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International Bovine Meat Agreement

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INTERNATIONAL MEAT COUNCIL

Inventory of Domestic Policies and Trade Measures

European Community

Parties agreed to "provide information on their domestic policies and trade measures including bilateral and plurilateral commitments in the bovine meat sector, and shall notify as early as possible any changes in such policies and measures that are likely to affect international trade in bovine meat and live animals" (Article III:3 of the International Bovine Meat Agreement). The Secretariat "shall draw up and keep up to date an inventory of all measures affecting trade in bovine meat and live animals, including commitments resulting from bilateral, plurilateral and multilateral negotiations" (Article III:4).

The documents containing the replies to the questionnaire on domestic policies and trade measures are circulated in the series IMA/INV. They will be revised as and when changes are notified.

A. Information on Domestic Policies and Trade Measures

Introduction

The European Community has taken action to adjust the common agricultural policy (CAP) to market trends with a view to the general objectives laid down in the Treaty of Rome, and, with regard to livestock farming and meat, the measures on restructuring of cattle farming decided in 1992 are aimed at guaranteeing farmers' income not only through price support but also through assistance to cattle farmers in the form of premiums.

Livestock policy and in particular bovine meat is based on both:

- the market, i.e. the law of supply and demand; and
- support measures which stabilize prices in relation to the cyclical trend in production and prices.

I. Production

(a) Cattle farming structures

In the European Community, the usable agricultural surface area covers approximately 130 million hectares and the area used for forage for ruminants, mainly cattle and sheep, covers approximately 55 per cent of the usable agricultural surface area as follows:

- surface areas used only for grass, 37 per cent of the usable agricultural surface area; and
- surface areas used for other green fodder, 18 per cent of the usable agricultural surface area.

Cattle farming (milk plus meat) concerns roughly one farm in four, amounting to approximately 1.9 million cattle farmers at the end of 1993, and accounts for about one third of the final production of agriculture.

The average size of cattle farms at the end of 1993 was 41 animals and 14 suckler cows in dairy farms. Over the latest cycle, cattle farming structures continued to undergo rapid changes, resulting in the disappearance of around 670,000 cattle farms:

- a noticeable decline in the total number of cattle farmers of about -5 per cent annually, in particular through the disappearance of small dairy farms;
- in the context of the milk-meat conversion, a slight increase in suckler cow herds of + 1.2 per cent annually;
- a sharp rise in the number of bovine animals per farm exceeding + 4 per cent annually and in the number of suckler cows per farm of about 4.5 per cent annually.

Cattle herds in the Community comprise typical dairy breeds, mixed dairy/meat breeds and an increasing number of beef breeds which are eagerly sought by breeding centres in other countries for the purposes of improving breeding stock.

Three main categories of cattle farmers may be distinguished, corresponding to the following three types of activity:

- cows for culling and young calves (milk production);
- pasture-grazed suckler cow herds and adult bovine animals (oxen);
- young male animals fattened in specialized production premises with cereal-based fodders (maize ensilage).

With the large-scale development of organized production of bullocks, young male bovine animals now account for more than one third of total bovine meat produced in the Community.

In 1994, the distribution of the different categories of bovine animals in the Community's production of bovine meat was as follows:

<u>Male adult bovine animals:</u>	46.3
including - bullocks:	35.8
- oxen:	10.5
 <u>Female adult bovine animals:</u>	 42.8
including - cows	
(approximately 1/3 beef breeds):	27.7
- heifers	15.1
 <u>Calves:</u>	 10.9

(b) Sanitary regulations

The European Community has banned the use of hormones and other growth promoters stimulators for fattening animals in all member States and to that end has introduced Community controls to ensure the uniform and general application of the standards laid down by the Community for consumer health protection.

With a view to recognizing countries in the European Community as free of foot-and-mouth disease, new Community measures to combat this disease and new health policy measures (non-vaccination against foot and mouth disease policy) have been implemented.

(c) Meat market support and/or stabilization measures

In the 1995/1996 marketing year, the official prices of animal products were set at the following levels:

- intervention price for male
 adult bovine animals: 347.50 ECU/100 kg. carcass;
- basic price for pig carcasses: 157.00 ECU/100 kg. carcass;
- basic price for lamb carcasses: 504.07 ECU/100 kg. carcass.

The reduction coefficient applicable under the stabilization system for the market in sheep meat has been fixed at 7 per cent.

With a view in particular to promoting the improvement of the quality of bovine meat placed on the market, the Community has decided to make it compulsory for approved slaughterhouses to grade and identify the carcasses of adult bovine animals in accordance with the Community grading scale for such carcasses.

