

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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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), thereof. 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, as well as summaries of the situation and outlook for pigmeat, poultry meat and sheepmeat. In the preparation of this document, *inter alia*, the following sources, have been used: *USDA* reports; the *National Cattle Market Bulletin*, Cattle Council of Australia; *Australia Commodities and Issues* (ABARE); *World Commodity Markets and Trade* (ABARE); *Meat and Livestock Review*, Australian Meat and Livestock Corporation; *New Zealand Meat Board News*; *European Weekly Market Survey Commentary*, Meat and Livestock Commission, United Kingdom; *Informe Ganadero*, Buenos Aires; *Meat International*, Netherlands; *Preços Agrícolas*, Boletim Mensal, Brazil; *Agra Europe* and responses to the questionnaire submitted by 1 June 1994.

*NB:* The countries whose names are followed by an asterisk (\*) are those for which the Secretariat had no new data. For these countries, the text of the "The International Markets for Meat, 1993-1994" has been reproduced.

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## Highlights

- *Conclusion of the Uruguay Round.* The conclusion of the Uruguay Round last 15 April opened a new era for international trade in agricultural products, including meat. While countries are already adjusting to the new environment, the main impact on international beef markets will be felt only as from 1995 onwards.
- *Bovine meat trade.* In 1994 bovine meat trade is forecast to contract for the second consecutive year, largely due to a strong drop in EC exports. While Russia is back in the market, large scale sales under special concessional terms have been replaced by cash payments for smaller quantities. Except for Uruguay, South American countries do not seem to be in a position, to fully benefit from lower EC exports. Despite sustained demand in Japan, Australian exports are expected to decrease somewhat following lower output and restrained access to both the US and Canadian markets. US beef and cattle exports are forecast to rise significantly, in part as a consequence of NAFTA.
- *Beef shortages in the European Communities?* EC industry sources in a number of member states are reporting beef shortages. Intervention stocks have been sharply reduced and are now at their lowest level in 15 years (except for 1989). Coupled with stagnating EC beef production, supply of manufacturing beef is declining. Shortages of slaughter cattle has led an increasing number of slaughterhouses to suspend their activity in some of the major member states.
- *Canadian safeguard action.* Last May, the Canadian Government expanded the 1994 tariff quota for boneless beef by 13,000 tons to prevent supply shortages for downstream processors in the domestic beef industry. About two thirds of the initial 72,021 tons quota had already been filled by mid-May, with New Zealand exporters taking the lead over Australian exporters under the "first come, first served" system. The tariff quota now amounts to 85,021 tons.
- *Mexican tariff rise on imports from the European Communities?* Mexico is considering to rise its tariffs on beef imported from the European Communities from 25 to 46 per cent. The move follows an investigation into allegations that EC beef was subsidized and sold in Mexico below Mexican market prices. Mexico opened a similar inquiry on imports of US beef.
- *US beef consumption.* Beef consumption in the United States was at a record high in the first quarter of 1994. Per capita beef consumption is expected to rise by 3 per cent this year, the first increase since 1985. The rise seems due to the country-wide economic recovery and lower beef prices.
- *The BSE debate.* The EC beef market was shaken up by controversy regarding BSE in the United Kingdom and threats by the German Health authorities to suspend the distribution of UK beef products in the German market. Although the move was rejected by the EC Agriculture and Health Councils of Ministers, high stock levels in the United Kingdom are believed to be due to concerns about BSE.
- *Japan's beef imports.* Japanese beef imports are estimated to have shot up in the first quarter 1994. The United States doubled the volume of its beef exports to Japan compared to the same period in 1993, recovering ground lost to Australia last year. In a communication to the GATT dated 1 June 1994, the Japanese authorities recalled that under the market liberalization measures on beef, Japan may invoke "Emergency Adjustment Measures". From 1 April 1994 to the day before entry into force of the WTO Japan may accordingly levy an import surcharge of 25 per cent ad valorem (on top of the normal duty of 50 per cent) on any imports exceeding 680,832 tons (product weight). Japanese beef imports last fiscal year reached 756 tons (product weight).

## THE INTERNATIONAL MARKETS FOR MEAT

### Developments in 1993

#### *Production*

1. In 1993, the international markets for meat were characterized by continuing growth of meat production, but diverging developments for individual meat categories. Production of bovine meat and sheepmeat fell by 1 per cent each, but this drop was offset as pigmeat output grew by ½ per cent and poultry meat output by 4 per cent. Total world meat production increased by 1 per cent.
2. The decline in *beef and veal* production was largely due to lower cattle inventories in the European Community, most Central and Eastern European countries and the CIS. Despite a 10 per cent growth in *sheepmeat* production of the world's largest producer, China, global sheepmeat production fell because of lower output in a number of other countries including Australia and New Zealand.
3. In the *pigmeat* sector, output expansion was related to a 6 per cent increase in China, also the world's top producer of pigmeat, and a 4 per cent rise in the European Community. Pushed by sustained demand, *poultry meat* production continued to expand in all major producing countries, particularly the United States, the European Communities and China.

#### *Consumption*

4. In recent years, meat consumption trends in industrialized countries has been characterized by a move away from beef and veal consumption to other meats, especially poultry meat. At the same time, beef and veal consumption in most developing countries, in particular in Africa and more recently in Central and Eastern Europe, has been constrained by difficult economic and political conditions. In 1993, this general trend continued. Japan, Korea and some other Asian countries were once again the few places where, coming from a very low level, beef and veal consumption increased at the expense of other meats.

#### *Trade*

5. Whilst world exports of bovine meat and sheepmeat both fell in line with production by 4 per cent and pigmeat trade shrank by 2½ per cent, poultry meat exports surged by 15 per cent. *Beef and veal* exports decreased in all major exporting countries such as the United States, Argentina, and Uruguay. However, with a 13 per cent cut, the European Communities accounted for the largest part of global export reduction. Nonetheless, European Communities' exports still surpassed 1 million tons, some 6 per cent of which were food aid. Furthermore, European Communities' live cattle exports doubled resulting in less beef intervention buying and lower intervention stocks. Reduced output in Australia and New Zealand, which account for some 80 per cent of world exports of *sheepmeat*, was the main factor behind lower global sheepmeat trade in 1993.
6. World *pigmeat* exports account for only 2 per cent of global production. Last year's decline largely reflected lower exports by Chinese Taipei, the world's number three exporter of pigmeat. World demand for pigmeat was particularly affected by lower imports on the part of Hong Kong, globally the number three importer. Like pigmeat, most of the *poultry meat* produced in the world is for domestic consumption. Nonetheless, the global trend to substitute poultry meat for the consumption of other meats has strongly contributed to the expansion of poultry meat trade in recent years. Last year's growth was boosted by a 29 per cent increase in United States' sales. The world's largest producer and exporter sold close to 1 million tons of poultry meat, led by strong demand in its main foreign market,

Hong Kong. While European Communities' and Chinese exports were also significantly higher, Brazilian sales of poultry meat were adversely affected by reduced demand in Japan.

### Prices

7. The trend away from *bovine meat* half carcasses and quarters towards an ever growing variety of cuts and qualities traded in the international markets renders information on price quotations increasingly difficult. Nonetheless, the international beef markets continue to be divided into two large areas reflecting their respective sanitary status regarding Foot-and-Mouth (FMD) disease. Prices of representative cuts traded in the FMD-free area (by and large the "Pacific-rim markets") are significantly higher than in the FMD area (the "Atlantic markets"). In 1993, manufacturing beef prices strengthened in the FMD-free area, reflecting higher than expected cattle prices in the United States. Sustained demand in Japan and Korea also resulted in firm high quality beef prices. In the FMD area, weak import demand led to lower manufacturing quality prices, while prices for high quality beef cuts seem to have been dampened by increased supplies.

8. In the *pigmeat* sector, overproduction pushed European Communities' prices down by 50 per cent. In the United States producers benefitted from higher prices than in 1992, but had to cope with increased production costs. United States' indicative export values for *poultry meat* last year suggest that chicken parts' prices strengthened, while broiler prices continued the downward trend observed over recent years. Sustained world demand and lower export supply from New Zealand and Australia led to firm world *sheepmeat* prices. New Zealand's producers benefitted in particular from significant price increases in the European Communities' market.

Table 1 - Beef Exports of Selected Countries - ('000 tons carcass weight equivalent)\*

	Estimates		Forecast	% Change	
	1992	1993	1994	1993/92	1994/93
Argentina	296	278	285	-6.1	2.5
Australia	1,195	1,217	1,082	-1.8	-11.1
Brazil	434	386	350	-11.1	-9.3
Canada	159	190	214	19.5	12.6
European Communities	1,239	1,080	900	-12.9	-16.7
New Zealand	451	478	480	6.0	0.4
United States	601	578	646	-3.9	11.8
Uruguay	123	103	148	-16.3	43.7
Others	193	181	180	-6.2	-0.6
<b>Total</b>	<b>4,691</b>	<b>4,491</b>	<b>4,285</b>	<b>-4.3</b>	<b>-4.6</b>

\* 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.

## Current developments and outlook for 1994

### Production

9. The FAO forecast world global meat production to rise by some 2 per cent in 1994. At less than 1 per cent, the growth is expected to be the smallest for bovine meat, while the strongest expansion is once more predicted for poultry meat production (4 per cent) followed by pigmeat (1½ per cent) and sheepmeat (1 per cent).

10. During the first months of 1994, in line with reduced cattle numbers, European Communities' production of *bovine meat* increased only marginally. In conjunction with high exports of live cattle since last year, this resulted in no intervention purchases throughout the Community. With increased intervention sales in response to low supply of manufacturing quality beef in the domestic market and with apparently strengthened demand in some of the European Communities' "traditional" foreign markets, intervention stocks are reported to be at their lowest level for the last few years. For the year as a whole, European Communities' beef and veal production is expected to rise by some 2 per cent. North American beef output is also expected to expand while slight reductions are forecast in Oceania. In South America, only Uruguay expects significant production growth.

11. China is again expected to account for most of the expected rise in global *pigmeat* output in 1994. In the European Community, production prospects remain uncertain. In the first months of 1994, European Communities' pigmeat output continued to grow more rapidly than domestic demand. Although output is expected to level off in the second half of the year, sustained pig supplies particularly in France, will maintain pressure on the pigmeat market. In the United States, increased feedcosts may again check any production rise this year.

12. Among the different types of meat, *poultry meat* continues to have the brightest short term outlook. With persistently expanding demand, production is again seen on the rise this year. All major producing countries forecast significant growth, in particular China, where poultry meat output is expected to rise by 10 per cent. China's *sheepmeat* output is also expected to further expand this year, a rise which coupled with expansion in other major producing countries, except New Zealand, will push world output up.

### Consumption

13. World meat consumption will presumably continue to expand under the scenario described above. In the United States *beef and veal* consumption, as well as *poultry meat* consumption was at a record high in the first quarter of the year. Fostered by the recovery of the United States' economy and lower beef prices, per capita beef consumption is expected to rise by 3 per cent in 1994, the first increase since 1985.

### Trade

14. World exports of *bovine meat* in 1994 are forecast to contract for the second consecutive year, largely due to an expected 17 per cent export drop in the European Community. Since the last months of 1993, Russia is back in the market paying cash for intervention beef, and North African and Middle Eastern demand seems to be strengthening. Coupled with high sales of live cattle, this contributed to a levelling-off of intervention stocks in most member states. Moreover, limited production growth will check European Communities' export supply this year. Except for Uruguay, South American countries do not seem to be in a position, in terms of volume, to fully benefit from lower European Communities' export supply. Despite sustained demand in Japan, Australian exports are expected to

decrease somewhat this year following lower beef output and, once more, restrained access to both the United States and Canadian markets. United States' beef and cattle exports are forecast to rise significantly, partly as a consequence of the implementation of NAFTA.

15. World *pigmeat* trade is expected to expand in 1994 mostly due to higher exports from Canada, Chinese Taipei and presumably also the European Communities, where continuing expansion of pigmeat output will result in high export availabilities. The United States forecast somewhat reduced output and exports. Pigmeat imports into the United States are likely to increase in 1994 as the United States' countervailing duty on Canadian pigs has been recently reduced and as European Communities' producers will be looking for attractive foreign outlets. The Japanese pigmeat sector continues to be under strong adjustment pressure related to the strict pollution standards and competition from sharply higher beef imports. Pigmeat imports into Japan this year are difficult to predict. Expanding world *poultry meat* demand is again expected to boost exports of this type of meat. However, imports into Japan, the world's main market after Hong Kong, are projected to decline due to high stocks and attractive beef prices in this country. New Zealand's exports of *sheepmeat* are forecast to recover in 1994, while lower production will further reduce Australia's export supply.

#### *Prices*

16. The scene for an increase in international *bovine meat* prices in the short to medium term seem to be set. Nonetheless, lower European Communities' stock levels and stagnating European Communities' production may take some time before resulting in price firming in international markets. According to preliminary information for the first months of 1994, international prices for manufacturing quality beef in the "Atlantic markets" remained relatively weak. So far, the rise in European Communities' beef exports in recent months and high live cattle exports seem to have prevented any price recovery. However, as export supply of the European Communities diminishes, and in view of limited beef export supply from South America, prices may be expected to recover in the course of the year. In the FMD-free area, buoyant demand from Japan has kept attractive international prices of high quality cuts although they may have levelled-off somewhat recently. Prices for manufacturing beef have been dampened by lower cattle prices in the United States and restrictions in access to the United States and Canadian markets.

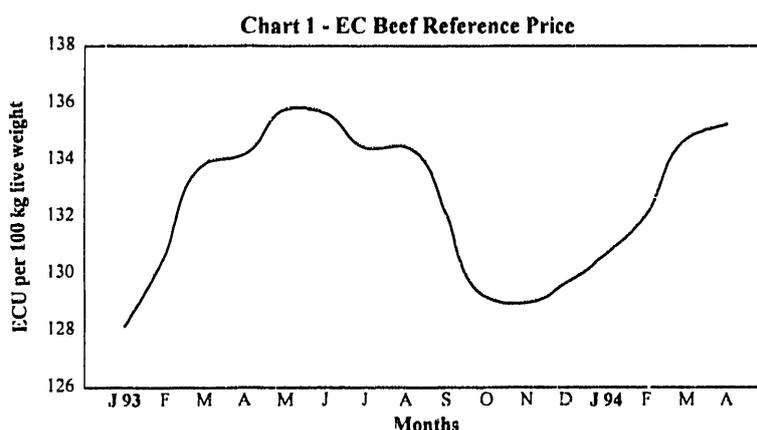
17. Price information regarding other types of meat is scarce. European Communities' *pigmeat* prices may begin to recover in the second half of the year. Lower pigmeat output in the United States is expected to result in somewhat increased import demand. However, the impact on international prices may well be limited. *Poultry meat* prices are reported to be firming in Japan and most Middle East countries. European Communities' *sheepmeat* prices remained firm in the beginning of 1994. Prospects for the remainder of the year are for continued strong demand in the European Communities and steady prices.

## European Communities

18. Since the beginning of 1994, the bovine meat market in the European Communities has been characterised by firm cattle prices, mainly reflecting low cattle inventories and increased live cattle exports. With firm market prices and reduced intervention prices in line with the CAP reform, purchases into intervention were nil during the first quarter of the year. As intervention sales increased by some 12 per cent, end of March stocks fell to some 236,000 tons, 73 per cent below their level in March 1992 and half their level by the end of 1993.

19. Revised data resulting from the December 1993 cattle census shows that at 78.7 million head the reduction in cattle numbers that began in 1992 continued in 1993, though at a lower pace. Last year's herd reduction of about 1 per cent, was largely due to falling cattle numbers in France (down by 1 per cent) and Germany (down by 2 per cent). Cattle slaughter decreased by 6 per cent in the European Communities resulting in an 8 per cent production cut. The decline in the dairy cow herd is levelling-off in most member states and overall cow inventories are expected to stabilize in 1994. This is expected to result in a marginal decrease of the total cattle herd. Current cattle slaughter forecasts are for a ½ per cent rise. Increased slaughter coupled with higher average weights due to the sustained growth of beef cow numbers in recent years will boost production by some 2 per cent.

