6 BEEF

BY KEVIN PARRIS

During the 1970s, the world beef economy has experienced considerable instability. As far as the EEC is concerned, developments during the present decade can be divided into three phases:-

a) 1970 - 1973, when production increased but there were relatively high import levels.

b) 1974- 1976, when the Community was virtually self-sufficient, with production almost static and stringent restrictions on import levels.

c) 1976 - 1978, during which production has fallen slightly and the EEC has again been a net importer of beef and veal.

Lomé exports form only about 0.4% of total Community beef and veal consumption (excluding manufactured products) and around 6-7% of EEC imports.

A. EEC Beef Sector: Production and Consumption Balance (Table 6.1)

The Community's beef industry forms a major part of EEC agriculture. It occupies 6% of Community agricultural area, and provides in value almost 16% of final agricultural production. The EEC is the world's second largest beef and veal producer (after the US) making up 14% (1976) of world production. At present EEC cattle numbers are around 77 million head and this compares with a high at the end of 1974 of about 79 million head. In the longer term, the EEC may be moving towards approximate stability in cattle numbers.

Although output increased by 2% per annum between 1968-1975, it reached a peak in 1974 at about 6.6 million mt (carcase weight equivalent) and since 1976 has fallen to about 6.5 million mt, with estimates for 1977/78 showing a further decline to approximately 6.1 million mt. Within the Community, France, Germany, Italy and the UK, together account for roughly 80% of total EEC beef and veal production. Ireland contributes only a small percentage of the Nine's total output value (4½%), but its beef and veal sector comprises 37% in value of its final agricultural production, compared with much lower figures in the countries listed above (18%, 17%, 11% and 16½% respectively).

During the 1960s, and up to 1973, rapid economic growth meant that 'income factors' were the main cause of rising beef consumption in the EEC (See Table 6.1.) Despite the economic recession, between 1974 - 1976 consumption of beef continued to increase slightly (as against veal which declined), partly the consequence of higher production. This was induced by high prices in the 1971 - 1973 period, with consequent beef production increases during 1974 - 1976 and a subsequent decline in market prices which was eased by various internal support and import measures. Since 1977 consumption levels of beef have declined and this seems largely the result of more competitive pigmeat prices. These 'price factors' will probably continue in the 1980s as the major force affecting beef consumption in the EEC, as increases in consumer disposable incomes seem likely to be modest.

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As a share of total meat consumption between 1965 to 1975, beef and veal showed a decline from about 35% to 33%. Against this, were increases for poultry (14% to 16%) and pigmeat (41% to 43%). Whilst the average level of beef consumption in the Nine is about 23 kg/head(2kg/head for veal) Belgium and Ireland have much higher levels of consumption, 27 and 26 kg/head respectively. Denmark is lower at 15kg/head, the other 'Six' being grouped around the average.

The import requirements of beef from non-member states during the 1970s can be divided into three phases as indicated in the first paragraph of this chapter. From 1970 - 1973, when self-sufficiency levels for beef and veal in the Community were around 90% and import levels were relatively high, approximately 1 million mt/annum of beef and veal were imported into the Nine. Between 1974 - 1976 when, with the inducement of high prices in 1971 - 1973, increased production meant that the Community became self-sufficient in beef and veal. There was turmoil in the EEC's beef sector at this time due to a decline in market prices, and imports were severely restricted, falling to around ¼ million mt. Since 1977, mainly under the influence of declining production, self-sufficiency has decreased slightly, implying a small increase in imports to about 350 - 400,000 mt. The increase in imports has also been facilitated by special concessionary arrangements (mainly reductions in the import levy) which are discussed below.

The EEC has been the world's second largest import market, after the USA, and Community beef and veal imports, despite more recent curbs, represent approximately 13% of total world imports. The structure and origin of these imports are as follows:-

a) Live cattle and calves: Imports are almost exclusively of Eastern European origin, although some animals are imported from Austria, Spain and Switzerland.

b) Fresh and chilled beef: Again East European countries are the major suppliers, but certain South American exporters - Argentina and Uruguay- are also important as is Botswana. Residual amounts come from Australia, New Zealand and Switzerland.

c) Frozen beef: There is a fairly broad range of sources of frozen beef imports into the EEC, including Argentina, Uruguay and Brazil, Australia and New Zealand, the ACPs (Botswana and Swaziland), and East European countries.

d) Processed beef products: Australia and Argentina are important in this group, although the EEC does import some processed products from ACPs, such as Kenya.