II. Price and intervention system

The Community has adopted measures to manage the domestic market that are more responsive to market prices. The new price-support system includes in particular:

- setting of purchase prices by tendering; only certain types identified according to the Community grading scale for carcasses of adult bovine animals are eligible;
- the threshold prices for triggering intervention purchases have been set as follows (tendering procedure):

Market price as % of intervention price, equals ECU 347.50/100 kg.	Normal tender	Safety net
Community market price	84%	78%
Market price/member States	80%	60%

As part of the reform of the common agricultural policy, measures for the restructuring of the bovine and sheep meat markets have also been agreed; for cattle farming, these measures include a significant decrease in the level of price support, and, in compensation for this change in policy, the granting of direct income subsidies not linked to production levels; these complementary subsidies came into effect on 1 January 1993 and are restricted:

- at the farm level, to a threshold of livestock units (LSU) per hectare of surface under fodder; and
- at the Community level, to a ceiling on the number of animals eligible for subsidies under the integrated system for the management of reference herds, respectively:
 - 11.4 million suckler cows of beef breeds; and
 - 11.2 million male bovine animals.

A reduction of 15 per cent in three phases of the intervention price for Class R3 male adult bovine animals will become effective on 1 July 1995.

The quantity of bovine meat subject to intervention in the tendering procedure is restricted to:

1995: 550,000 tonnes;
 1996: 400,000 tonnes;
 as from 1997: 350,000 tonnes.

Intervention purchases under the safety net (not included in the quantities mentioned above) can only take place in a country where the market price does not exceed 60 per cent of the intervention price.

In order to improve the fattening of bovine animals, it is proposed that, from 1993, zero quality carcasses under the Community grading scale should be gradually excluded from official intervention.

As market prices were above the threshold for triggering intervention measures in the downward phase of the production cycle, since the end of 1993 there has not been any tender offer nor intervention purchasing.

In spring 1995, the intervention stock of bovine meat was less than 20,000 tonnes.

2. System of premiums

The granting of premiums for cattle farming is subject to a density criterion in LSU/ha. permanent surface area of 2.5 LSU/ha. in 1995 and 2.0 LSU/ha. from 1996.

This criterion does not, however, apply when the number of cattle per farm does not exceed 15 LSU.

In addition, a further complementary premium of ECU 36.2 per eligible head may be granted when the density does not exceed 1.4 LSU/HA.

(i) Special premium for young male bovine animals

The special premium for young male bovine animals payable for the age groups of ten months and over and 22 months and over has been fixed at ECU 108.7/head for 1995.

In countries where the slaughter of male bovine animals at the end of the grazing period (IX-XI) exceeds 40 per cent of the total annual figure of animals slaughtered, an additional out-of-season premium amounting to ECU 72.5/head may be granted for male bovine animals slaughtered during the first weeks of the following year.

(ii) Premium for maintenance of suckler cow herds

The premium for suckler cows is granted to farmers who do not sell milk nor dairy products or where the amount of milk produced does not exceed a quantity to be determined on the basis of the reference number of suckler cows eligible minus 1 per cent (accumulation of a reserve).

From 1995, the amount of the premium is ECU 144.9/head.

A supplementary premium of ECU 30.2 per cow may be granted at national level (of which ECU 24.2 are financed by the EAGGF (Community fund) in less-developed regions (Greece, Ireland and Northern Ireland, Portugal and other regions in the South of Italy, Spain and France)).

3. Other provisions

The number of animals eligible for premiums in the new German Bundesländer, where stock farming is still being restructured, is still applicable and has been fixed at:

- 660,323 young male bovine animals for the special premium;
- 180,000 suckler cows eligible;
- 1,000,000 ewes eligible.

The total cost of payments made during recent years by the EAGGF-guarantee on behalf of the bovine meat sector amounted to:

ECU millions			
1991	1992	1993	1994
4,295	4,414	3,986	4,084

II. Internal prices and consumption

In accordance with the cyclical trends in production and prices, the bovine meat market went through a phase of stable prices in 1993 and 1994. Since then, bovine meat prices, particularly for female bovine animals, have declined at a time when the price of cereal-based meats was already at a relatively low level.

Price trends from April 1994 to March 1995, in comparison with those for 1993/1994, were as follows:

	<u>ECUs/100 kg.</u>
- 3.3% for good-quality meat of male adult bovine animals:	309.05 (319.50)
- 2.2% for good-quality meat of heifers	313.60 (320.75)
- 2.0% for medium-quality meat of cows	254.50 (259.80)
+ 7.1% for pig meat	132.00 (123.20)
+ 5.9% for sheep meat	337.40 (318.60)
- 4.8% for poultry meat	130.80 (137.40)

even though the Community's average rate of inflation was around 3 per cent.