20. Since mid-1992 and in contrast to the pigmeat sector, where sustained output growth has resulted in sharply lower prices, European Communities' beef producers are benefitting from moderately improved returns, although to varying degree across member States. So far this year the price rise has become accentuated and European Communities' beef reference prices increased by some 5 per cent between January and May (Chart 1). Like in 1993, it is likely that the 5 per cent reduction of intervention prices under the CAP reform as from 1 July 1994 will exert some downward pressure on market prices in the following months.



Source: MLC.

21. Stronger producer prices this year reflect lower production, sharply lower stockpiles and increased live cattle exports. French and German beef stocks declined particularly since last year. At the end of March, about 55 per cent of the 236,000 tons intervention stocks of the European Communities were held by the Republic of Ireland and a further 25 per cent by the United Kingdom. Apparently, the situation in Ireland is improving in line with the EC Commission's efforts to encourage

Irish live cattle exports to the Middle East and North Africa. The situation in the United Kingdom is believed to be related to concerns about BSE.

22. After a set back in 1992, per capita beef and veal consumption is estimated to have recovered last year to its 1991 level of 22.3 kgs. In 1994, lower beef production and increased cattle prices are factors to exert downward pressure on beef demand, but economic recovery could offset such pressure. On balance, beef consumption is expected to stagnate.

23. European Communities' beef and veal imports and exports in 1993 have been revised downwards to 460,000 thousand tons and 1.08 million tons, respectively. Information on export destinations is not yet available, but Russia, some Central and Eastern Europe countries, the Middle East and North Africa are likely to have remained the main destinations of European Communities' sales last year. The EC Commission expects beef and veal exports to decline to 900,000 tons in 1994. Export markets prospects are reported to be relatively good, with increased sales to the Middle East and North Africa. Furthermore, large sales to Russia under special concessional terms seem to have been replaced by smaller but more regular intervention beef sales against cash payments.

24. European Communities' industry sources in a number of member states are reporting supply shortages. In contrast to current EC Commission forecast for a 2 per cent and 3 per cent production growth in 1994 and 1995 respectively, these sources appear to expect a significant production drop in the next few months. The Commission holds that as from the autumn of 1995 and through 1996 production will grow in response to the increased suckler cow herd and the reference herd numbers for the beef special premium.<sup>1</sup>

European Communities	Unit	Forecast			% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head*	79,320	78,655	78,500	-0.8	-0.2
<b>Beef and veal</b>						
Production	'000t	7,756	7,920	8,150	2.1	2.9
Consumption	'000t	7,750	7,775	7,830	0.3	0.7
per capita	kgs	22.3	22.2	22.3	-0.4	0.5
Imports	'000t	460	480	490	4.3	2.1
Exports	'000t	1,080	900	800	-16.7	-11.1
Stocks	'000t	474	200	210	-57.8	5.0

\*December of the previous year

## Finland

25. The effects of the milk output reduction programme, implemented in the early 1980s, on the Finnish cattle herd are evident. With large numbers of dairy cows slaughtered, cattle numbers have fallen by more than 25 per cent by 1994. In spite of various incentives to raise beef cow inventories, such as the beef cow premium, dairy cows still represent one third of total cattle indicating that beef production remains a complement of milk output.

<sup>1</sup>See "The International Markets for Meat, 1993-1994", p. 11.

26. Finnish slaughterhouses were facing economic difficulties as the number of slaughter animals declined. As a result, beef and veal production decreased by 9½ per cent in 1993. Bovine meat output is forecast to fall further in the future since the number of slaughter cattle is expected to continue to drop and as this factor can no longer be offset by increases in slaughter weights.

27. In spite of high government support, the Finnish bovine meat market is in serious difficulties. Over the last four years, bovine meat consumption declined strongly. Per capita consumption has fallen by 16½ per cent since 1990 and is forecast at 18.2 kgs. for 1994. The main reason is the change in eating habits, accentuated by attractive prices for pigmeat and other meats. For the last two years, economic recession was another important factor. The devaluation of the Finish mark in 1991 and 1992 eroded the consumers' purchasing power. Pigmeat and poultry meat consumption also fell slightly.

28. In Finland's highly protected agriculture, meat trade has mainly a residual rôle. As in the past, excess supply of beef and veal resulting from the weak domestic demand will likely be exported. It is forecast that at the end of the year, Finish beef exports will reach nearly 13 thousand tons. Recently the government increased the farmers' share of the costs of exporting overproduction.

29. In February 1992, Finland presented its accession request to the European Communities. If the agreement signed in March 1994 comes into effect, the meat sector will have to face major changes. Finish producer prices have fallen since 1989. However, European Communities' membership means a further 40 per cent reduction necessary to align prices to the European Communities' level in five years time and, in addition, lower export subsidies. In spite of the temporary financial aid, the country's competitiveness on European Communities' markets relies on the rationalization of the meat industry. This will probably require a significant restructuring of the sector leading to a smaller number of modern slaughterhouses and farms.

Finland		Forecast			% Change	
	Unit	1992	1993	1994	1993/92	1994/93
<b>Cattle numbers</b>	000 head	1,232	1,252	n.a.	1.7	n.a.
<b>Beef and Veal</b>						
<b>Production</b>	000 t	117	108	106	-7.7	-1.9
<b>Consumption</b>	000 t	99	92	93	-7.1	1.1
<b>per capita</b>	kgs.	19.7	18.6	18.2	-5.6	-2.2
<b>Exports</b>	000 t	15	16	13	6.7	-18.8

## Norway

30. In 1994, total cattle and calf numbers are estimated to decline to 1,003 thousand head. This is due to a somewhat lower dairy cow inventory which is not fully compensated by the expected rise in beef cow and dairy heifers numbers. Dairy cattle slaughtering related to policies to curb milk production still affects the meat sector. Thus, in spite of lower veal output, bovine meat production will rise. Total beef and veal output is estimated at 84,090 thousand tons.

31. Improving economic conditions are probably at the origin of last year's 4½ per cent increase in beef and veal per capita consumption. Bovine meat consumption is expected to rise further by the end of 1994. In 1993, the expansion of domestic demand surpassed domestic beef and veal production.

Bovine meat exports dropped by 40 per cent. Frozen meat, mainly destined for the United States and for Mexico, accounted for the 74 per cent of total exports. Preserved beef and veal was delivered mostly to Sweden and to the United Kingdom. Total Norwegian bovine meat exports are estimated to decline to 1,400 thousand tons in 1994. As in recent years, in 1993 only small quantities of bovine meat have been imported by the country. Main suppliers were Sweden and Denmark. Imports are forecast to fall in the future.

32. In November 1992, Norway decided to apply for full membership of the European Communities. Norway, like Finland, will have a transitional period of five years to align its producer prices to the lower Community price levels. The country will receive 260 millions ECU as a compensation grant. According to the Treaty of Accession, in the livestock sector the special beef premium will be fixed at 175 thousand head and the suckler cow premium at 50 thousand head. However, given Norway's opposition to base its quota on historical output, the number of animals eligible for the suckler cow premium could be re-examined if the accession creates "a disproportionate decrease in the production volumes of other main commodities". Temporary aid could also be given to the poultry and pigmeat sectors if changes in feed prices occur.

Norway	Unit	Forecast			% Change	
		1993	1994	1995	1994/93	1995/94
<b>Cattle numbers</b>	'000 head	1,008.4	1,003.1	988.1	-0.5	-1.5
<b>Beef and Veal</b>						
<b>Production</b>	'000 t	83.1	84.1	84.0	1.2	-0.1
<b>Consumption</b>	'000 t	82.2	84.0	83.9	2.2	-0.1
<b>per capita</b>	kgs	19.1	19.4	19.2	1.6	-1.0
<b>Exports</b>	'000 t	3.6	1.4	1.4	-61.1	0.0

### Sweden

33. In 1993, total cattle and calf inventories increased slightly compared to the previous year. The Swedish cattle herd continued to expand in line with the restructuring process started in 1987. The measures to discourage milk production and the reforms introduced by the new agricultural policy in 1990 contributed to an increase in the beef cow herd. Since 1991 beef cow numbers rose by almost 60 per cent while dairy cow inventories remained stable. However, the dairy and beef cattle herd is forecast to stabilize over the next two years.

34. After a drop in 1991 and 1992, last year beef and veal output expanded modestly reaching 141 thousand tons. This was due to increased cattle slaughter and higher average weights. In 1994, an expected 3½ per cent decrease in production reflects mainly a cyclical downturn. Per capita beef and veal consumption is forecast to continue its slight downward trend caused by the recession, to some 16½ kgs. On the contrary, consumption of pork, the favourite meat in Sweden, will rise significantly.

35. In 1991, the new agricultural policy abolished the system of collectively financed export subsidies. However, farmers have been compensated for three fiscal years through temporary export support in the form of direct payments. In July 1993, transitional export support for meat has been prolonged until the end of 1994 instead of ending in fiscal year 1993/94. The total amount paid will be 550 million SEK. In 1993, contrary to earlier estimates, beef exports increased to 12.3 thousand tons. This was partly due to the devaluation of the Swedish krona against the United States dollar. The United States

and Mexico were still the main destinations for frozen beef and veal exports, while processed meat was delivered mostly to Germany and other European countries. The average export price was US\$2,130 per ton f.o.b. Exports are forecast to decline in the next two years.

36. In the second half of 1993, Swedish bovine meat imports rose significantly compared to the same period of 1992. Poland and Hungary were the main suppliers of frozen beef, accounting for 40 per cent of total imports. Fresh and chilled beef was imported mostly from Finland. By the end of last year, 20.1 thousand tons of meat had been imported at an average price of US\$ 4,260 per ton c.i.f. The declining trend in beef consumption is likely to reduce imports in the future.

37. In December 1990, when Sweden decided to apply for European Communities' membership, the producer prices, support levels and production costs in the livestock sector were significantly higher than in the European Communities. Sweden will be the only applicant among the EFTA countries which will not benefit from the transitional period to align the producer prices to the level set in the European Communities. In compensation, the country will phase in its budgetary commitments over four years. According to the agreements negotiated last March the suckler cow premium will be fixed at 155 thousand head and the male premium at 250 thousand head. Nearly all Swedish demands regarding animal health have been accepted. Unless otherwise guaranteed that the meat is free from salmonella, imports from European Communities' countries will be allowed only if the meat comes from certified slaughterhouses.

Sweden	Unit	Forecast			% Change	
		1993	1994	1995	1994/93	1995/94
<b>Cattle numbers</b>	'000 head	1,806	1,810	1,810	0.2	0.0
<b>Beef and Veal</b>						
<b>Production</b>	'000 t	141	136	145	-3.5	6.6
<b>Consumption</b>	'000 t	146	144	145	-1.4	0.7
<b>per capita</b>	kgs	17.0	16.5	16.8	-2.9	1.8
<b>Imports</b>	'000 t	20	17	17	-15.0	0.0
<b>Exports</b>	'000 t	12.3	9	9	-26.8	0.0

### Switzerland

38. The downward trend in Swiss cattle and calf inventories over recent years, due to governmental measures to limit milk output, appears to have been largely arrested. In 1993, the Swiss cattle herd decreased modestly to 1,745 thousand head. However, this decline hides an important restructuring process. In spite of lower dairy heifer and calf numbers, the dairy cow inventory rose for the first time since the late 1970s. At the 21 April 1993 census, beef cattle was at 83 thousand head, nine times higher than in the previous year. This was presumably due to the reduction of the cattle elimination contributions decided by the government in January 1993. Beef cattle supply is expected to rise in the future as, last February the contributions have been cut by a further SwF 14 million. Total herd inventories are estimated to drop to 1,735 thousand head by the end of the year.

39. The decline of slaughtered animals resulted in a 9 per cent drop in bovine meat production last year. Beef and veal output is expected to fall further to 140 thousand tons in 1994. Despite a

13 per cent increase in retail prices for beef in the second over the first half of 1993, total beef and veal consumption rose. It is noteworthy that, at the same time pigmeat prices were at their lowest level since 1984. Increased tourism appears to have been the main cause for the increase in beef and veal consumption. Bovine meat consumption is estimated to stagnate at 168 thousand tons in 1994.

40. Swiss beef and veal imports increased slightly in 1993. Imports of fresh and chilled beef and veal still accounted for almost half of total imports. However, the quantities of frozen low-quality meat delivered to Switzerland increased. The main suppliers were Brazil and the European Communities. Total beef and veal imports are expected to reach 8 thousand tons by the end of the year.

Switzerland	Unit	Forecast		Forecast	% Change	
		1993	1994		1995	1994/93
Cattle numbers	'000 head	1,745	1,740	1,735	-0.3	-0.3
<b>Beef and Veal</b>						
Production	'000t	152	140	n.a.	-1.3	-
Consumption	'000t	168	168	n.a.	-0.0	-
per capita	kgs.	24.1	24.0	n.a.	-0.4	-
Imports	'000t	7.8	8	n.a.	2.6	-

## Bulgaria

41. The overall economic difficulties experienced by Bulgaria during the last few years continued to have an adverse impact on the agricultural sector in general and on cattle breeding and meat production in particular. In 1993, the restructuring of agriculture continued, in particular the land reform and the privatization process as well as the withdrawal of governmental support to agriculture. The privatization process has apparently met with major difficulties, however, due to the farm structure, in particular the prevalence of very large farms under the old system.

42. Cattle and calf numbers further fell in 1993 and are estimated to have totalled 768,000 head as compared to 1.5 million head in 1991. The development in other meat sectors was even worse. Last year, overall meat output fell by 50 per cent, and reached a level 80 per cent below the 567,000 tons produced in 1988. The drop in beef and veal production was still more pronounced, reaching 58 per cent (Table 2). Average producer prices amounted to about 1,334.6 Leva per 100 kg., corresponding to about US\$55, and exceeding the European

Table 2 - Bulgaria - 1993 meat production

	Beef	Pork	Sheep	Poultry	Total
1992	52	121	0.9	44	218
1993	22	58	0.7	28	110
%C	-58	-52	-22	-36	-50

Communities' intervention price of the time by some 10 per cent. Faced with financial and organizational problems, producers may be forced to cut production further this year. Bulgarian overall meat consumption is estimated to have fallen by 45 per cent since 1989, reaching 46 kgs. per capita last year (27 kgs. of pigmeat, 9 kgs. of beef and veal and 5kgs. of poultry meat) as household incomes shrank and meat prices increased with the collapse of domestic production.

43. Export cuts and a sharp increase in beef and veal imports are another indication of the serious difficulties which the Bulgarian meat sector faces since 1991. Exports fell from close to 7,000 tons in 1992 to 1,700 tons in 1993. At the same time, beef and veal imports shot up from 700 tons to 20,000 thousand tons. Live cattle exports, which had increased sharply in 1992, were reduced by more than half. This was the result of a major cut in sales to Bulgaria's main export destination, Lebanon, as well as to other markets such as Libya and former Yugoslavia. The Commonwealth of Independent States, Greece, Jordan and Germany were other destinations of Bulgarian beef and veal. The major suppliers of imported beef were France, Latvia, Switzerland and Germany.

Bulgaria	Unit	Estimates			% Change	
		1991	1992	1993	1992/91	1993/92
<b>Cattle numbers</b>	'000 head	1,457	1,310	974	-10.1	-25.6
<b>Beef and Veal</b>						
<b>Production</b>	'000 t	58	52	22	-10.3	-57.6
<b>Consumption</b>	'000 t	n.a.	n.a.	n.a.	-	-
<b>Imports</b>	'000 t	0.1	0.4	20	300.0	4,900.0
<b>Exports</b>	'000 t	0.2	6.6	1.7	3,200.0	-74.2

### Hungary\*

44. The decline in livestock numbers in recent years illustrates the difficulties with which the meat sector has been confronted in Hungary. In a country where meat output accounts for about 20 per cent of total food production, cattle inventories dropped from 1.6 million in 1990 to 1 million in 1993, the lowest level in at least thirty years. Pig, sheep and poultry inventories were similarly reduced. In consequence, Hungarian meat production declined sharply. The forecast for 1994 is for an increase in cattle slaughter, indicating that cattle herd reduction will continue.