Imports of beef and veal from non-member countries according to these categories, for 1977, were as follows:-

Live cattle and calves	-	45,000	(Carcase weight equivalent, metric tons)
Fresh and chilled	-	48,000	
Frozen	-	141,000	
Processed products	-	111,000	
TOTAL		345,000	

TABLE 6.1 EEC: SUPPLY, UTILISATION AND PRICES OF BEEF AND VEAL, 1972-1977

(Carcase weight equivalent)

Year	Live cattle Numbers (Dec.)	Production	Per capita consumption	Self-sufficiency	Imports (Excl.EC Intra-Trade)	Exports (Excl.EC Intra-Trade)	Price Fat Cattle: Market Price	Price Fat Cattle: Guide Price
	millions	1000 mt.	kg/head	%	1000mt	1000mt	ua/100kg.Live weight	
							(A)	(B)
1972	71.1	5,564	24.4	82.0	952	58	87.6	76.5
1973	74.8	5,590	24.4	85.6	1,008	75	91.4	86.2
1974	78.9	6,630	25.2	99.9	432	207	85.3	98.5
1975	79.3	6,619	25.2	100.8	255	232	94.7	108.9
1976	77.3	6,535	25.1	99.0	377	200	101.6	118.7
1977	76.9	6,410	25.1	97.0	345	130	105.5	122.9

(A) Representative markets, for Ireland and UK, including accession compensatory amounts.

(B) Guide price of the Community excluding Ireland and UK, unti 1/1/78, when common price applies.

Sources: European Commission and Meat and Livestock Commission (various publications).

B. The Common Agricultural Policy and Trading Regime For the EEC Beef Sector

The EEC support regime for beef and veal resembles quite closely the basic CAP price support system outlined in Chapter 2. A 'guide price' is determined each year at a level which is meant to provide a reasonable return to producers. The main internal measures for supporting market prices inside the EEC are the intervention support buying arrangements and the aids to private storage. Under the provision for intervention, intervention buying-in prices are established for various categories of meat, and related to the EEC intervention price, which is currently fixed at 90% of the 'guide price'.

Imports of most types of beef from third countries are subject to custom duties and variable levies (see Appendix 3). The variable levies are calculated as the difference between the EEC 'guide price' and the 'world price' (adjusted for the customs duty). The actual levy paid is subject to a complicated set of adjustments to take into account the prevailing market price for beef within the EEC. The rate of levy applied depends on the relationship between the estimated EEC internal market price, (or 'reference price') and 'guide price'. When the 'reference price' is above 106% of the 'guide price' no levies are payable; when the 'reference price' is below 90% of the 'guide price', 114% of the levy is payable. Different rates of levy are payable between these extremes.

Of particular interest to the ACPs are the EEC's exceptions to the normal import restrictions, and these special arrangements broadly cover: (a) Imports of beef from ACP countries; (b) The GATT quotas; (c) The balance sheet/ 'jumelage' scheme; (d) The 'young animals' balance sheet; (e) Animal health and food hygiene regulations.

a) Imports of beef from ACP countries: Under the Lomé Convention, an annual quota of beef can be imported into the EEC free of duty. The countries and quantities involved for 1978 are:-

Botswana	-	21,267	(metric tons, boneless equivalent)
Madagascar	-	8,521	
Swaziland	-	3,780	
Kenya	-	159	
	TOTAL	33,727	

In addition to the duty concessions it has been accepted that for a specific amount within the quota, the ACPs will pay only 10% of the EEC's variable import levy, the remaining 90% being collected in the exporting ACP country, the revenue from which is then reinvested in the local beef economy. In 1975 this quota was 23,000mt. From 1976 - 1978 the position was as follows:-

	Quota	Actual Imports 1976	Actual Imports in 1976 as a % of quota	
Botswana	17,360	16,931	97.5	(metric tons, boneless)
Madagascar	6,956	953	13.7	
Swaziland	3,086	2,940	95.3	
Kenya	130	13	10.0	
TOTAL	27,532	20,837	75.7	

The bulk of the ACP's export quota to the EEC went to the UK,about 95% in 1976, partly because of different health regulations in the other EEC Member States. The remainder went to France. Also, in 1976, while Botswana and Swaziland took up most of their quota, Madagascar and Kenya failed to do so. The foot and mouth epidemic in Botswana has also meant that, since the end of 1977, the UK has taken steps to prevent export of infected meat.* This has serious implications for the country's export trade, for the UK and South Africa (which also barred infected meat) accounted for, respectively, 62% and 25% of Botswana's total beef exports in 1976.

