentina (-2.4 per cent).
- The long-term decline in beef and veal consumption continued because of rising retail prices, the general slowdown in economic growth and an abundant supply of cheaper poultry meat. Marketing campaigns and production of leaner meat, particularly in North America, had apparently failed to stop this trend. In the EC, consumption dropped by 4 per cent due in part to an outbreak of BSE.
- Estimated world bovine meat exports amounted to 3.9 million tons - some 120,000 tons below the 1989 figure. Among the major exporting countries, only Australia (+3.7 per cent), the United States (+2.6 per cent) and Argentina (+25 per cent) managed to increase beef shipments. However, the substantial decline in EC exports alone was able to offset the export rise in these countries. In Brazil, market uncertainties arising out of radical economic reforms and US sanitary restrictions on canned meat contributed to a 30 per cent drop in beef exports.
- In Eastern Europe, beef producers have begun to focus export interest away from traditional markets like the Soviet Union to "hard currency" countries. Despite uneven production performance (according to estimates, beef production rose in Yugoslavia and Bulgaria but declined in Hungary and Poland), the region managed to increase exports of live cattle and meat to Western Europe, particularly the Community. In the Soviet Union (not a signatory to the Arrangement), beef imports rose by 66 per cent to some 250,000 tons, due mainly to disruptions in the internal distribution system.
- Two countries whose beef import regimes had been the subject of GATT dispute-settlement procedures substantially increased their imports of bovine meat. Japan's beef imports rose by 12 per cent to 562,000 tons while estimated beef shipments to Korea increased by 26.5 per cent to 105,000 tons. Trade reforms in the Far East have particularly benefited American and Australian beef exporters.

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World beef prices are expected to remain weak in 1991 because production is continuing to outpace demand. EC beef exports could rise by a third to approach the historical record level of one million tons. The Community intervention purchases of beef rose sharply from 171,000 tons in 1989 to 650,000 tons in 1990. As a result, EC beef stocks, after falling by 70 per cent in 1989, was estimated to have at least tripled to some 600,000 tons at the end of 1990. EC beef production is expected to increase further in 1991, not so much as a result of higher cattle slaughter, but especially due to increased weight. Furthermore, the unification of Germany represented an additional 5 million head of cattle to the total EC herd.

An increase in EC shipments would largely offset export declines expected for Uruguay and Argentina. Brazil could also come back to the export scene in a big way as it had substantially built up its cattle stock in 1990. The report forecasts higher beef sales by the United States and New Zealand.

The GATT report notes that a number of policy measures continue to restrict world commerce in beef. "A successful outcome in the Uruguay Round negotiations would represent the best opportunity for the creation of a healthier environment for bovine meat trade", the report concludes.

On other types of meat, the report estimates that pigmeat exports by participants to the Arrangement fell by 2.2 per cent to some 1.4 million tons in 1990, marking the second consecutive year of decline after several years of continuous growth. World poultry meat production rose by some 4 per cent in 1990 to some 35.7 million tons. This year, the United States is projected to overtake the EC as the world's leading exporter of poultry meat. Sheepmeat production in participating countries remained generally stable - an increase in Australian output due to depressed wool prices was partly offset by a drop in New Zealand's production.

Note to Editors

The Arrangement Regarding Bovine Meat, negotiated in the Tokyo Round, has been in force since 1 January 1980. It aims to promote expansion and liberalisation of trade in meat and livestock. The 27 signatories (the EC counting as one) to the Arrangement account for about 90 per cent of the world's exports of fresh, chilled and frozen beef and veal (excluding intra-EC trade) and more than 60 per cent of both the world consumption and production. Signatories to the Arrangement are: 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.