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DEVELOPMENTS IN EC MARKET LIKELY TO RESULT IN INCREASED WORLD BEEF PRICES, SAYS GATT REPORT

World beef and veal production declined by about 1 per cent in 1993, largely due to lower cattle inventories in the European Community, most Central and Eastern European countries and the Commonwealth of Independent States. Despite signs of recovery in some North European countries, consumption dropped in Europe and North America. In contrast, beef demand increased in several Asian markets. World beef exports shrank by more than four per cent last year, reflecting lower shipments from major exporting countries. In 1994, global production is expected to recover slightly but exports of beef and veal are expected to decline further.

These are some of the conclusions of a report on the international meat markets published today by the GATT (1). The report examines trends in production, consumption, trade and prices of beef (including veal) and summarizes developments in pigmeat, poultry meat and sheepmeat. It offers an outlook for 1994 and lists significant meat policy developments in the twenty-seven member countries of the Arrangement Regarding Bovine Meat. Last year, these countries accounted for 34 million tons of bovine meat production or close to two-thirds of total world production.

One of the most notable developments in the international markets for bovine meat in 1993 was a significant decline in beef and veal production in the European Community and the resulting 45 per cent drop in EC beef stocks. As production is projected to stagnate or rise only marginally

(1) International Markets for Meat 1993/1994 is available in English, French or Spanish from the Secretariat and accredited booksellers. Price: SwF25.

this year, this development is forecast to lead to significantly lower EC beef exports in 1994, and to the lowest level of stocks for the last ten years.

The report states that while the evolution in the EC market during 1993 was partly cyclical, it also reflects the trend towards lower dairy cow inventories, and the move from dairy to beef production in recent years. Strong beef cow retention in 1992 related to the CAP reform was the main reason for the production drop last year.

Access to North American beef markets was again restricted in 1993. The United States imposed voluntary export restraint agreements (VERs) on Australia and New Zealand for the third consecutive year. As a consequence, these countries increasingly diverted their exports to other markets, especially to North Asia and Canada. During the first months of 1993, Canada imported more beef from Oceania than during the whole of 1992. This led Canada to impose an additional tariff of 25 per cent ad valorem for imports in excess of a certain quota on beef imports from countries other than the United States. Moreover, cattle and beef imports into Mexico were affected last year by the imposition of import tariffs in the range of 20 to 25 per cent ad valorem, up from duty free before.

In 1994, market access to the United States will be even more restrained as it has already negotiated lower VERs with the Oceanian countries. Canada re-introduced an import quota for this year which may be renewed in 1995. Because the North American Free Trade Agreement was implemented on 1 January 1994, Mexico is no longer subject to North American trade restrictions on beef. Likewise, Mexican import tariffs no longer apply to the United States and Canada.

In Asia, two major beef markets were further liberalized in 1993. In April, Japan implemented the last reduction of its beef import tariff within the terms of the 1988 liberalization agreement. The Republic of Korea, meanwhile, committed itself to gradually increase import quotas and provide more direct access for overseas sellers to the domestic distribution system. Both developments contributed to greatly expanded beef trade opportunities in this region.

Exchange rate movements also played a significant role in market developments last year, with a number of major bovine meat exporters benefitting from depreciation of their domestic currency against the United States dollar and the Japanese Yen. For example, Australian beef exports to Japan were strongly stimulated by a low Australian dollar. In turn, attractive beef import prices in Japan largely explain why beef import demand was not particularly affected by the recession in Japan.

Export prices for manufacturing beef in the area free of Foot-and-Mouth Disease (FMD), that is North America, Oceania, Japan and certain other Asian countries, initially strengthened in 1993 reflecting higher than expected cattle prices in the United States, but weakened in the last months of the year. In 1994, several factors including import restrictions in North America and increased supply in Japan from both domestic and foreign sources are likely to result in somewhat lower export prices.

In the FMD area, manufacturing beef prices decreased last year in response to weak import demand, while prices for high quality ("Hilton") beef were increasingly affected by growing supplies. The 1993 developments in the EC market and lower Community exports this year can be expected to result in strengthened international beef prices in this area.

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According to the GATT report, world pigmeat production increased by less than 1 per cent last year. Regions of growth included the developing countries, notably the Republic of China (up by 6 per cent) which accounts for close to 40 per cent of world output and the EC. In the CIS, pigmeat output continued to decline sharply. World exports, representing not more than 2 per cent of production, decreased last year. In 1994, global pigmeat production is forecast to grow by 1 to 2 per cent. The major expansion in output is again expected to occur in China.

World poultry meat production increased in 1993. This development, says the report, continued to be driven by increased poultry meat consumption at the expense of more expensive beef. In 1994 world poultry meat is set for further growth. Poultry meat exports, which grew by 5 per cent last year, are expected to rise at an even stronger rate in 1994.

World sheepmeat and goatmeat production fell in 1993. Output in the Republic of China, the world's top producer ahead of the EC, expanded by 8 per cent. It stagnated in the European Community. Global sheepmeat exports declined by 4 per cent largely as the result of reduced New Zealand sales. World production and exports are expected to recover as from 1994.

Beef Exports of Selected Countries - ('000 tons carcass weight equivalent)*

	Estimates		Forecast	% Change	
	1992	1993	1994	1993/92	1994/93
Argentina	296	273	285	-8.2	4.3
Australia	1,195	1,102	1,087	-7.8	-1.4
Brazil	434	386	350	-11.1	-9.3
Canada	159	190	160	19.5	-15.8
EC	1,239	1,200	950	-3.1	-20.8
New Zealand	441	451	480	2.3	6.4
United States	601	590	635	-1.8	7.6
Uruguay	123	103	148	-16.3	43.7
Others	193	181	180	-6.2	-0.6
<i>Total</i>	<i>4,681</i>	<i>4,476</i>	<i>4,275</i>	<i>-4.4</i>	<i>-4.5</i>

* Includes fresh, chilled, frozen, cooked, canned and otherwise prepared bovine meat; excludes carcass weight equivalent of live cattle. "Others" includes other countries participating in the Arrangement Regarding Bovine Meat.

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Notes to Editors:

1. The Arrangement Regarding Bovine Meat, negotiated in the Tokyo Round, has been in force since 1 January 1980. It aims to promote expansion and liberalization 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 about 60 per cent of 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.

On 15 December 1993, after seven years of negotiations, the Uruguay Round was successfully concluded. A summary of the Agreement on Agriculture and the Agreement on Sanitary and Phytosanitary Regulations, as contained in the Final Act, embodying the results of the negotiations, is annexed to the report on International Meat Markets. These agreements set new rules for international trade in agriculture and are supplemented by specific binding commitments to improve market access and to reduce export subsidies and trade-distorting domestic subsidies. The details are consolidated in national schedules which will form an integral part of the Final Act. On 15 April, at the Marrakesh Conference, Ministers will formally sign the Uruguay Round results already approved by their governments on 15 December.

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