b) The GATT quota: Under the GATT, the Community has agreed to allow an annual import quota of 38,500 mt. of frozen beef (expressed as boneless meat). The quota is granted entry levy free, although the full duty is payable, and each Member is allowed to allocate and administer its share of the quota as it desires. Also 43,000 head of cattle can enter levy free at a reduced rate of duty.

c) The balance sheet/'jumelage' scheme: For 1978 the EEC has determined, from making a 'balance sheet' of its requirements of frozen beef and veal (i.e. from domestic supplies, ACP, GATT, quotas, etc), that its additional requirements for manufacturing grade beef is 50,000 mt, which will be imported under two schemes - System A, where a nil levy, and system B, where a nil levy or reduced levy,will be charged on various grades of manufacturing beef. 20,000 and 30,000 mt. of beef have been allocated under each system respectively and one of the main conditions of these arrangements is that to qualify for a licence to import beef, traders must purchase an equivalent quantity of intervention beef (i.e. a 1:1 'jumelage' scheme).

d) The'young animals' balance sheet: The EEC also makes a 'balance sheet' of its requirements of young cattle for further fattening. On the basis of this assessment, it decides on the number of the animals which can be imported, subject to reduced levy rates.

e) Animal health and food hygiene regulations: Whilst animal health and food hygiene regulations are not devised by the EEC (or individual Member States) as an 'intentional' means of controlling beef and veal imports (although it has been suggested they are sometimes used this way), they nevertheless have this effect. In the case of ACPs as with many other LICs, these 'non-tariff measures' (NTMs) form a severe impediment to the expansion of their exports of meat products to the Community. (For a more detailed discussion of NTMs see Part III).

Most of the ACP beef exports are sent to the UK, as a result of the failure of these exports to comply with the animal health/food hygiene regulations in the other Member States. This, together with the recent UK ban on exports of Botswanan beef due to the foot and mouth epidemic, indicates the potency of these measures in affecting trade flows.

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* This export ban on Botswana beef has been partially lifted as of July 25th, 1978.

C. Outlook for The EEC Beef Sector

A number of factors appear likely to influence the future development of the EEC beef sector and, consequently, the potential for third country access.

With the continuation of the Western Hemisphere's economic recession, forecast to be prolonged until at least the early 1980s, and with strong price competition from other meats, it would appear likely that 'price' rather than 'income' factors will be the more important cause of future changes in consumption levels of beef and veal in the EEC.

Especially since the turmoil in the EEC beef markets, the Community has developed a relatively large and costly intervention stock of beef. These stocks are currently around 295,000 mt., (June 1978, product weight) which by way of comparison is about 10 times the size of the present ACP's beef quota. If existing EEC price support policies in the sector, coupled with overall sluggish (if not declining) consumption levels of beef should continue, then the intervention problem can only deteriorate into even larger stocks. This will presumably not improve the possibility of greater access for beef exports of non-member countries to the Community.

Changes in other CAP policies, notably in the dairy sector, have a profound impact on developments in the EEC beef sector. The general CAP dairy policy has contributed towards the increase in beef output. However, recently, cow numbers have stabilised, and the Commission has embarked on a programme * to restore the balance to the dairy sector (i.e. dairy conversion scheme). Despite this development, improvements in cattle productivity, higher carcase weights and a bigger percentage of calves kept for beef production, amongst other factors, appear to be stimulating beef output in the Community.

Enlargement to twelve Member States would not seem to imply any significant development in the EEC's beef industry. While in Greece, Portugal and Spain, per capita consumption of beef is about 10kg/head/annum, below that of the Nine, the fact that increased beef production possibilities are limited in these countries, which are already almost self-sufficient in beef, indicates no radical change in present Community production or import patterns, as a consequence of enlargement.

While remembering that alterations to the EEC's CAP support policies in the beef sector occur regularly and would have a major influence on the future outlook of the industry, it can be concluded that a small net importing position might be sustained into the early 1980s.