45. The restructuring of the meat sector in the context of the wide ranging economic and agricultural policy reforms aiming at an increased liberalization and privatization was far from being completed last year. Hungary's large scale slaughterhouses are integrated vertically, including breeding, slaughtering, freezing, processing, warehousing and product marketing. They often operate at not more than 50 per cent of their capacity<sup>2</sup>. These factors complicated privatization, and by early 1993 only three out of nineteen state-owned slaughterhouses had been privatized, despite an initial target of complete privatization by the end of 1992. However, privatization made further progress through the year and the number of smaller private slaughterhouses and processing companies, which are more economically viable because of lower operating costs, multiplied.

46. On 1 March 1993, a new law, Act VI on Agricultural Market Regulation, entered into force. Implementation of the law in the different commodity areas is administered by the Ministry of Agriculture in co-operation with other ministries and the so-called Commodity Councils, i.e. in the case of beef, the Livestock and Meat Produce Council. The law distinguishes between "essential" and "non-essential" agricultural products. For essential products, initially bread, wheat, feed maize

<sup>2</sup> Laszlo Ranky, Meat Markets from Eastern Europe, Paper delivered at the Ninth World Meat Congress, Sydney, April 1993.

and milk, direct market controls apply. Beef, pigmeat and poultry meat and meat products were initially classified as non-essential, but are included in the first group as from January 1994. This year, new government policies, including new price regulation and credit schemes will be implemented. Quality-specific guarantee prices for wheat, corn, pig, cattle and cow milk will be established. Likewise, target prices for the most important other agricultural products will also be introduced.

47. Meat demand decreased sharply in Hungary over the past few years (Table 3). Per capita consumption of beef was estimated at 4.5 kgs. in 1993, roughly half its level at the end of the 1970s. Underlying this development are the erosion in consumers' purchasing power and high levels of unemployment.

48. Last year, estimated total live cattle and bovine meat exports in carcass weight equivalent fell sharply by 35 per cent to 40 thousand tons. The collapse of Comecon resulted in sharply reduced Hungarian beef exports to Eastern European markets. The former Soviet Union was Hungary's largest market for meat in general and for live cattle and beef in particular. The former Yugoslavia was another important destination. Reportedly, only Croatia and Slovenia are in a

position to purchase some Hungarian meat. Russia remains the largest potential market for meat. However, Hungary faces strong competition from the European Communities in this market. The idea of financing Hungarian exports to Russia by the European Communities does not seem to have materialized. Risky barter deal operations are seen as the only way to export to Russia. The European Communities' market has become increasingly important as an alternative outlet.

49. The Association Agreement provides, until 1996, the opportunity of exporting beef to the European Communities at a reduced levy, with quantities based on past performance. Under the terms of the Agreement as completed by additional protocols last year, salami, dry sausages and pork cuts also benefit from reduced levies. However, Hungarian cattle, meat and dairy exports to the European Communities were adversely affected by the import ban imposed on 7 April 1993 by the European Communities on grounds of Foot-and-Mouth (FMD) disease. The ban, which also applied to other Central and Eastern European Countries and part of the former Soviet Union, was lifted for imports from Hungary on 11 May 1993.

Table 3 -HUNGARY - Meat Consumption (Kgs.)

	1988	1990	1991p	1992p
Pigmeat	41.5	38.8	33.0	29.0
Beef & veal	7.7	6.5	6.0	5.5
Poultry meat	21.4	22.8	22	29
Sheep meat	0.4	0.4	0.4	0.5

p) Preliminary data

Hungary	Unit	Estimates		Forecast	% Change	
		1992	1993	1994	1993/92	1994/93
Cattle numbers	'000 head	1,159	1,050	n.a.	-9.4	-
<b>Beef and Veal</b>						
Production	'000 t	110	96	n.a.	-12.7	-
Consumption	'000 t	60	47	n.a.	-21.7	-
per capita	kgs	5.7	4.5	n.a.	-21.1	
Exports*	'000 t	62	40	n.a.	-35.0	-

\* Total live cattle and bovine meat exports in carcass weight equivalent.

**Poland\***

50. In Poland cattle numbers were substantially reduced in recent years in both the private and the public sector. This trend is expected to continue in the near future, but at a slower pace. In 1993, the downward trend was supported by severe grain shortages due to the 1992 summer drought put further strains on cattle breeding. The meat industry facing a serious financial crisis and industrial slaughterhouses are often operating at 35 per cent of their capacity.

51. From January to June 1993, lower beef production was compensated by rising pigmeat output. However, since then a sharp increase in grain prices resulted in a squeeze of profit margins, and production of pigmeat has decreased as well. Total red meat production is estimated to have fallen by 6 per cent last year, and a further 17 per cent drop is expected for 1994. The overall 1993 decline largely reflects reduced output in large state-owned farms. Production in smaller private farms is estimated to have stabilised or even increased. The output decline is likely to drive up meat prices in 1994, even though particularly in the early part of the year consumption may also decline. Preliminary indications suggest that real wages are beginning to increase in Poland. Should that be the case, meat consumption could pick up again. Such a development, coupled with improved profit margins through higher prices, could also stimulate production in the latter part of the year.

52. In 1993, despite lower imports, net exports in total slaughter livestock, fresh meat and processed meat fell to about 12 thousand tons of equivalent carcass weight, from 20 thousand tons in 1992. Live cattle exports decreased from a record 723 thousand head in 1990 to 220-240 thousand head in 1993. On the other hand, beef and veal exports are estimated to have fallen to 20 thousand tons, down from a record 55 thousand tons reached in 1988 and 1989. Major export destinations last year were the European Communities (in particular, Germany) and Sweden.

Poland		Estimates		Forecast	% Change	
	Unit	1992	1993	1994	1993/92	1994/93
<b>Cattle numbers</b>	'000 head (1 January)	8,221	7,643	7,600	-7.0	-0.6
<b>Beef and veal</b>						
<b>Production</b>	'000t	546	470	411	-13.9	-12.6
<b>Consumption</b>	'000t	483	425	n.a.	-12.0	-
<b>per capita</b>	kgs.	12.6	11.0	n.a.	-12.7	-
<b>Imports</b>	'000t	34	30	n.a.	-11.8	-
<b>Exports</b>	'000t	23	20	n.a.	-13.0	-

**Romania\***

53. The steep decline in Romanian cattle inventories in the last five years reflects the difficult situation facing the livestock sector in Romania. Cattle and calf numbers fell sharply to an estimated 3.7 million head in 1992, almost half their level five years earlier. The decline was related to erratic feed supplies, which led to high cattle slaughtering, and to the dissolution of co-operative farms and other problems associated with the privatization process. However, there are indications of a turn-around in 1993. In September last year, livestock inventories for all species are estimated to have increased compared to the beginning of the year.

54. Despite higher cattle slaughter, Romanian beef and veal production fell in recent years, except for 1990 when increased imports of animal fodder allowed a brief recovery in slaughter weights. In spite of reports of improved efficiency in 1992, beef and veal output is believed to have fallen again by 24 per cent. However, from January to September 1993, the output of slaughterhouses is estimated to have doubled and the production of meat and meat products to have increased accordingly.

55. The return of land to its former owners in accordance with the privatization law is reported to have already resulted in the emergence of more than one million new landowners. However, in many cases, privatization is apparently resulting in the fragmentation of farms into economically non-viable units, or farms which, are left uncultivated because the owners are elsewhere employed.

56. Despite the recovery last year, meat production remained at relatively low levels and consumption of meat remained depressed. Sharply increased prices and the elimination, since May 1993, of consumption subsidies contributed to this development, as did the overall economic crisis, including persistent unemployment. While pigmeat intake dropped by 5 per cent to 25.4 kgs., that of poultry meat declined by 20 per cent in 1992.

57. Since February 1991, livestock, meat and meat products have been restrained by export quotas aimed at limiting domestic shortages. These measures, coupled with declining consumption, also reduced import levels since 1991. In 1992, beef exports were limited to 11 thousand tons. During the first nine months of 1993, although export quotas were increased, beef exports fell to 5 thousand tons from about 8 thousand tons during the same period of 1992. The product mix of beef exports also changed. In 1991, fresh and chilled beef exports, mostly to former Yugoslavia, represented 63 per cent of total beef exports. In 1992, these products represented only 9 per cent, with canned and cooked beef amounting to 49 per cent of the total. From January to September 1993, canned and cooked beef amounted to 35 per cent of the total, while frozen beef sales represented 46 per cent. Germany has traditionally been the major outlet for canned and cooked beef. Export markets for other types of bovine meat include Greece, Cyprus, Macedonia, Austria and Lebanon. During the first three quarters of last year, live cattle exports were sharply reduced to 8 thousand head compared with 41 thousand during the same period of 1992. The main export markets were Turkey and Jordan.

Romania	Unit	Estimates			% Change	
		1990	1991	1992	1991/90	1992/91
Cattle numbers	'000 head (31 December)	5,381	4,355	3,683	-19.1	-15.4
<b>Beef and veal</b>						
Production	'000 t	287	219	121	-23.7	-44.7
Consumption	'000 t	296	257	n.a.	-13.2	-
per capita	kgs.	12.8	11.3	n.a.	-11.7	-
Imports	'000 t	58	11	11	-81.0	0.0
Exports	'000 t	0.1	6.2	10.7	6,100.0	72.6

### South Africa\*

58. In 1993, after two years of cyclical reduction aggravated by serious drought, the South African cattle herd began to recover as a result of better weather conditions. The increase in cattle numbers reflects a major drop in adult male cattle and calf slaughter (18 per cent and 6 per cent, respectively),

but conceals a 16 per cent rise in cow cull. The share of cow kill in total slaughter increased to 53 per cent, a very high rate for a herd rebuilding phase as evident from a corresponding average 38 per cent in recent years. Although female cattle slaughter is expected to fall within the next two years, its share in total cull is expected to stabilise around last year's level. The next peak in cattle herd numbers is expected to occur by 1997.

59. Despite the drought, average cattle slaughter weights increased by an estimated 6 per cent in 1992, as there were sufficient reserves of feed grain and the number of feedlot operations increased so that about 60 per cent of the slaughtered stock was marketed through such operations. In 1993, average slaughter weights were 3 per cent down as the share of female cattle in total slaughter mix increased. Added to reduced male cattle cull, the result was a 3 per cent decline in beef production. Production is expected to decline further in the next two years. Average producer prices (i.e. average for all grades and all markets) showed little improvement in 1992 due to high cattle slaughter, but are estimated to have increased by 3 per cent in 1993. This was related to decreased cattle cull, but probably also to the deregulation of the meat sector<sup>3</sup>.

60. After several years of slow but continued growth, South African beef and veal consumption decreased in 1993. Higher retail prices (1.5 per cent during the first six months of the year) contributed to this development as did lower disposable income last year. Per capita consumption of other types of meat also declined. In recent years, poultry meat has slowly replaced beef as the most demanded meat. Last year, poultry meat demand was again the least affected by the decline in household incomes, while pigmeat and sheepmeat per capita consumption decreased in parallel with beef.

61. South Africa is a net meat importing country, in particular of beef. Occasionally, it exported limited beef quantities. Exports are controlled by the Meat Board under the Marketing Act. During the last few years, some 80 per cent of the imports were frozen beef of manufacturing quality, originating mostly in the European Communities. In 1993, imports grew by 15 thousand tons. Although beef imports are expected to rise somewhat in the next two years, it is expected that there will be a move towards animal production and away from field crops over the medium to long term. This is likely to reduce import dependence.

62. Live cattle imports are estimated to have increased from 152 thousand head in 1992 to 173 thousand head in 1993. Most cattle is imported from the common customs area. Imports from other sources face a 60 per cent import surcharge. It is expected that cattle imports will rise somewhat in 1994, and decrease afterwards.

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<sup>3</sup>The last deregulation move, on 22 January 1993, lifted all remaining restrictions regarding the movement and method of sale of slaughter animals, meat, offal, hides and skins in the controlled areas, as well as the control over the sale and slaughter of animals in the controlled areas. Producers can now choose which abattoir to use. The state-owned Abattoir Corporation (Abacor), which operates slaughterhouses throughout the country and accounts for 40 per cent of slaughtering, will be privatized, with wide share distribution recommended. In the future, the Meat Board will only be responsible for the classification of meat, grading of hides and skins at certain abattoirs and, when requested, the maintenance of an auction system. It will continue to operate a floor price scheme by determining a floor price and purchasing meat at that level. Abattoirs are free to apply the scheme.

South Africa	Unit	Estimates		Forecast	% Change	
		1992	1993	1994	1993/92	1994/93
Cattle numbers	'000 head (1 January)	8,400	8,593	8,898	2.3	3.5
<b>Beef and veal</b>						
Production	'000 t	747	721	679	-3.4	-5.9
Consumption	000 t	751	745	741	-0.8	-0.5
per capita	kgs	19.4	18.8	18.4	-3.1	-2.1
Imports	'000 t	22	37	39	63.7	5.5

### Tunisia\*

63. In Tunisia, 80 per cent of the cattle is raised in the north of the country where pasture conditions are relatively favourable and where the proximity of urban centres underpins the marketing and processing of meat and dairy products. During the Seventh Plan (1986-1991), herd expansion fell short of forecasts: the average rate of increase was less than 0.5 per cent compared with the planned 4.2 per cent. This is attributable firstly to two successive drought years (1987-1988 and 1988-1989) which essentially affected the herds of the local population, and secondly to low prices until 1990 when domestic beef prices were deregulated. The number of pure-bred animals increased at an average rate of 4½ per cent annually compared with the planned 11 per cent. This increase stems from imports of in-calf heifers effected annually in order to improve dairy production, rather than from an autonomous herd increase.

64. Bovine meat production also fell below the targets of the Seventh Plan, except in 1987, when it increased by 4 per cent. At the start of the Plan, producer prices were relatively profitable which encouraged the development of beef production. As from 1988, following the drought, feeding-stuff prices (fodder and straws) increased sharply. Meanwhile, retail prices for meat were fixed by the Government and cattle farmers lost interest in the fattening and valorization of cull cows. At the same time, the slaughter of bovine animals accelerated sharply. This situation lasted until September 1990 when retail prices of local beef were deregulated.

65. Production then rose from 38,950 tonnes in 1990 to 40,900 tonnes in 1991 and 43,350 tonnes in 1992. This progressive increase reflects the recovery of cattle-fattening activity despite the liberalization of imports in July 1990. Given the importance of domestic demand for beef and milk, under the Eighth Plan (1992-1996) cattle farming is expected to develop considerably so as to reach self-sufficiency by 1996 (assuming stable per capita consumption at about 19 kg. per year). For this target to be met in the case of bovine meat, beef and veal production will have to rise from 43.3 thousand tons in 1992 to 52.1 thousand tons in 1996.

66. In order to attain these targets, the Eighth Plan assumptions are that the cattle herd will expand from 357.5 thousand female animals, including 104 thousand pure-bred animals, in 1991 to 366 thousand female animals, including 125 thousand pure-bred animals, in 1996 and that feeding resources will increase. The overall requirements of the national herd are estimated at 3,873 million feed units (FU) per year at present and at 4,638 million FU per year in 1996. The required increase in fodder production is expected to be achieved by several means, including the extension of areas sown to fodder, improved productivity through the introduction of high yield varieties, and improvements in the quantity and quality of concentrated feeds. Local barley and triticale is expected to gradually replace imported maize.