The consumption of bovine meat in the European Community rose to around 7.3 million tons in 1994 and per capita consumption was about 21 kg.

The following are some of the major factors underlying the trend in demand for bovine meat in 1995 and subsequent years:

- an annual population increase of around + 0.4 per cent;
- an upward revision of the prospects for economic growth; and
- lastly, a downward trend in market prices for bovine meat, particularly in the three new member States.

It is expected that global consumption in 1995 will be around 7.9 million tons of bovine meat in the 15-member Community, corresponding to per capita consumption of around 21.2 kg.

In addition to the sale at reduced prices of intervention bovine meat to institutions and groups of a social character, the Community decided to make bovine meat from the intervention stocks available to charitable organizations for distribution to those most in need in the Community (an average of more than 30,000 tons per year).

Finally, while giving further encouragement to the extensive rearing of bovine meat breeds, the European Community has decided to promote consumption of high-quality bovine meat more in line with the preferences and demands of consumers today.

III. Measures at the frontier

1. Imports

In addition to the normal import regime for bovine meat, the European Community has undertaken to import annually a large quantity of bovine meat under special multilateral or bilateral agreements. These virtually mandatory imports amounted to around 515,000 tonnes of carcass weight equivalent in 1994.

2. Exports

Although the European Community has not participated to any great extent in the major import markets that are the most profitable and the most solvent at the global level, it has managed to develop its exports of bovine meat to third countries, mainly in the form of frozen meat taken in part from the intervention stocks, and has become the leading global exporter of bovine meat.

In 1991 and 1992, Community exports amounted to more than 1.3 million tonnes of carcass weight equivalent and in 1993 and 1994 to more than 1.2 million tonnes.

The European Community therefore accounts for one quarter of global trade in bovine meat.

3. Measures at the frontier

Following the introduction of a combined nomenclature of goods established on the basis of the Harmonized System which was the subject of an international convention, the Community Regulations concerning livestock farming and meat have been adapted accordingly using the integrated tariff of the European Communities (Taric).

Under the Agreement on Agriculture of the Uruguay Round, as from 1 July 1995 the European Community will open up new import tariff quotas for:

- 50,000 tonnes of frozen bovine meat for processing, expressed in bone-in beef and, in addition,
- 169,000 head of young male bovine animals for fattening with partial suspension of the tariff equivalent, the large majority imported from Hungary, Poland and other Central and East European countries.

New regulations are applicable to import and export so as to monitor and control the flow of trade in meat.

Regarding market access, tariff equivalents and customs duties will be reduced by 36 per cent over six years as from 1 July 1995.

There is a ceiling on exports benefiting from aid and they will be subject to a quantitative decrease of 21 per cent and a decrease in value of 36 per cent in comparison with the adjusted reference levels for the base period 1986/90.

The management of import tariff quotas and the ceiling on subsidized exports are assured through the issue of import/export certificates and they are monitored to ensure observance of the commitments undertaken in the Agreement on Agriculture of the Uruguay Round.

Additional import duties may be imposed under a special safeguard clause if:

- The volume of imports significantly exceeds a predetermined threshold, and
- import prices are clearly below the level of trigger prices corresponding to average reference prices for 1986/88.

The search for and control of stability in the bovine meat market has incited the European Community, in connection with agreements concluded with its main suppliers, to adopt appropriate measures for the management of imports of young bovine animals by setting a ceiling of 425,000 animals other than pure-bred animals for reproduction.

In addition to the traditional special agreements on preferential imports, the Community has opened the possibility of importing certain quantities of bovine meat at a reduced levy during the period 1992-1996, in accordance with the association agreements signed with Hungary, Poland, the Czech Republic, the Slovak Republic, Bulgaria and Romania.

B. Notification of Policy Changes

See above.

C. Information on Bilateral or Plurilateral Agreements in the Field of Bovine Animals, Meat and Offals

The European Community has expanded some bovine meat import quotas following the Agreement on Agriculture of the Uruguay Round and has eased certain special bovine meat import arrangements, in particular for meat from ACP countries.

The Community has undertaken to increase the import tariff quotas:

- For frozen meat, from 50,000 to 53,000 tonnes, and
- for high-quality meat, from 34,300 to 54,300 tonnes.

Moreover, the Community has opened a tariff quota at a rate of 4 per cent of 1,500 tonnes of frozen bovine thin skirt.