D. ACP's Beef Sector In Context of Lomé

A study of beef production in the ACPs reveals two trends during the past 10 to 15 years. For the Sahel region, including such important beef producers/traders as Chad, Mauritania, Niger and Mali, there has been a general drop in stocking levels of cattle, a fall in the average carcase weight and, as a result, a drop in beef and veal production of between 10 to 20%. Drought conditions, which have lasted for about 5 to 10 years, appear to have been the main reasons for deterioration in output. For non-Sahelian beef producers/traders,e.g. Botswana, Lesotho,Swaziland and Madagascar, the reverse is true with production increasing since the mid-1960s by between 10 and 20%**

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* E.C.,1976A.

** The Courier, 1976, provides an account of animal husbandry in ACPs.

TABLE 6.2 BEEF PRODUCTS* SHARE IN ACP TOTAL EXPORTS

(Value terms - expressed as a percentage of total exports)

Country	%	Years	Comments
Botswana	41	1973-75	Exports are mainly fresh,chilled or frozen. Roughly one-third of exports to UK, EEC's sole importer.
Upper Volta	21	1973-75	Exports are mainly live animals to LICs. A small quantity exported to France of fresh, chilled or frozen, but stopped in 1974.
Lesotho	16	1971-73	Exports are mainly live animals to LICs.
Somalia	14	1972-74	About one-half of exports are live animals to LICs. Rest canned meat mainly to Centrally Planned Economies,but also Italy and Belgium.
Chad	14	1972-74	Exports are mainly fresh,chilled or frozen to LICs.
Niger	13	1973-75	Exports are mainly live animals to LICs, but small quantity of fresh chilled or frozen to France; stopped 1974.
Mali	9	1974-76	Exports are mainly live animals to LICs.
Madagascar	7	1973-75	Exports are mainly fresh, chilled or frozen to LICs. Canned meat mainly to EEC, mostly France, cut down since 1974, some also to West Germany.
Ethiopia	6	1973-75	Exports are mainly live animals. Some potential in canned products. Existing markets Italy and West Germany.
Sudan	3	1973-75	Exports are mainly live animals to LICs.
Kenya	3	1974-76	Exports fresh,chilled and frozen but also canned meat. Most of latter to UK.
Mauritania	37 **	1975-76	Exports live animals to other LICs.
Guinea	22 **	1975-76	Exports live animals to other LICs.
Swaziland	6 **	1975-76	Exports are fresh, frozen or chilled to LICs, but some to UK and also canned products.

* Beef products include: Live animals (001.1 SITC); Fresh,chilled or frozen (011 SITC) and canned meat (014 SITC).

** Beef product exports as a % of total agricultural exports.

Sources: FAO 'Trade Yearbook', 1976.
Eurostat - 'ACP Yearbook of Foreign Trade Statistics, 1968-1976', European Commission, November 1977.

Consumption data for animal products, let alone for beef, are difficult to find. However, consumption of animal protein per capita per day (FAO, 1977A) suggests only a small increase since the early 1960s of about 5% in Africa as a whole, compared with a world rise of some 15%. Consumption levels are also some of the lowest in the world, and certainly the natural increases in population, coupled with increases, albeit extremely low, in disposable incomes, suggest pressure on potential export supplies, especially in the Sahel regions, where production levels have in general fallen.

The export pattern of beef products from ACPs is mainly concentrated in live animals, accounting for over a half in value terms of all beef exports. However, most of these exports are to neighbouring countries, and in fact the movement of cattle across national frontiers, especially in the Sahel region, does raise considerable doubts concerning the accuracy of export figures for these countries, i.e. Mauritania, Mali (West Sahel); Niger, Chad (Central Sahel); Ethiopia, Somalia (East Sahel). Fresh, chilled or frozen beef account for a further third of ACP beef exports, with the remainder in manufactured form. In total, ACP exports make up about 6-7% (in volume terms) of total EEC import requirements and although import restrictions including animal health and food hygiene regulations are an impediment to trade in beef products, there does appear some potential for export of manufactured meat products.

The UK is the main beef export outlet for the ACPs amongst the Nine, with the French having severely curtailed their imports since 1974. Italy and West Germany have shown interest in ACP manufactured meat products. Most of the Community supplies imported from the ACPs are from Botswana, Madagascar, Kenya and Swaziland. The Sahel countries have only managed to export minor quantities of manufactured products to the Nine. The failure of the Sahel countries to export to the EEC appears due to a combination of severe drought conditions, growing domestic demand curtailing exports, and most importantly, an inability by these countries to comply with Community animal health and food hygiene regulations.