Tunisia	Unit	Estimates			% Change	
		1991	1992	1993	1992/91	1993/92
<b>Cattle and calf numbers</b>	'000 head	686	732	n.a.	5.2	-
<b>Beef and veal</b>						
<b>Production</b>	'000 t	41	43	45	6.0	3.8
<b>Consumption</b>	'000 t	51	51	45	0.0	-11.8
<b>Exports</b>	'000 t	14	8	6	-42.9	-25.0

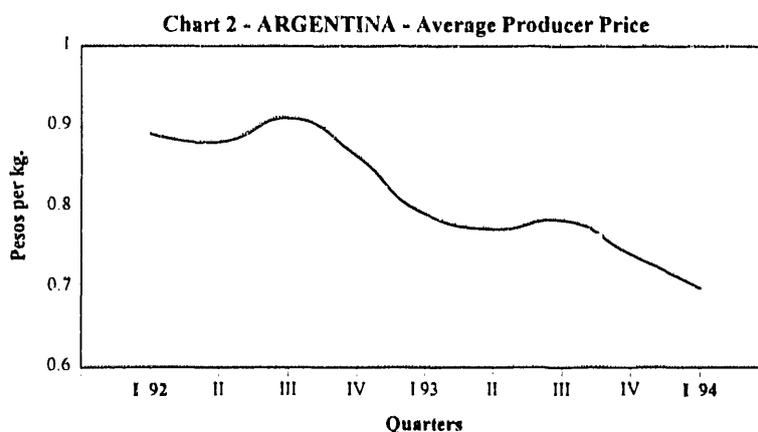
## Argentina

67. In 1993, cattle prices in Argentina decreased by 14 per cent in real terms, encouraging cattle slaughter (Chart 2). In these circumstances, the modest herd rebuilding which seemed to have been on its way in the last two years came to a halt. Cattle numbers decreased last year, but unofficial sources suggest that the reported 52 million head may be an underestimate. Based on numbers issued from the analysis of Foot-and-Mouth disease eradication plans, the "Informe Ganadero" reports that the Argentinean cattle herd could total 54-55 million head. The price decline continued in the first quarter of 1994, but cattle slaughter began to slow down in February. With calf crops running at a low 13 million head, herd rebuilding may be some time away.

68. Feedlots made their appearance in Argentina in the last few years but grain-fed beef production accounts for only 1 per cent of total output. Thus, beef production remains heavily dependent in seasonal conditions. Last year, cattle losses in the wake of major floods in the province of Buenos-Aires kept the production growth at less than 1 per cent. Lower cattle slaughter in the first quarter of 1994 resulted in a 5 per cent production drop. However, it is expected that by the end of the year beef supply will be at levels similar to 1993. Around 90 per cent of Argentinean beef production is consumed domestically.

69. Lower cattle prices did not result in a similar fall of beef retail prices, but in higher retailers' profit margins. This rise helped to ensure the survival of a large number of retailers which are increasingly under competition from supermarkets. Last year, relatively stable retail prices contributed to a stable level of beef consumption which, at 67 kgs. per capita, remains the highest in the world. Per capita poultry meat consumption, which in recent years emerged as an alternative to bovine meat, decreased by 8 per cent partly in response to a 20 per cent drop in imports from Brazil.

70. Lower domestic cattle prices in 1993 did not improve the international competitiveness of the Argentinean beef because of the strength of the US\$ to which the Argentine peso is pegged. Beef exports plummeted to 278 thousand tons, the lowest level since 1986. However, an increased share of Hilton beef sales to the European Community allowed for higher export revenues. During the first quarter of 1994 exports continued to decline, but reports on difficulties to fulfil the increased European Communities' Hilton beef quota due to depleted heavy steers inventories seem to be unfounded. The Argentinean industry appears to fulfil the quota at a more sustained rhythm than last year, without any significant rise in heavy steers' prices. However, exports of high quality cuts increased at the expense of canned and cooked beef. The United States continues to be the second major export destination for Argentinean beef after the European Communities, but sales of fresh and chilled product



Source: SAGYP.

continue to be excluded from the United States' market for sanitary reasons. The outcome of the Uruguay Round negotiations could help to change this situation.

Argentina		Forecast			% Change	
		1992	1993	1994	1993/92	1994/93
	Unit					
<b>Cattle numbers</b>	'000 head (30 June)	53,011	52,173	52,767	-1.5	1.1
<b>Beef and veal</b>						
<b>Production</b>	'000 t	2,487	2,508	2,520*	0.8	0.5
<b>Consumption</b>	'000 t	2,190	2,232	2,210*	1.9	-1.0
<b>per capita</b>	kgs	66.4	66.9	66.2*	-3.0	-1.0
<b>Exports</b>	'000 t	296	278	285	-6.1	2.5

\* Secretariat forecast

## Brazil

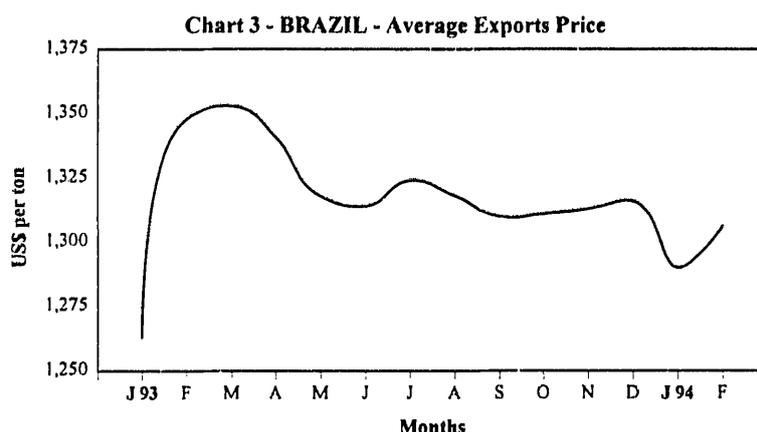
71. In spite of its huge potential, the Brazilian bovine meat industry continues to suffer from the country's economic turmoil. An increasing number of meat plants, including some of the major ones with large participation in international trade, are faced with extremely difficult financial situations, if not bankruptcy (which forced a number of plants to halt production). Furthermore, Foot-and-Mouth disease which had spread in 1992, progressed further last year. FMD outbreaks totalled 1,432 in 1993, against 1,232 and 757 in 1992 and 1991 respectively. With the exception of the central and western regions (expected to be FMD free by 2000), FMD outbreaks increased throughout Brazil.

72. Cattle numbers are estimated to have increased by 2 per cent last year, reaching 150 million head. It is estimated that about 24 million head were slaughtered, corresponding to some 5 million tons of beef produced, a 10 per cent rise over 1992. Low productivity and the relatively late age at which cattle is slaughtered are other factors checking the development of the industry. As some 90 per

cent of the beef produced is for internal consumption, developments in the domestic market are crucial for the health of the industry.

73. In Brazil, bovine meat demand is very sensitive to the development of disposable household income. In periods of income growth, consumption of beef tends to rise, with the consumption of high quality beef rising at a faster pace than the consumption of low quality beef or poultry meat. Conversely, in years of recession, high unemployment and high inflation rates, consumers substitute poultry meat for more expensive beef. This pattern is likely to hold in case of recovery of the Brazilian economy. While the highly integrated and continuously expanding poultry meat industry would have no serious difficulties in reacting to increased demand, the bovine meat sector's capacity to respond relatively quickly is questionable. This is one of the reasons why neighbouring countries are increasingly interested in Brazilian market developments. The possibility of increased Brazilian imports (live cattle or beef) are seen by a number of traders in those countries as at least as attractive as the increased export opportunities created by lower European Communities' stocks and production. The Brazilian beef industry would need substantial productivity enhancing investment to increase competitive output. The modernization of feedlot operations in recent years are illustrative of this effort.

74. In 1993, Brazil exported some 392,000 tons worth US\$ 516 million, respectively 13 and 19 per cent less than in 1992. The unit export value was US\$1,316/ton f.o.b., 10 per cent below 1992 (Chart 3). This is also a relatively low unit value in absolute terms and reflects the large share of canned and cooked meat (some 60 per cent of the total) in the total export mix. Brazil's average export value was also lower than the Argentinean one which averaged US\$1,988/ton f.o.b. During the first two months of 1994, beef exports increased by 35 per cent although at a lower unit export value than last year, notably US\$1,306/ton f.o.b. However, export performance in election years is traditionally relatively poor. This "tradition" is likely to be confirmed in the current year. Political uncertainty and relatively attractive cattle prices in the domestic market (reportedly US\$1,300-1,500), coupled with the difficult financial situation mentioned above, are expected to result in a 10 to 15 per cent decline in Brazil's bovine meat exports.



Source: ABIEC.

Brazil	Unit	Estimates			% Change	
		1991	1992	1993	1992/91	1993/92
<b>Cattle and calf numbers</b>	'000 head (1 January)	144,104	147,078	150,000	2.0	2.0
<b>Beef and veal</b>						
<b>Production</b>	'000 t	4,725	4,508	4,897	-4.6	8.6
<b>Consumption</b>	'000 t	4,579	4,120	4,560	-10.0	10.7
<b>per capita</b>	kgs	30.2	30.8	31.4		
<b>Exports</b>	'000 t	326	434	386	33.1	-11.1

## Colombia

75. The Colombian cattle industry has been expanding over the last seven years. With about 7 million milk cattle, 6.5 million beef cattle and some 11.5 million cattle for double purpose, the cattle herd totalled a record 25 million head in 1993. Increased inventories allowed for a 5 per cent cattle slaughter rise due in particular to higher adult male cattle cull. Cow slaughter decreased, suggesting that herd rebuilding will continue in 1994. Last year, beef and veal production grew by 5 per cent over 1992 when strong cattle retention resulted in a 10 per cent output fall. Further growth is forecast for 1994 and 1995 as slaughter is expected to increase and herd rebuilding to slow down.

76. In recent years, Colombia engaged in a modernization reform of its meat sector aimed at boosting productivity, improving marketing techniques and encouraging consumption. In 1993, a general law for the development of the Agriculture and Fisheries sectors was implemented to complement these efforts. The main objectives of the law are to guarantee the domestic production of food; increase production efficiency and competitiveness and "adequate the sector to the internationalization of the economy". Improved credit facilities will be introduced and technological development and social policies in the rural sector will be strengthened. A "National Cattle Fund" was created in December 1993 to provide financial support for the modernization process, in particular for meat and milk marketing; cattle, meat and milk exports; infrastructure; and cattle raising projects as well as industrial or commercial plants.

77. Colombia's beef production is almost exclusively sold at home. Like production, consumption fell significantly in 1992, but it grew more than production last year. Because consumption is expected to also expand faster than production in 1994 and 1995, Colombia, so far a self-sufficient country in beef, will presumably become a net importing country as from the current year. The shift in the beef trade balance was already evident last year. Live cattle imports (which occurred only in 1986 and 1987) reached 8,000 head, while exports fell from 96,000 head in 1991 to 5,000 head. Furthermore, beef and veal exports fell from 21,500 tons to 1,000 tons. Ecuador was the major live cattle supplier last year.

Colombia	Unit	Forecast			% Change	
		1993	1994	1995	1994/93	1995/94
Cattle numbers	'000 head	24,964	n.a.	n.a.	-	-
<b>Beef and veal</b>						
Production	'000 t	768.2	777.4	793.1	1.2	2.0
Consumption	'000 t	767.8	820.1	840.6	6.8	2.5
per capita	kgs	22.4	23.1	23.2	3.1	0.4
Exports	'000 t	1.1	n.a.	n.a.	-	-

### Paraguay\*

78. In January 1992, cattle numbers in Paraguay had increased by 8 per cent, a recovery from the previous year. In 1993, cattle slaughter decreased by 3 per cent, suggesting that inventories continued to rise. The decline was apparently due to higher domestic cattle prices. During the first half of the year, cattle prices increased by almost 3 per cent. As average carcass weights remained more or less unchanged, beef production decreased in line with cattle slaughter. In 1994 and 1995, beef production is forecast to stagnate as cattle cull is expected to remain unchanged.

79. Beef consumption is estimated to have fallen in 1993, and a further drop is expected for 1994. Table 4 presents estimates of per capita consumption of the different types of meat from 1991 to 1995.

80. Imports of live cattle for slaughter are banned in Paraguay and there are no imports of bovine meat. Likewise, Paraguay does not export live animals. However, it is an exporter of beef. Exports of frozen beef represent about 54 per cent of total beef exports and fresh and chilled beef represent about 43 per cent. In 1993, 3 out of 5 thousand tons (product weight) of frozen beef exports went to Chile. Of the 4.4 thousand tons of frozen product sold in foreign markets, about 1 thousand tons went to Brazil and close to 800 tons to Chile. Other markets included the European Communities and Argentina. Exports of canned beef are relatively marginal and, in 1993, were mainly shipped to Saudi Arabia.

Table 4 - Paraguay - Per Capita Meat Consumption

	Beef	Pork	Poultry meat	Sheep meat	Total
1991	45	21.1	3.6	1.5	71.2
1992	50	21.5	3.3	1.5	76.3
1993	47	21.0	3.3	1.5	72.2
1994F	42	20.4	3.3	1.5	67.0
1995F	42	20	3.5	1.4	43.4

Paraguay	Unit	Estimates		Forecast	% Change	
		1992	1993	1994	1993/92	1994/93
Cattle numbers	'000 head (1 January)	7,886	n.a.	n.a.	n.a.	n.a.
<b>Beef and veal</b>						
Production	'000 t	233	225	225	-3.4	0.0
Consumption	'000 t	206	200	185	-2.8	-7.6
per capita	kgs	50	47	42	-6.0	-10.6
Exports	'000 t	27	25	40	-7.1	60.0

## Uruguay

81. Like most South American countries, the prevailing beef production system in Uruguay is based on grazing on natural pastures. The serious set-back due to the 1988/89 drought has now been partly overcome. At an expected 10.3 million head in 1994, cattle numbers seem to be approaching the peak of a herd rebuilding phase. Cattle slaughter more than doubled in the first two months of 1994. A 24 per cent increase is forecast by the end of the year, reflecting a strong increase in female cattle and calf cull. Last year, increased participation of female cattle in the slaughter mix resulted in lower average weights and reduced production. In 1994, despite a continuing large share of female cattle cull, the rise of overall cattle slaughter is expected to result in a 17 per cent beef production growth.

82. Beef is the preferred meat in Uruguay and 70 per cent of the domestic production goes to the domestic market. Beef consumption has been fairly stable over the last 10 years. At 67 kgs. per capita it is now at a level equal to Argentina. Poultry meat consumption has grown steadily in recent years, but unlike most other countries, relative prices favour sheepmeat in comparison to poultry meat as a substitute animal protein source for beef. Prices for poultry meat are, on average, about one third above those for beef. This year beef consumption is projected to grow in tandem with higher production.

83. Uruguay's export performance in 1993 was affected by low beef output and strong domestic prices. Total beef exports fell by 14 per cent, with shipments to Argentina and Brazil on a particularly strong decline. While sales to Israel, Uruguay's export market number one, were up, exports to the European Communities, the second largest export market, decreased by 10 per cent in volume. However, sales to the European Communities increased in value, reflecting an additional 2 thousand tons of Hilton beef quota as compensation for prejudice caused by the European Communities's new support system for oilseeds. During the two first months of 1994, Uruguay's beef export volume and value decreased slightly. The average export price was US\$1,718, a 9 per cent decrease over the same period of 1993. For the year as a whole a significant export recovery is expected and, at 148 thousand tons, exports are expected to reach a volume not attained since 1990.

Uruguay	Unit	Estimates		Forecast	% Change	
		1992	1993	1994	1993/92	1994/93
Cattle numbers	'000 head (30 June)	9,508	10,100	10,260	6.2	1.6
<b>Beef and veal</b>						
Production	'000 t	332	307	360	-7.5	17.3
Consumption	'000 t	208	204	212	-1.9	3.9
per capita	kgs	68	66	68	-2.9	3.0
Exports	'000 t	123	103	148	-16.3	43.7

## Canada

84. Canada's domestic beef production is driven by the current pattern of trade. Over the past ten years, there has been a growing trade of live slaughter and feeder cattle from Western Canada to the United States which in effect has curtailed the supply base of Canada's slaughterhouse industry. These exports have contributed to the decline in Canadian beef production which began in 1986. As Canadian cattle prices are linked to the much larger United States' market, the depreciating Canadian dollar has enhanced this trend in the past two years.

85. In 1989 and 1990 when the United States' market was not restricted by voluntary export restraint agreements (VER), Canadian manufacturing beef prices were consistently higher than United States' prices. Since 1991, Canadian prices have been declining vis-à-vis United States' prices, and in early 1993 prices began to fall below the United States' level. This period coincides with two developments: first, a strong increase in imports from Australia and New Zealand following the imposition of VERs in the United States; and second, a strong expansion of Canadian beef exports to the United States. Total beef exports up were up by almost 20 per cent in 1993.

86. While exports of live cattle were rising steadily, beef imports were also increasing. Starting at a level of about 80,000 tons in the early 1980s, imports had almost tripled by 1992, in particular imports of high-quality beef from the United States. One of the main underlying factors for this trend has been that the major centres of beef consumption in Southern Ontario and Quebec are closer to the main producing regions in the United States than those in Canada (Alberta and Saskatchewan). In 1993 beef and veal imports from Australia jumped by about 32,000 tons product weight (up 43 per cent) and from New Zealand by 31,000 tons (up 260 per cent).

87. In response, in June 1993, the Government of Canada informed the Contracting Parties of its intention to take safeguard action against boneless beef imports under Article 19 of the GATT for the period 1993-95 (document L/7219/Add.1). On 21 June 1993, the Canadian Government issued the "Surtax on Boneless Beef Order, 1993" establishing a tariff quota of 48,014 tons for the period 1 May to 31 December 1993 and covering imports from countries other than the United States. In-quota tariffs were subject to the existing m.f.n. tariff of Can\$44.10 per ton; out-of-quota imports were subject to a 25 per cent surcharge. In January 1994, the Canadian Government announced the tariff quota for 1994 at a level of 72,021 tons. On 10 May 1994, Canada informed the Contracting Parties that the 1994 tariff quota had been extended by 13,000 tons to prevent a shortage of supplies for downstream processors in the domestic beef industry.

88. While the long-term gradual build-up of the Canadian cattle herd is forecast to continue in 1994, beef production and trade are likely to take a turn in 1994. The cattle herd is forecast to increase by about 1 per cent to 12.15 million head by the end of 1994. This expansion comes fully from the beef cow herd, whereas the dairy herd continues to shrink, partly as a result of past milk quota cuts (although in 1993, Canada's market sharing quota for industrial milk was increased on two occasions). Unlike last year, Canada's domestic beef production is expected to increase by about 5 per cent in 1994 as domestic beef prices have been approaching United States' levels. In fact, prices have almost been converging in the first months of 1994 as Canadian importers have been bidding up prices for Australian and New Zealand shipments under the tariff quota which is filled on a first-come-first-served basis. Likewise, Canadian beef exports, mainly manufacturing type of beef, are forecast to drop sharply in 1994. This reflects also an anticipated decline in United States' prices.

89. Live cattle exports, on the other hand, are forecast to increase further from 1.25 million in 1993 to 1.35 million head in 1994. At the end of 1993, Canada terminated the National Tripartite Stabilization Program (NTSP) for cattle, an income stabilization scheme set up in 1985. The NTSP was abandoned two years earlier than planned for concerns that it might endanger Canada's beef and cattle exports to the United States. The NTSP for hogs remains in operation and is countered by countervailing duties on the United States' side.

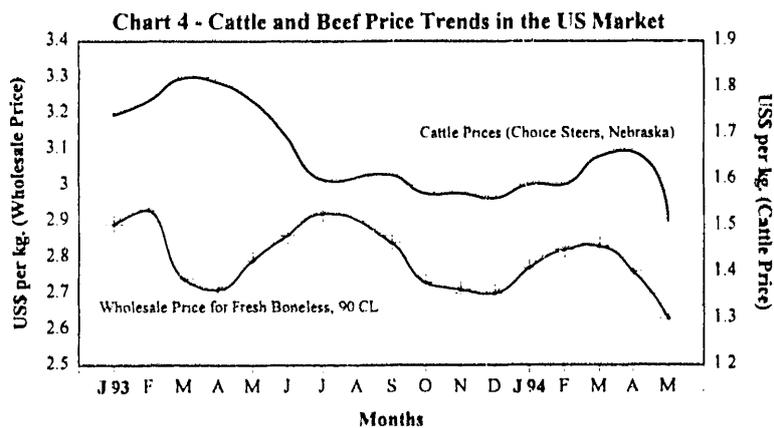
90. Like many countries, beef consumption in Canada has been declining in recent years, largely reflecting high beef prices relative to other meat and the recession. Beef has notably lost ground vis-à-vis poultry meat. For 1994, however, a relatively strong recovery in beef consumption is expected.

Canada		Forecast		Forecast	% Change	
	Unit	1993	1994	1995	1994/93	1995/94
<b>Cattle numbers</b>	000 head (1 January)	11,786	12,028	12,150	2.1	1.0
<b>Beef and Veal</b>						
<b>Production</b>	000 t	870.9	913.3	915.2	4.9	0.2
<b>Consumption</b>	000 t	949.5	978.3	985.2	3.0	0.7
<b>per capita</b>	kgs.	32.8	33.4	33.3	1.8	- 0.3
<b>Imports</b>	000 t	270.3	280.0	270.0	3.6	- 3.6
<b>Exports</b>	000 t	190.3	214.0	200.0	12.5	- 6.5
<b>Exports, incl. live slaughter cattle</b>	000 t	465.2	475.1	478.1	2.1	6.3

### United States

91. The United States' cattle herd continued to expand at a slow pace in 1993. The cattle cycle, which is much more moderate than in previous cycles, is expected to continue until the mid-1990s. Dairy cow numbers, on the other hand, continue to decline, a long-term trend observable for most dairy producers in the OECD (except in Australia and New Zealand). Cattle slaughter is forecast to increase by 1 per cent in 1994 but the major boost to beef production will result from a strong increase in slaughter weights, which were low in 1993 due to the floods. Total beef production is projected to increase by about 4 per cent.

92. United States' prices for imported manufacturing-type of beef have moved up in the beginning of 1994, a seasonal response to tighter supplies, notably from imports. Since March 1994, prices have declined steadily as the market has come under increasing pressure from large beef quantities held in storage and from competing meats (chart 4). Cattle prices have dropped sharply from last year's flood-related inflated level. In April 1994, slaughter cattle prices (Choice Steer, Nebraska) were about 11 cents per kg. lower than a year ago (i.e., down by 8 per cent), while feed costs have remained high. Feedlot operators have registered operating losses since mid-1993.



Source: USDA.

93. The United States will benefit from duty-free access to the Mexican market whereas non-NAFTA countries are subject to a 20 to 25 per cent duty. The United States expects a 20 per cent increase in exports to Mexico, while Australian shipments to Mexico have already dropped sharply this year. Comparative advantage has shaped a pattern of trade in live cattle in which Mexico predominantly exports feeder calves to the United States for fattening which are then exported as slaughter animals back to Mexico. Forecasts indicate that United States' exports of slaughter cattle may increase from 153,000 head in 1993 to 270,000 head this year, mainly as a consequence of NAFTA which has dismantled the 15 per cent tariff. In Korea, which took 9 per cent of total United States' exports in 1993, the United States' beef industry expects a 20 per cent increase, in part at the expense of its competitors Australia and New Zealand, in part as the result of the increase of the base quota by 7,000 tons to 106,000 tons product weights. In Japan demand continues to be very strong. However, there have been reports that Japan may establish a 25 per cent surcharge on beef imports, on top of the current tariff of 50 per cent ad valorem.

94. In the United States, red meat and poultry meat consumption have been at a record high in the first quarter of 1994. Both beef and poultry meat consumption rose while pigmeat consumption declined. For 1994 as a whole, a 4 per cent increase in beef consumption is forecast, the first increase since 1985.

95. Imports of Meat Import Law-type of meats into the United States are at a cyclical low. The access level was reduced from 571,000 tons in 1993 to 552,893 tons in 1994. The VER agreements with Australia and New Zealand provide for 4.3 per cent lower access for each of the countries. In the first four months of 1994, total imports under the MIL were 26 per cent lower in part reflecting a temporary diversion of exports to Canada to fill the first-come-first-served quota (see paragraph [14]) and partly reflecting importers' expectations of lower offer prices in the months to come, once the

Canada quota will be filled. After the initially increase in prices for manufacturing type of beef during January-February 1994, prices have already dropped significantly.

United States		Forecast		% Change
	Unit	1993	1994	1994/93
<b>Cattle numbers</b>	000 head (1 January)	100,611	101,749	1.1
<b>Beef and Veal</b>				
<b>Production</b>	000 t	10,584	10,986	3.8
<b>Consumption</b>	000 t	11,018	11,619	5.5
<b>per capita</b>	kgs.	42.7	43.9	2.8
<b>Imports</b>	000 t	1,089	1,073	- 1.5
<b>Exports</b>	000 t	578	646	11.8

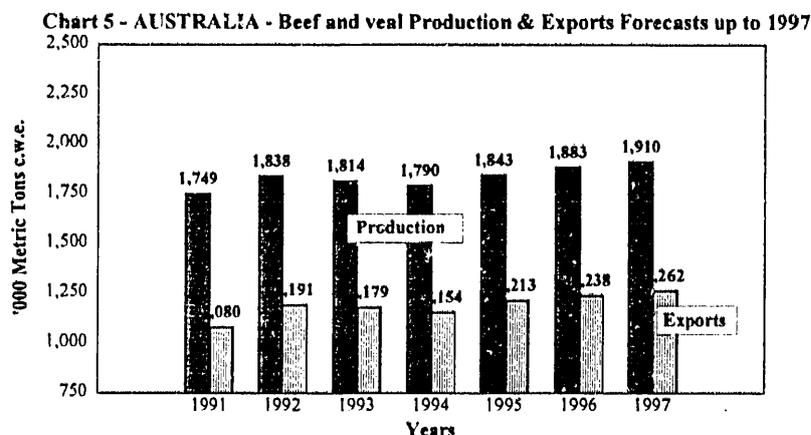
### Australia

96. Australia's beef industry appears to be entering another herd rebuilding phase. Both ABARE and AMLC predict a decrease in production in 1994/95 and increasing beef production until the late 1990s. The build-up seems ultimately to be driven by improved prospects on export markets and the comparatively low returns for sheep and wheat.

97. Australia's beef production is still mainly based on grass-fed cattle although grain-fed production is on the rise (a production stabilizing trend). Therefore, production levels in 1994/95 as well as in the future remain strongly dependent on seasonal conditions. This year, farmers have begun to retain cattle as the drought has finally ended, while last year's drought had led to a flow of unfinished cattle to the slaughterhouses. Slaughter weights are thus forecast to rise by at least 2 per cent this year. The grain-fed cattle herd currently totals about 520,000 head (about 2 per cent of total cattle inventories) but feedlot capacity is forecast to increase by 30 per cent over the next 3 years. Notably the expansion of exports to Japan, some 40 per cent of which is grain-fed beef, has led to increased investment in feedlots.

98. Forecasts indicate a strong increase of cattle saleyard prices for this year and the next, which will induce cattle farmers to build up their herds and, with a lag, will lead to increased slaughter. The saleyard indicator price is forecast to rise from A\$2.38 per kg. in 1993/94 to A\$2.80 in 1994/95. By April 1994, buoyant demand from Japan had led to an A\$0.50-0.70 price increase (over April 1993) for Japanese ox to about A\$2.80-2.90 per kg. Export prices to Japan in May 1994 were quoting at about A\$5.27 per kg., 2 per cent below 1993 levels (for prices in the United States, Australia's major export market, see paragraph 92 and chart 4).

99. The largest market for Australia's beef industry remains, by far, the domestic market. As a general trend, strong export demand has driven up domestic beef prices. Since the late 1980s, beef has lost competitiveness particularly vis-à-vis poultrymeat, but also against lamb and pigmeat, which partly explains a significant fall in per-capita beef consumption. The recession was another factor. Despite a much improved economic outlook for the Australian economy, beef consumption may further decline as domestic beef prices may further increase in view of the favourable outlook for Australian beef exporters.



Note: This projection takes into account the successful conclusion of the Uruguay Round.  
Source: Australian Meat & Livestock Corporation

100. Australian beef exports are forecast to fall slightly in 1994 and rise thereafter, assuming that the Australian dollar will not appreciate significantly. In the United States, prices remain high but market access is currently at a ten year low. The 1994 VER agreement provides for access opportunities of 301,600 tons product weight, some 4 per cent less than in 1993. Improved Australian access to the United States from 1995 onwards will complement to some extent the export expansion to Japan, as beef exports to the United States is mainly manufacturing quality, while Japan's imports are predominantly table beef. Exports to Japan may again rise significantly this year following the strong increase in 1993 which was mainly driven by the April 1993 tariff cut and the appreciation of the Yen. In the first quarter of 1994, Japan's imports were 70 per cent above last year's level: United States' exports were up by 100 per cent and Australia's exports increased by 50 per cent compared to the same period in 1993. The medium term outlook for exports to Japan remains bright. Access to Korea is limited to 106,000 tons in 1994, 7,000 tons more than in 1993. In Korea, Australia has seen its market share slip vis-à-vis the United States and New Zealand. In the past three years, there has been a shift towards grain-fed cuts from the United States and grass-fed carcasses from New Zealand. Australia's still hopes to increase exports of grass-fed beef after Korea has agreed on trial imports from Australia. Exports to Canada are forecast to be significantly lower this year as the result of the safeguard action.

Australia		1993	Forecast 1994	Forecast 1995	% Change	
	Unit				1994/93	1995/94
Cattle numbers	000 head (31 March)	23,705	23,770	25,300	0.3	6.4
<b>Beef and Veal</b>						
Production	000 t	1,796.2	1,779.4	1,730.0	- 0.1	- 2.8
Consumption	000 t	657.0	621.0	n.a.	- 5.5	n.a.
per capita	kgs.	36.8	34.5	n.a.	- 6.3	n.a.
Exports	000 t	1,216.6	n.a.	n.a.	n.a.	n.a.

## New Zealand

101. New Zealand's meat industry has been involved in a process of structural change, with sheep numbers declining year after year, while the dairy and beef herd has been increasing. Total cattle numbers are forecast to reach 8.55 million head by June 1994 (up 2 per cent). According to these predictions, the dairy cow herd will remain stable, while beef cow numbers will increase by 3 per cent to 1.5 million head. After its strong increase in 1993, production of New Zealand's highly export-oriented beef industry is forecast not to expand further, partly as a result of further reduced market access to the United States in 1994.

102. Domestic prices for beef are forecast to decline significantly in real terms this year after having risen for the past two years. Beef consumption is expected to recover in 1994 despite highly price-competitive sheepmeat.

103. Under the VER agreement with the United States, market access opportunities in 1994 have been reduced by 9,000 to 184,388 tons product weight. Exports to the United States account for about one half of New Zealand's total beef exports expected in 1994. Exports to Canada were strongly up last year from 19,200 tons in 1992 to 50,300 tons. This expansion appears to be in part a result of trade diversion in response to the United States' import restrictions. Since the beginning of 1994, New Zealand exporters have been engaged in a race with Australia in order to maximize exports under Canada's quota of 72,000 tons (later extended to 85,000 tons). As noted above, this quota is filled on a first-come-first-served basis while over-quota exports are subject to a surcharge of 25 per cent. As a consequence, exports to the United States have been much lower than in the same period in 1993. Next to Canada, Korea has become another important destination for beef exports previously marketed in the United States. In Korea, New Zealand holds a dominant position in the market segment for grass-fed bone-in quarter beef. Last year, New Zealand's beef exports to Korea met with growing competition from the United States and, as a result, average export prices were lower than in 1992. However, overall, New Zealand's export earnings per ton remained almost unchanged in 1993 at US\$2,467 and are forecast to hold steady in 1994.