Beef and its by-products are not included under the existing STABEX arrangements, but at a number of recent ACP/EEC ministerial meetings there has been a desire expressed by the ACPs to have beef included. The Community plays an important part in world trade for beef and thus is partly responsible for price developments on world markets. A number of ACPs are heavily dependent on exports of beef products in their total export earnings, or have important sectoral interests and are thus vulnerable to possible instability in their export earnings (see Table 6.2).

E. Trade Concessions and Lomé II Negotiations

The ACP quota arrangements, mentioned above, are the only concessions made to the ACPs and, besides the issue of health regulations, appear the only possible area of negotiations for the ACPs.

Discussions over the quota arrangement could take two forms. The EEC lobby, mainly France and Ireland, regard the levy reduction for ACPs as a derogation from the CAP and would prefer to discourage ACP beef imports into the EEC. The ACP negotiators consider they should enjoy a larger quota arrangement, with possibly some reallocation of quotas provided for under the EEC's GATT quota facility. The ACPs might also argue for the removal of the EEC's 10% levy imposed on their quota, although it is questionable whether the effort spent in negotiating for such a concession would be worth the benefit to the ACPs.

With respect to animal health and food hygiene regulations, the area of greatest concern to ACPs, no concessions have been made to ACP beef exports, and this is unlikely to prove an area of discussion from the EEC's viewpoint. "While disease is the largest barrier acting against current export to Europe, Africa is also handicapped by a lack of capital and technicians able to increase production through better breeding, better animal husbandry and better processing of meat". (Wasserman, U., 1974). Thus it seems in the renewal of Lomé II that the ACPs might seek from the Community greater financial and technical assistance to help in eradicating these marketing problems, by developing disease-free beef export zones. These have been developed with some success, although at high cost, in Kenya and Botswana. The EEC is also making some efforts towards improvements in beef production in ACPs, through the 4th European Development Fund, which commenced from April, 1976, and schemes to date (May, 1978, see Table 6.3), have so far totalled assistance worth about 25 million US dollars.

Another area of interest to the ACP/EEC, is the structure of the beef trade itself. Within the EEC, particularly in the UK, the meat manufacturing industry requires beef of a kind suitable for manufacturing and which they claim is not available in sufficient quantities inside the Community. There could be opportunities for ACPs to export this type of meat to the EEC, perhaps through the establishment of a separate manufacturing grade beef quota, and by the development of indigenous meat manufacturing industries in ACPs.

However, attention should perhaps be drawn to the experiences of the more highly evolved South American beef export trade. In a number of these countries, exports of meat have increased, but per capita consumption has fallen, with often the poorest sectors of the society unable to afford meat. The export market has induced some farmers to switch from producing dairy producs for local consumption to more profitable beef rearing. Also production and markets for beef export are rarely in the hands of the small producer, but usually controlled by "traditional oligarchs and multinationals, e.g. Union International". (For examples and a more detailed discussion of these implications, see Lappe and Collins, 1977, p.261-264).

If recent talks at GATT, to form a possible international agreement for beef, are any indication of the EEC's attitude towards concessions on third country imports, then prospects for the creation of a more open and liberal trading regime for beef in the Community are poor. The EEC have suggested at GATT an international cooperation scheme, essentially involving only exchange of information on market conditions, projections and future policy initiatives, etc. For the ACPs, this reflection of Community thinking provides a pessimistic outlook for future trade concessions under Lomé II with respect to ACP/EEC beef exports. But if the EEC is concerned over the need to expand ACPs exports, then the Community must be prepared to offer more substantial reductions in trade barriers and also assist ACPs in marketing beef exports to the Nine, especially in terms of improving the animal health/food hygiene problems in the Lomé countries' beef industry.

TABLE 6.3 4TH EUROPEAN DEVELOPMENT FUND: BEEF PROJECTS

(4th EDF commenced April,1976)

Country	Project type and comments	Units of Account (million)
Niger	Eradication of certain cattle diseases	1.42
Upper Volta	Transit grazing area and fattening centre. Improvements for domestic and export markets.	0.38
Niger	Stock fattening by peasant farmers. Help mitigate effects of Sahel drought.	1.61
Botswana	Country-wide animal and range assessment. To help domestic live-stock policy decisions.	0.70
Kenya	Veterinary centres and cattle dips. Assist domestic producers.	3.00
Chad	Integrated agricultural developments including increasing participation in organisations of farmers and stock-breeders.	15.63

Source: 'The Courier', published by European Commission (Various editions).