New Zealand		Forecast			% Change	
	Unit	1993	1994	1995	1994/93	1995/94
<b>Cattle numbers</b>	000 head (June)	8,400	8,550	n.a.	1.8	n.a.
<b>Beef and Veal</b>						
<b>Production</b>	000 t	582	579	621	0.0	7.3
<b>Consumption</b>	000 t	98	103	103	5.1	0.0
<b>per capita</b>	kgs.	27	28.5	29	5.6	0.0
<b>Exports</b>	000 t	478	480	515	0.0	7.3

## Japan

104. Over the last few years, Japan has become one of the most attractive beef markets in the world. By now Japan is the world's second largest importer, and prices on the Japanese market are very attractive for foreign producers (imported beef loin averages US\$8,000-10,000/ton c.i.f.). Despite continuing domestic production growth, self-sufficiency fell in the last 10 years from 70 per cent to 48 per cent. With per capita beef consumption currently at 10 kgs. (which compares with 22 kgs. in the European Communities or, at the extreme, 67 kgs. in Argentina), Japan has the lowest beef

consumption among industrialized countries. Even if consumption will not necessarily reach the levels observed in other developed countries, consumption habits, especially among the young, are shifting away from the more traditional fish diet, and Japan will presumably continue to be a dynamic beef market in the longer term.

105. Despite declining prices largely due to growing beef imports since 1991 when market liberalization measures were introduced, cattle numbers continued to grow during the last three years. The expansion was entirely due to continued growth of beef cattle numbers which largely offset falling dairy cattle inventories. Reflecting lower cattle prices, slaughter increased in 1993, but lower average weights restrained the production growth to ½ per cent. In the first months of 1994, these general trends remained unchanged. Cattle prices continued to fall, leading to higher slaughter levels and increased production. At the same time, beef imports rose by some 40 per cent.

106. In 1993, beef imports rose by 21 per cent. The appreciation of the Yen against the United States dollar further pushed beef imports, despite economic recession. Highly price competitive imported beef became a major attraction for shoppers, supermarkets and the food sections of department stores. Competition among distributors increased in the course of promotion campaigns and discount sales. Such actions will continue this year. Furthermore, since the market liberalization begun, frozen beef imports were increasingly replaced by higher quality chilled and grainfed beef. Once convinced that the high quality of Japanese beef would compensate for the price difference between domestic and imported beef, the Japanese meat industry is now faced with the growing interest of consumers for less expensive, high quality imported beef.

107. Australia benefitted the most from the Japanese import surge. With a market share approaching 60 per cent, it is the leading supplier of the Japanese market. In 1993, Australian exports to Japan increased by 29 per cent, and the share of chilled grainfed beef grew by 49 per cent. The continued expansion of Australian grainfed beef exports to Japan is the driving force behind the development of the Australian feed-lot industry, often financed by Japanese capital. United States beef producers and traders fiercely compete with Australia in the Japanese market. Yet their market share decreased by 2-3 percentage points last year. In the first quarter of 1994, Japan's imports were 70 per cent above last year's level. The United States has recovered ground lost to Australia: United States' beef exports to Japan doubled while Australian exports grew by 50 per cent. Under the market liberalization measures on beef implemented in 1991, Japan can invoke "Emergency Adjustment Measures". From 1 April 1994 to the day before the implementation of the WTO, such measures consist of an annual import level of 680,832 tons, above which a 75 per cent adjusted tariff rate (against the current 50 per cent tariff rate) may be applied. Some observers believe that Japan may invoke the safeguard provisions this year.

Japan		Estimates		Forecast	% Change	
	Unit	1992	1993	1994	1993/92	1994/93
Cattle numbers	000 head (1 February)	4,980	5,024	5,055	0.9	0.6
<b>Beef and veal:</b>						
Production	000 t	592	595	605	0.5	1.7
Consumption	000 t	1,191	1,242	1,280	4.3	3.1
per capita	kgs.	9.6	10.0	10.4	4.2	4.0
Imports	000 t	603	675	695	11.9	3.0

## THE INTERNATIONAL MARKETS FOR PIGMEAT, POULTRY MEAT AND SHEEPMEAT

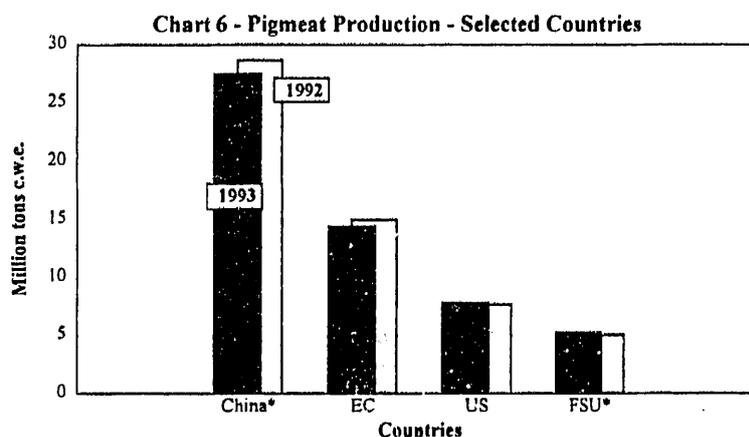
### The Pigmeat Market

#### World Trends

108. World pigmeat production continued to grow, although by a mere ½ per cent in 1993. According to FAO estimates, world output reached 73.4 million tons during the year 1993. The main contributors to this increase were China and the European Communities where production rose by approximately 6 per cent and 4 per cent respectively. Almost 40 per cent of the world's pigmeat production is produced in China. In the CIS and Central and Eastern Europe, production continued to fall as in previous years - a trend expected to persist throughout 1994. About half of world pigmeat production originated in the developing countries, a larger share than for other types of meat. This comparatively high share was largely due to China's production of about 28.7 million tons (Chart 6).

109. Forecasts for 1994 indicate that global pigmeat production will expand by about 1½ per cent. Strong growth is expected to continue in China. Production is also expected to expand in Canada, Mexico and Chinese Taipei during 1994. Forecasts for the European Communities are conflicting. In any event the changes in production are expected to be small with both an increase or a decrease possible. Production in the United States, on the other hand, is expected to decline.

110. Around the world, pigmeat production is almost entirely destined for domestic consumption. Thus, despite high production levels and growing consumption, world trade in pigmeat was estimated at only 1.6 million tons in 1993 - barely 2 per cent of total production, a percentage not likely to change in the near future. Abundant supplies have led to lower retail prices, particularly in the European Communities. The major exporters on the world market are the European Communities (led by Denmark and the Netherlands) and Canada, while Japan and the United States are the main importers.



#### European Communities

111. European Communities' supplies of pigmeat are quoted to have risen between 4 and 6 per cent during 1993 compared to 1992. The expansion persisted in spite of the fact that prices were low and producers suffered from poor returns. The continued rise in European Communities' pigmeat production during the first quarter of 1994 did little to ease the present crisis within the sector which has been one of overproduction and falling prices. During the second quarter of 1994, continued - albeit

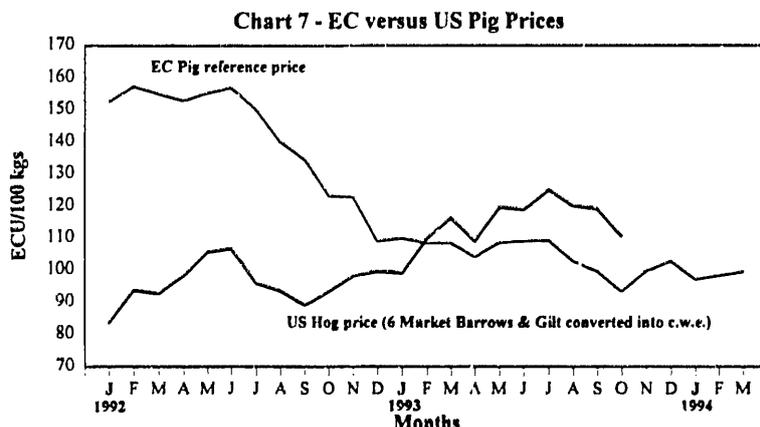
small - positive growth in production is expected. However, the third quarter is forecast to show a decline. For the year as a whole, pig supplies are expected to fall only slightly, the decline being concentrated mainly in Germany, while production is forecast to increase in Denmark and possibly in the United Kingdom.

112. France, Denmark and the Netherlands showed sizeable production increases during 1993. France - where production increased by 9½ per cent in 1993 compared to 1992 - used to be a net importer of pigmeat within the European Communities. Presently France is exporting to other member countries in an effort to move surplus production off the domestic market. Following the decision by Japan to remove import restrictions on French pigmeat, France is aiming at aggressively promoting its pigmeat on the Japanese market. Presently Chinese Taipei and Denmark are Japan's main suppliers. European Commission figures suggest that sustained French expansion will maintain pressure on the pigmeat market. It was forecast that French meat production would continue to grow in the first half of 1994 but would weaken thereafter, attaining a year-end level close to that of 1993.

113. At the beginning of 1994, the Danish pig sector was still expanding. In January 1994, the total pig herd was as much as 6 per cent larger than in the same month of the previous year. A recent report from the Danish Agricultural Economics Institute concluded that, in the light of lower agricultural subsidies around the world, the prospects for Danish pig producers are favourable. In 1994, Danish exports are forecast to reach a record level of 1.2 million tons, with above average expansion of exports to the United States, Central and Eastern Europe and Russia. Having recently won 95 per cent of a large South Korean tender on pigmeat, the Danes are hoping that South Korea will become an important market in the future, similar to that of Japan.

114. British exports boomed at the end of 1993. Between October and December 1993, pigmeat exports rose by an estimated 40 per cent over the fourth quarter of 1992. Exports may be further bolstered by another special export scheme to the CIS which came into force in February 1994. This allows for 40 thousand tons of pigmeat carcasses to be exported to Russia, Ukraine or Belarus with special refunds of ECU 700 per ton. During January to June 1994, total British pigmeat exports are forecast to rise by 11 per cent over the same period in 1993. Despite these favourable figures, the British Pig Association (BPA) claims that the industry is in a severe crisis after twelve months of low prices.

115. In the European Communities, prices have been falling since 1992 (see Chart 7). In the first months of 1994 they have remained low. However, this trend is expected to turn around in the



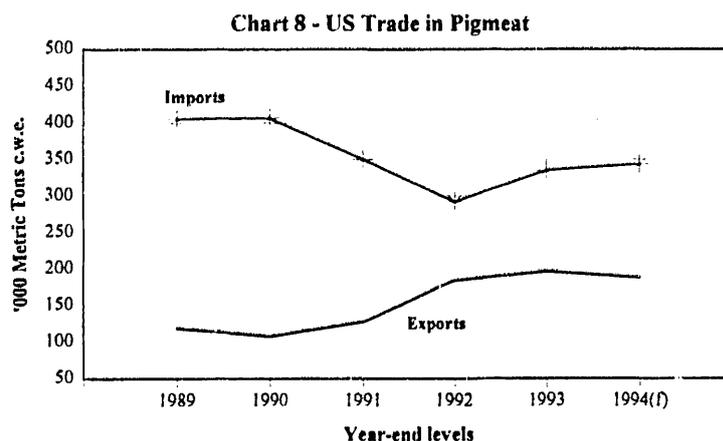
second half of 1994 leading to higher prices in 1995. Mainly as a result of lower retail prices, consumption in 1994 is forecast to continue to rise. Some sources predict an increasing pressure on European Communities' pig prices as competition from pigmeat production in Hungary, Poland and other Central and East European countries grows.

116. As of 1 January 1994, the European Communities opened a tariff quota of 7 thousand tons on fresh, chilled and frozen pigmeat as part of Article XXVIII negotiations. The variable levy for imports within the quota has been set at zero per cent.

### United States

117. Contrary to previous forecasts of another record production, the United States' pigmeat output was slightly lower in 1993 than in the previous year. Declining pig prices in 1992 reduced incentives for increased production in early 1993. While pig prices in 1993 were more favourable than in the previous year, producers were faced with higher feed costs in the latter half of 1993 as a result of floods in the major crop producing areas. Although pigmeat production is expected to decline further in 1994, the year-end level is expected to be only slightly below that of 1993.

118. In 1993, pigmeat imports increased by 14 per cent over 1992. Significant increases came from Denmark and Hungary, up 38 per cent and 40 per cent respectively. Exceptionally low prices in the European Communities and large surpluses as well as increased hog production in Canada combined with the recent reduction in the United States' countervailing duty on Canadian pigs, all point towards increased United States' imports during 1994. On the export side, 1993 United States' pigmeat exports reached the highest level since the second World War as increased sales to Canada and Russia boosted the level up to 197 thousand tons. Also, pigmeat exports to Japan captured a greater market share, increasing by almost 15 per cent at the expense of Chinese Taipei. However, the Japanese market is expected to be relatively weak during 1994 as large supplies of beef continue to pressure pigmeat trade and as the recession persists in Japan. There are expectations for increased United States' sales to Mexico in 1994 due to greater market access under NAFTA. Total pigmeat exports in 1994 are expected to attain a level 4 per cent down on 1993 but still above the 1992 level (Chart 8).



Source: USDA.

119. The United States is the world's second major pigmeat importer, only surpassed by Japan. Imports recovered after a sharp decline since 1989-90. In particular, imports from the European Communities increased as United States' and European Communities' prices converged. The competitive

situation between the European Communities and United States will be affected by changes in the pigmeat import regime of the European Communities resulting from the Uruguay Round.

### **Canada**

120. The United States is Canada's largest export market for pigmeat. In 1992, almost all exports of live pigs, and 73 per cent of processed pigmeat, were destined for the United States. In 1993, live hog exports to the United States are expected to have increased by approximately 20 per cent to reach 825 thousand head.

121. January 1994 marked the highest level of hog inventories since 1989. Lower feed costs, higher market prices throughout 1993 and the depreciation of the Canadian dollar against the United States dollar contributed to the expansion of export profitability. Taking this into account, and considering the reduction of the United States' countervailing duty on Canadian pigmeat (from Can\$ 20.5 per kg. to Can\$ 2.95 per kg.), live pig exports to the United States are likely to increase during 1994. Continued growth in hog inventories in Canada's prairie provinces is expected through 1996. Pigmeat production, on the whole, is forecast to rise by 1 per cent in 1994.

### **Japan**

122. Japan has a relatively low level of overall meat consumption. By international standards, 20 kgs. per capita pigmeat consumption is not particularly high, but consumption is slowly growing. Per capita consumption of pigmeat exceeds that of other meats; only fish consumption is higher (around 37 kgs.). In the first months of 1994, the level of pigmeat consumption was reported to have only just been maintained while beef consumption rose. Domestic producers have come under strong competitive pressure following the liberalization of the beef import regime. During 1993, beef imports increased and caused a fall in domestic wholesale prices for pig carcasses. Self-sufficiency in pigmeat decreased from 77 per cent in 1989 to 69 per cent in 1993. Producers have been confronted, as in the poultry industry, with rising costs and declining competitiveness vis-à-vis imports, partly as a result of increasingly strict pollution standards.

123. The relatively low level of overall meat consumption, stagnant domestic pigmeat production during the past few years, and an increasing reliance on imported pigmeat for processing as well as for table meat consumption point towards expanding pigmeat imports in the years to come. However, after two years of strong growth, according to the Japanese Livestock Industry and Promotion Corporation (LIPC), Japan's pigmeat imports declined by almost 3 per cent between April 1993 and February 1994. The bulk of the imports came from Chinese Taipei and Denmark with their respective shares reaching 44 and 30 per cent. Higher demand for United States' chilled parts from major Japanese retail chains contributed to slightly increased imports from the United States in 1993. Chinese Taipei's exporters continue to be confident that they may be able to capture about 40 to 50 per cent of the Japanese market in the foreseeable future.

124. LIPC estimates pigmeat production (boneless) between April 1993 and February to have increased marginally in Japan. For 1994 as a whole, United States Department of Agriculture (USDA) forecasts a 2 per cent decline in production.

### **China**

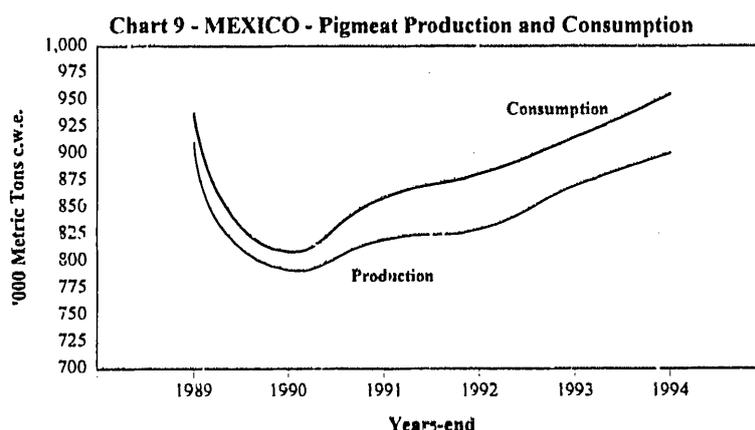
125. In 1994, pigmeat output in China is expected to increase by 9 per cent to a level just above 30.5 million tons. Growth in hog inventories has been slightly dampened by foot and mouth disease outbreaks which resulted in massive killings of infected animals. In 1993, concern over these problems

affected exports to Hong Kong, the major market for Chinese pigmeat products. China's pigmeat exports are expected to increase in 1994 with renewed trade with Russia, in particular canned pigmeat products.

126. With close to 80 per cent of total meat consumption, pigmeat is by far the dominant meat produced and consumed in this vast country. Sustained economic growth in China could result in higher domestic consumption, and it is therefore difficult to judge China's export capacity in the future.

## Mexico

127. Pig production in Mexico continued to rise in the beginning of 1994 (Chart 9). Large pig farmers are expanding their operations while small farmers are reducing production or leaving it altogether. According to USDA, imports from the United States are forecast to increase significantly in 1994 as a result of freer trade under NAFTA. Mexico has evolved from a state of self-sufficiency in pigmeat before 1988 to one of the major importers in the world. Hog inventories continue to rise but at a slower rate than expected because of a drop in United States' imports due to higher prices and Mexico's implementation of stricter health regulations for live pig imports. In 1994, consumption is forecast to rise further as the economy grows and retail prices stabilize.



Source: USDA.

## Central and Eastern Europe and the CIS

128. Central and Eastern Europe and the CIS continue to experience declines in pigmeat production. In the CIS, overall meat production fell by 8 per cent in 1993 compared to the previous year. The decline in pigmeat production is expected to continue throughout 1994 in both the CIS and Central and Eastern Europe (Chart 10).

129. Official projections in Russia point towards a 5 per cent drop in meat and milk output. However, this may underestimate private sector production. The continuing depression in the Russian livestock sector can mainly be attributed to the deteriorating performance by the remaining state and collective farm units. About 30 per cent of pig production belongs to the private sector in Russia. In the last four years, output coming from private farms has risen by 50 per cent. These numbers continue to grow but not at a rate high enough to offset the decline in the state sector. Thus, livestock numbers have fallen in all CIS countries, a decline that started in 1986, well before the breakup of the Soviet Union, but that has since accelerated. Feed supplies also continue to decrease although not in step

with the rate of decline in animal numbers. Consequently, there has been an increase in per animal feeding efficiency, somewhat stabilizing productivity. Purchases by the state procurement network have declined as well, giving way to private buyers. As of 1 March 1994, Russia imposed a tariff of 15 per cent on imported meat and meat products.

130. Poland saw pig numbers fall by 17 per cent during 1993 compared to 1992. The fall was particularly pronounced for state farms. The pigmeat sector had initially escaped the general contraction in Central and Eastern Europe's agriculture that set in with the transition process in 1990. Poland used to be an important exporter of pigmeat in the period 1980 to 1987. But in 1988, exports plummeted and have not recovered since. Although the trend in pig sales looks dismal for the first part of 1994, it may turn around towards the middle of the year. Farmers have shown an increased interest in expanding pig numbers as producer prices have risen. This is expected to halt the sharp decline and level off total sales during 1994 at a figure approximately 18 per cent lower than for 1993. Still, Poland's producers are facing increased competition from other Central and Eastern European countries and subsidized exports from the European Communities. Poland expects to lose up to 15 per cent of its food export trade to Russia as a result of the newly imposed import tariff.

131. Pig numbers in Hungary have virtually halved since the peak in 1983. In 1993, they fell by another 7 per cent, the co-operatives contributing the biggest part to the decline. An urgent need for capital investment as well as problems with quality have played a major role in the market crisis that the Hungarian pig sector is currently facing. An estimated 96 per cent of the European Communities' pig production meets the criteria set by the EUROP standard<sup>4</sup> while the corresponding figure for Hungary remains at 63 to 64 per cent. Currently, Hungary is setting up a quality control system for meat which corresponds to the EUROP standard. It should be fully operational by 1 January 1995. Pig numbers are expected to fall further in 1994 as the number of breeding sows was reduced by 14 per cent in 1993.

132. In an effort designed to relieve the pressure on a seriously oversupplied western European market, the European Communities has targeted the deficit areas of the former Soviet Union with a special export refund of ECU 700 per ton compared with the normal ECU 250 per ton. Hungarian export possibilities may be undermined by the decision to grant these subsidies for 40 thousand tons of pigmeat for export to Russia, Ukraine and Belarus. Furthermore, Hungarian food exports will suffer in the same way as Poland by the imposition of Russia's new import tariff on meat and meat products.

133. Both the CIS and Central and Eastern Europe are reported to be buying increasing quantities of food from Denmark. Preliminary estimates for 1993 show an increase by more than 50 per cent in meat sales from Denmark to these regions over 1992. The growth in pigmeat sales was particularly pronounced.

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<sup>4</sup> European Communities' carcass configuration standard.

**Table 12 - Pigmeat Situation in Selected Countries, 1992 - 1994**  
(\*000 metric tons carcass weight equivalent)

		1992	1993 Est.	1994 Forec.	% Change 1992/93	% Change 1993/94
<b>Production</b>	<b>World *</b>	73,057	73,452	74,400	0.5	1.3
	China **	26,353	27,800	30,000	5.5	7.9
	European Communities	14,388	14,972	14,922	4.1	- 0.3
	United States**	7,817	7,662	7,616	- 2.0	-0.6
	Russia **	2,787	2,530	2,400	- 9.2	- 5.1
	Poland	2,085	1,770	1,730	-15.1	- 2.3
<b>Exports</b>	<b>World *</b>	1,638	1,597	1,720	- 2.5	7.7
	European Communities	537	571	n.a.	6.3	-
	Canada	294	331	356	12.6	7.6
	Chinese Taipei **	303	283	293	- 6.6	3.5
	United States**	185	197	188	6.5	- 4.6
	<b>Imports</b>	Japan	684	718	n.a	4.9
United States**		293	336	344	14.7	2.4
Hong Kong**		198	183	185	-7.6	1.1
Mexico **		55	50	60	-9.1	20
<b>Consumption</b>	China**	26,236	27,680	29,875	5.5	7.9
	European Communities	13,911	14,482	14,432	4.1	-0.3
	United States	7,926	7,801	7,812	-1.6	0.1
	Russia **	2,812	2,610	2,450	-7.2	-6.1
	Japan	2,088	2,067	n.a.	-1.0	-
<b>Per capita Consumption (kg.)</b>	Austria <sup>1</sup>	58.8	56.3	51.4	-4.2	-8.7
	European Communities	40.2	41.7	41.4	3.7	- 0.7
	Poland	42.3	41.0	37.0	- 3.1	- 9.8
	Hungary	33.0	n.a.	n.a.	-	-

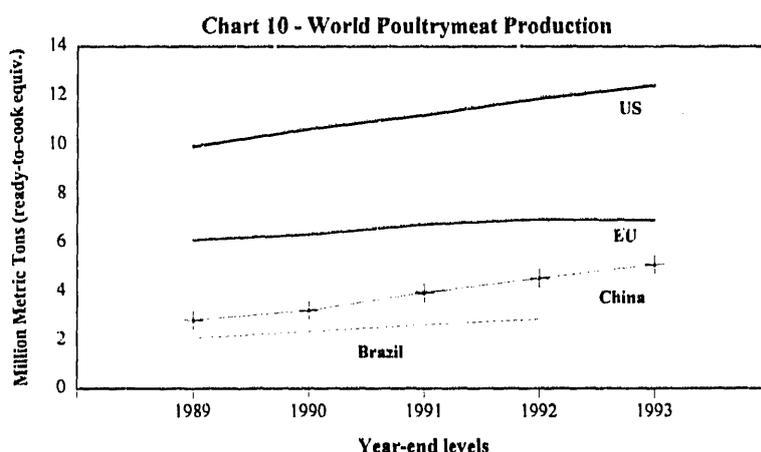
Note: Trade data do not include exports/imports of live pigs. <sup>1</sup> Figures refer to 1991/92, 1992/93 and 1993/94.  
Source: GATT; for non-participating countries - \* FAO, \*\* USDA.

## The Poultry Meat Market

### World Trends

134. In global poultry meat trade the United States, European Communities, China, Brazil and Thailand are the main producers and competitively supply the Asian Pacific (particularly Japan), Africa and the Middle East (see Chart 10). Chinese production is rising rapidly with consumption tagging along not far behind as the economy grows. In Europe, the past five years have marked sharp production increases in France and the United Kingdom (up 30 and 20 per cent respectively). This has rendered the European Communities an important force in world poultry trade; total European Communities' exports to third countries rose by 40 per cent between 1988 and 1993. The forecast fall in feed prices could boost returns and improve European Communities' competitiveness on the world market.

135. FAO estimates indicate an increase in global poultry meat production by almost 4 per cent in 1993, while world beef production contracted by about 1 per cent. This trend seems to be continuing into 1994 - USDA forecasts a growth rate of close to 4 per cent. Throughout the world there is a tendency to consume more poultry meat at the expense of other meats. In the developing countries - which taken as a group are net importers - this shift is more pronounced than in the rest of the world. Only a minute part of poultry meat is exported; most of it is consumed not far from where it is produced.



Source: GATT; for non-participating countries - USDA.

### United States

136. Production continues to grow in the world's largest poultry producing country. In 1993, output growth attained 4 per cent and a similar increase is forecast for 1994. Thus, the positive trend initiated as far back as in the 1950s continues. With as much as one-third of the world's exports, the United States is also the largest exporter in the world. Broiler exports in 1993 increased by about 28 per cent over 1992; Hong Kong, Japan, Mexico, Russia and Poland were the main markets. Poultry parts comprise about 96 per cent of total broiler exports; the proportion of whole birds continues to decline. Mexico was the largest single market for whole bird exports in 1993. While only a minor proportion of the United States' poultry meat exports benefit from subsidies under the Export Enhancement Program, most, if not all, European Communities' poultry meat exports are subsidized. The outcome of the Uruguay Round and the entry into force of the NAFTA in January 1994, as well as persisting strength in broiler prices in the beginning of 1994, all point towards further growth in United States' poultry

meat exports. In 1994, these exports are forecast to increase by around 10 per cent. Increases are expected on most markets, including Japan - the world's largest market for broiler imports in 1993.

137. The United States is also the world's largest producer of turkey. The bulk of the product is consumed within the country at a level of 8.3 kgs. per capita, as compared to 3½ kgs. per capita in the European Communities. In 1993, exports were equivalent to 5 per cent of United States' production. World demand is rising for turkey meat due to its relatively low price and a tendency to use it as an ingredient in processed red meat products. In Mexico, the major market for United States' turkey meat, the bulk of turkey part imports are used as an alternative to pigmeat. Turkey consumption in Mexico is projected to increase in 1994 because of competitive prices and the quality of imported products. Mexico's per capita consumption remained at the low level of 740 gm. per person in 1993. In line with the implementation of Mexico's Tariff-Rate Quota for turkey part imports, a level of 28 thousand tons was set for 1994. Considering that imports in 1993 were more than double this amount, a reduction of around 20 per cent in United States' turkey meat exports to Mexico in 1994 is expected as a result. Overall United States' turkey meat exports are thus likely to fall, despite increasing demand from South Korea and Hong Kong due to gradual market liberalization in these regions.

### **European Communities**

138. France, the most important exporter of poultry meat within the European Communities, suffered production setbacks in 1993. Strong competition from third countries such as Brazil and the United States and a 20 per cent reduction in European Communities' poultry subsidies have hampered France's broiler production. A decrease of 5 to 6 per cent in broiler production is anticipated for 1994, thus breaking the trend of increasing production in previous years. Dutch trade with third countries increased by as much as 28 per cent over the first ten months of 1993. Therefore, although poultry production in 1993 was estimated to have fallen by 2 per cent, Dutch producers will probably expand production in 1994 as a result of lower feed costs and increasing trade with third countries. European Communities' broiler production increased in recent years and the Community has become an important force in world poultry meat trade. Recent estimates put European Communities' poultry meat exports in 1993 at a level 26 per cent over that of 1992. The rapid expansion of European Communities' turkey meat production in recent years has slowed significantly in 1993 but still exceeded that of poultry meat.

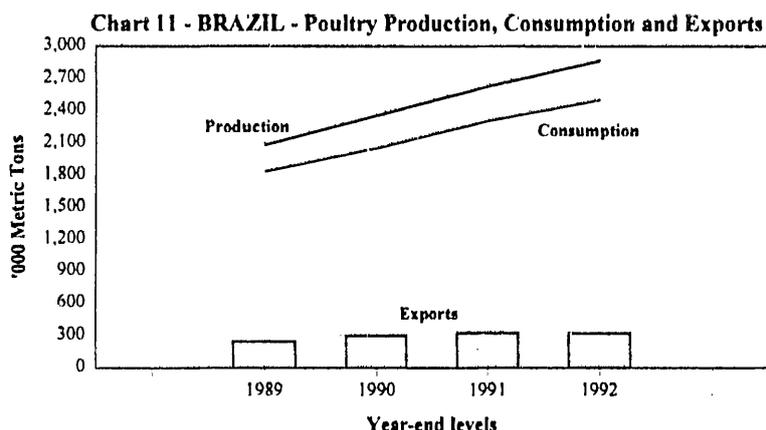
139. As a consequence of the Uruguay Round Agreement, European Communities' subsidized exports of poultry meat will have to be reduced. By 1995, when the limitations come into force, exports of poultry meat will be restricted to 440,100 tons. Some poultry industry officials have claimed that total European Communities' exports in 1993 were likely to have come close to 650,000 tons. This implies that volumes would have to fall by around 30 per cent by the first year of the agreement (1995). Even though these figures are probably on the high side, reductions will have to be enforced unless ways are found to facilitate exports of poultry meat without subsidy. According to various observers, European Communities' poultry meat exporters will have difficulties in competing on the world market as a result of these subsidy cuts. Feed is the major input cost of the European Communities' poultry industry - accounting for about 65 per cent of total input costs, of which 70 per cent are cereals. The British and French governments have reportedly put pressure on the European Communities Council of Ministers for allowing grain destined for the production of poultry meat to be imported into the European Communities duty-free. On the other hand, CAP-reform reductions in European Communities' grain and feed prices are already on the way. Following the reform, European Communities' grain prices are scheduled to fall by an effective 34 per cent by the 1995/96 marketing year. Also, prospects for increased domestic poultry consumption are judged to be good.

140. As of 1 January 1994, the European Communities opened a tariff quota of 15.5 thousand tons on poultry meat as part of Article XXVIII negotiations. The variable levy within the quota volume was set at 0 per cent. A similar tariff quota for 2.5 thousand tons of turkey meat was also opened.

## Brazil

141. Following earlier years' positive growth, Brazil's broiler meat output reached 3.1 million metric tons in 1993 (Chart 11). Broiler meat is almost exclusively the form in which poultry meat is produced, traded and consumed in the country. Production is forecast by USDA to rise by 9 per cent in 1994 compared to 1993. The bulk of the produce is consumed in the strong domestic market which is steadily rising in step with output. Thus, exports are at a relatively constant level of approximately just above 10 per cent of production. Export revenue actually declined in 1993, partly because demand from Japan decreased due to the country's recession. Also, competition from the European Communities and the United States escalated.

142. The trade outlook for 1994 appears positive. Demand is reported to be stabilising and prices firming in Japan and most of the Middle East, which are Brazil's most important markets. According to SADIA, a Brazilian enterprise accounting for about 40 per cent of Brazil's exports, sales to Japan will continue to be strong despite potential competition from China where production continues to increase rapidly.



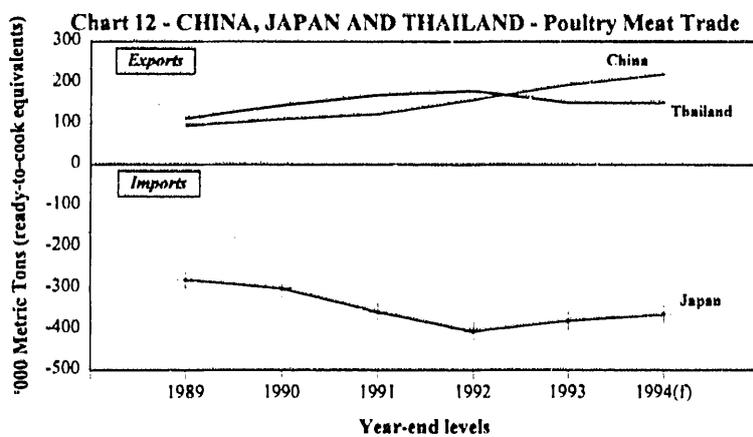
Source: GATT.

## The People's Republic of China

143. Poultry meat production in the People's Republic of China continues to grow rapidly. Between 1992 and 1993, production rose by 12 per cent. However, USDA forecasts a more sluggish growth in 1994. Despite this slow-down, China remains an expanding number three in world poultry meat production - a development fuelled by lower labour costs and price competitiveness. Although consumption is difficult to accurately estimate, considering backyard production and consumption associated with the vastness of the country, per capita level consumption is deemed to be low. For example, while United States' per capita consumption in 1993 was about 40 kgs., China's was approximately only one-tenth of this. Thus, there is a substantial potential for higher domestic consumption which could affect export capacity. Responding to the rapidly rising domestic market and exports, there is a trend away from backyard production towards large-scale industrial broiler production. One country seriously affected by China's expanding exports is Thailand (Chart 12); increased competition from both China and Brazil has affected Thai broiler exports negatively and exports declined sharply in 1993.

**Japan**

144. Japan's poultry industry is experiencing a sustained contraction similar to that of the pigmeat sector. Imports provided 22 per cent of Japan's poultry meat in 1993. While demand for poultry meat has risen in previous years, consumption in 1993 was stable as a result of the recession. Adding to these problems, the Japanese broiler industry is facing a situation with high stocks and attractively priced beef. During the first ten months of 1993, Japanese broiler imports from China were up about 40 per cent. Japan was the largest importer of broiler meat from China in 1993, with Hong Kong a close second. Overall, Japanese broiler imports in 1994 are, however, forecast to continue their decline from the 1992 level.



Source: USDA.

**Table 16 - Poultry Meat Situation in Selected Countries, 1992 - 1994**  
('000 metric tons ready-to-cook equivalents)

		1992	1993 Est.	1994 Forec.	% Change 1992/93	% Change 1993/94
<b>Production</b>	<b>World *</b>	44,450	46,072	48,100	3.6	4.4
	United States**	11,885	12,417	12,984	4.5	4.6
	European Communities	6,963	7,032	7,122	1.0	1.3
	China **	4,540	5,100	5,600	12.3	9.8
	Brazil	2,870	3,140	n.a.	9.4	-
<b>Exports</b>	<b>World **</b>	2,325	2,674	2,776	15	3.8
	United States **	772	995	1023	28.9	2.8
	European Communities	519	567	n.a.	9.2	-
	Brazil	337	343	n.a.	1.8	-
	China **	158	195	220	23.4	12.8
<b>Imports</b>	Hong Kong**	352	420	431	19.3	2.6
	Japan**	406	380	365	-6.4	-3.9
	Saudi Arabia**	250	253	253	1.2	0.0
<b>Consumption</b>	United States	11,079	11,431	11,952	3.2	4.6
	European Communities	6,588	6,610	6,762	0.3	2.3
	China	4,460	5,010	5,505	12.3	9.9
	Brazil **	2,500	2,800	n.a.	12.0	-
	Japan	1,751	1,752	n.a.	0.2	-
<b>Per-Capita</b>	Hongkong **	44.7	46.6	46.7	4.2	0.2
<b>Consumption (kg.)</b>	United States **	39.2	40.3	41.5	2.8	3.0
	Israel**	41.1	41.1	41.2	0.0	0.2
	Singapore**	36.2	36.8	37.4	1.7	1.6
	Saudi Arabia**	32.0	32.0	32.3	0.0	0.9

Source: GATT; for non-participating countries - \* FAO, \*\* USDA.

## **The Sheepmeat Market**

### *World Trends*

145. According to FAO estimates, world production declined by a little more than ½ per cent in 1993, to a level of 9.8 million tons. A small increase is expected in the current year. Although world trade in meat products has risen sharply in recent years, there has been considerable disparity among the different product groups. For examples between 1984-86 and 1992-94, poultry meat trade increased by 88 per cent while trade in sheepmeat fell by 18 per cent.

146. Australia and New Zealand are the main exporters of sheepmeat in the world. In 1993, sheepmeat exports were down in both countries. The fall was more marked in New Zealand where lamb export volumes fell significantly. On the importing side, the European Communities and the Middle East are the main players. The European Communities is the world's largest net importer and consumer of sheepmeat.

147. Many observers consider China to become the key country for future trade in meat in general. Following a 10 per cent rise in China's sheepmeat production in 1993, USDA forecasts a continued increase of 5 per cent in 1994. Thus the margin between China as the world number-one sheepmeat producer and the European Communities, in second place, is expected to widen further. China is also one of the major wool importers of the world and in particular an important market for Australian wool.

### **European Communities**

148. Surpassed only by China, the European Communities is at the top of the list of the world's largest producers of sheepmeat. Within the Communities, the United Kingdom, Spain and France are the major producers. Internal trade reached a record level during 1993. The European Communities is a net importer of sheepmeat.

149. By the end of 1993, the European Communities' sheep flock totalled 98.8 million head which represented a marginal increase over 1992. In 1992, sheepmeat production had fallen by 3 per cent mainly reflecting lower production in the United Kingdom. The sheep and goat meat production outlook for 1994 is uncertain. Initially, a growth of 1 per cent for the year as a whole was forecast by Eurostat. But, by May 1994, preliminary estimates from ZMP for the first quarter of the year indicate a decline of 7 per cent on the corresponding 1993 level.

150. In France and Germany imports increased by 37 per cent and 33 per cent respectively over the past 5 years. These two countries have followed a pattern of declining production and increasing consumption. French lamb consumption rose by 2 per cent in 1993. The major share of French imports came from the United Kingdom and Ireland while German imports were dominated by New Zealand sheepmeat (over 50 per cent in 1993). In Germany, where consumption of sheepmeat is a marginal 1 kg. per capita (compared to the 1992 European Communities' average of 4.1 kgs. and New Zealand's 29 kg. per capita), there is a trend away from strictly seasonal consumption. Producers and marketers are attempting to offer standard high-quality lamb meat the whole year round. While German self-sufficiency in sheepmeat in 1991 was close to 85 per cent, this figure decreased to 49 per cent in 1993 (after reunification).

151. The UK sheep flock declined largely in response to the European Communities' autumn 1992 decision to redefine the eligibility of female sheep (ewe) able to claim the ewe premium. In 1993, fewer ewes were kept for breeding; instead they were retained for premium purposes. There are signs that younger sheep are being used to substitute older, more prolific ewes. In England, the December

1993 census reveals that breeding ewe numbers were down by 2½ per cent. The United Kingdom National Sheep Association stated that a 10 to 12 per cent drop in UK sheepmeat production could be imminent. With demand continuing strong in France and Germany this could open up the field for imports from third countries such as New Zealand and Central and Eastern Europe. Wholesalers in Rome have confirmed a re-establishment of supplies from Central and Eastern Europe. Over the past years, British sheep exports have increased substantially; in 1993, they were double those of 1991. This has mainly been the consequence of the devaluation of the British pound relative to the ECU.

In 1994, the demand for British pigmeat exports is expected to remain strong, but, the level of exports will be affected by the changes in the supply situation discussed above.

152. Strong demand combined with unexpectedly low supplies have pushed prices to high levels in all the major European Communities' sheep producing countries. Unseasonably cold weather, causing the loss of hundreds of thousands of new-born lambs in the United Kingdom, has contributed to this development. In the beginning of 1994, European Communities' sheepmeat prices were levelling around 10 per cent up on comparable 1993 figures. Lamb prices during the 1994/95 season are expected to stay high.

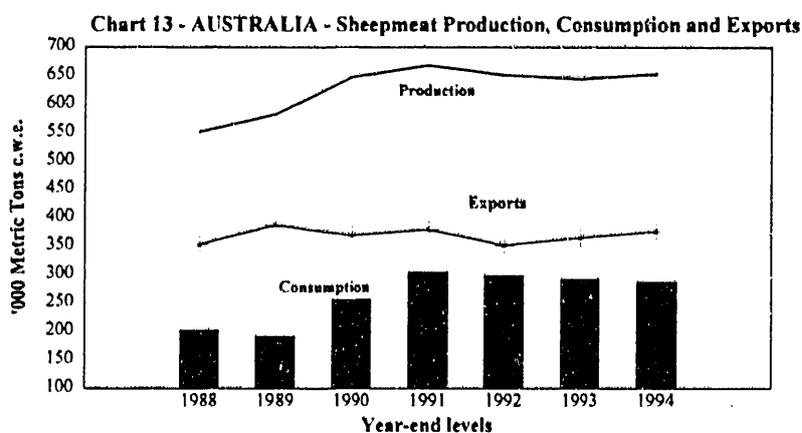
### **Australia**

153. Sheep numbers in Australia continued their decline in 1993 as wool prices fell sharply. From the peak level in 1989/90 of 174 million head, a 26 per cent fall to around 128 million head in 1993/94 is forecast. The flock was estimated to be about 5 per cent lower in the beginning of 1994 compared to the previous year. During the mid-1990s, the downward trend is expected to persist before recovering somewhat at the end of the decade in response to stronger wool prices.

154. As opposed to New Zealand, mutton is the dominant sheepmeat product in Australia. Between 1992 and 1994, mutton accounted for around 60 per cent of sheep-meat production (chart 13) and over 70 per cent of exports. This largely reflects Australia's specialization in wool production - mutton being the complementary output of wool. Production of mutton is expected to increase by about 4 per cent in 1993/94. Due to strong demand on both domestic and export markets, mutton prices are forecast to rise considerably, on balance causing a slight drop in exports.

155. Lamb exports, on the other hand, are expected to increase by around 6 per cent in the 1993/94 season. Over the past ten years, lamb exports nearly doubled. The increases in more recent years can be ascribed to the lower value of the Australian dollar against importing country currencies, a decline in New Zealand lamb production and an expected increase in beef prices relative to lamb. However, in a seemingly contradictory trend, lamb production continued to fall in 1993 and is forecast to further fall by 7 per cent in 1993/94. The decline in lamb production, which in 1993 reached the lowest level since 1977 is, among other factors, a reflection of poor returns and a resulting disincentive to investment. Also, downward trends in the wool industry - cutting the sheep flock - have lowered the production base of the lamb industry. A further important factor is the negative consumer perception of lamb. Many characterize lamb as giving poor value for money because of its fat content and waste (meat and bone ratio); some see lamb as old-fashioned and traditional. Lamb consumption reached a record low of 12.5 kgs. per capita in 1993 from the peak in 1985 of 17.1 kgs. per capita. Overall sheepmeat per capita consumption is estimated at 21 kgs. in 1994, a slight rise from the 1993 level. As (relative) beef and sheepmeat prices are expected to rise as a result of declining production, consumers are likely to increasingly turn to poultry and pigmeat.

156. Live sheep is an important branch of the Australian sheepmeat industry. As the market in the Middle East continues to grow, live sheep exports are forecast to rise slightly in 1993/94, continuing the expansionary trend that began in 1990.



Source: GATT.

## New Zealand

157. New Zealand is the world's major exporter of sheepmeat of which lamb is the dominant product. In 1993, over 72 per cent of New Zealand's sheepmeat production was exported. The corresponding figure for Australia - the world's second largest exporter of sheepmeat - was about 46 per cent.

158. In 1993, production recovered from severe spring rains in the beginning of the season and attained a level just below that of 1992. Unusually high slaughter weights, due to ample feed supplies, kept the production figures up despite falling sheep numbers. Export lamb weights reached 15.3 kgs. - a 30 year record. Lamb production is expected to decline in 1994, mainly because of more normal slaughter weights and a reduced sheep crop. This decline is forecast to continue in 1995.

159. Although the volume of New Zealand's lamb exports was down by 21 per cent in 1993, receipts declined by only 4 per cent. The figures for mutton were even more striking, a 28 per cent reduction in export and a 3 per cent fall in receipts. Behind this was a drastic increase in the average price received for exported lamb. According to New Zealand Meat Producer, the price in the 1992/93 season increased by 44 per cent over the previous season. Following changes in European Communities' and British subsidies concerning the ewe flock (see section on European Communities), fewer lamb was sold in the United Kingdom. At the same time, strong demand from other European Communities' customers could not fully be met by New Zealand's highly export oriented industry. These factors pushed prices up on the European Communities' market, where New Zealand accounts for three-quarters of sheepmeat imports. Demand from European Communities' countries was stronger in early 1994 compared to the preceding year and price prospects are anticipated to be good.

160. Another important customer for New Zealand is the United States, New Zealand's third largest lamb market by value in 1993. New Zealand expects to increase sales to the United States as the United States' Government has made a drive to cut sheep subsidies. Subsidy cuts in the United States could reduce sheepmeat production by as much as 20 to 25 per cent. In the Middle East, New Zealand has been faced with keen competition from Australian lamb. In contrast to 1992, Iran and Russia were notably absent customers in 1993.

161. Sheep numbers are expected to decline during the 1993/94 season. Since 1984, when subsidies were removed, sheep numbers have fallen giving way for other farming activities such as forestry, horticulture and dairying. This trend is forecast to continue. Value and quality - rather than volume and quantity - will be the strategic goals for future sheepmeat exports from New Zealand.

**Table 19 - Sheepmeat Situation in Selected Countries**  
('000 metric tons incl. goatmeat, carcass weight equivalent)

		1992	1993 Est.	1994 Forec	% Change 1992/93	% Change 1993/94
<b>Production</b>	<b>World *</b>	9,875	9,808	9,900	- 0.7	0.9
	China**	1,250	1,375	1,450	10.0	5.5
	European Communities	1,200	1,202	1,209	0.2	0.6
	Australia	651	644	653	-1.1	1.4
	India**	595	607	613	2.0	1.0
	New Zealand	541	537	510	-0.7	-5.0
<b>Exports</b>	<b>World *</b>	857	821	855	- 4.2	4.1
	New Zealand	460	387	410	-15.7	5.9
	Australia	297	292	287	-1.7	-1.7
<b>Imports</b>	European Communities	262	260	n.a.	-0.8	-
	Japan	114	103	n.a.	-9.6	-
	Russia **	17	10	10	-41.2	0.0
<b>Consumption</b>	European Communities	1,430	1,390	1,406	-2.8	1.2
	China **	1,247	1,371	1,445	9.9	5.4
	Australia	352	365	376	3.7	3.0
	Turkey **	365	370	375	1.7	1.4
	Russia **	346	348	310	0.6	-10.9
<b>Per-Capita</b>	New Zealand	n.a.	29	29	n.a.	0.0
<b>Consumption (kg.)</b>	Australia	20	20.6	21	3.0	1.9
	Saudi Arabia**	18.8	18.3	17.8	-2.7	-2.7

Note: Trade data do not include exports/imports of live sheep.

Source: GATT; for non-participating countries - \* FAO, \*\* USDA