

European Beef Surplus Seen Lasting to 1975

THE EUROPEAN COMMUNITY's recent ban on imports of beef, veal, and live cattle highlights the severity and intractability of the meat glut now gripping Western Europe. Rather than a swiftly passing phenomenon, the oversupply could remain into 1975 and 1976.

In the meantime, the EC import ban and other restrictive trade measures taken in Europe will continue to have a major impact on world trade, reducing European imports by more than 50 percent this year and probably keeping them at a low level. In turn, these actions could further aggravate beef supply difficulties in the United States and other parts of the world.

The problem is at its worst in the European Community, which with three-fourths of Western Europe's people and nearly 85 percent of its beef output is by far the single most important segment of European agriculture and trade today. And in the EC, solving the problem is complicated by a market structure in which expanded production is not readily reflected in lower consumer prices.

Ironically, beef oversupply came to the European Community—and the rest of the world—just as the area was pulling out of a period of extremely short supplies and high prices. That situation had prompted the EC in 1972 and the first of 1973 to remove virtually all barriers against imports of beef and veal.

Beginning in late 1973, however, the EC beef market began to weaken. This led to reimposition of beef import duties on September 1973, return to variable levies in November, and a long series of restrictive import measures in early

1974 (see *Foreign Agriculture*, July 15, 1974). These measures included:

- Imposition of temporary import embargoes on fresh and chilled beef by France, Italy, and Belgium-Luxembourg (from countries outside the EC) between late February and March 31, 1974; on all beef and veal imports between April 29 and May 7, 1974; and on imports of fresh and chilled beef and veal and live animals from other European countries between June 27 and July 12.

- The adoption of export subsidies for beef (for the first time in EC history) in December 1973.

- The adoption of the so-called "jumelage" system on May 8 that made issuance of import licenses contingent upon agreement by the importer to buy an equal amount from intervention stocks.

These culminated, of course, in the July 16 ban on all imports of beef, veal, and live cattle until the end of October 1974; only products covered by GATT-bound quotas are excepted.

Despite such measures, EC stocks of beef have continued to accumulate, putting a severe strain on the intervention system. Stocks are currently estimated at about 192,000 metric tons, and the EC Commission forecasts a rise to 250,000 tons by the end of the year—a near physical impossibility since EC storage capacity is already reported to be virtually exhausted.

The thrust of EC policy in dealing with the beef glut has been to restrict imports—an orientation emphasized by the current import ban. However, the EC has also stepped up efforts to dispose of beef through "welfare" channels and adopted a system of subsidies for cattle

slaughter aimed at delaying slaughterings (so as to level out supplies). In addition, the EC recently sold 50,000 tons of beef to the USSR for about 38 cents per pound.

A number of countries outside the Community have experienced similar difficulties in their beef markets and have reacted with trade restrictions and other disposal measures. Norway has instituted import embargoes on beef. Greece has imposed them on all meat and live animals. Austria has sharply raised export subsidies. And most non-EC countries have used restrictive licensing, which permits easy expansion or contraction of imports in response to changes in domestic market conditions.

As a result of these restrictive actions and the changed market situation, net beef import requirements by Western Europe will be down sharply this year from the nearly 800,000 metric tons of 1973 (gross imports last years were 1.4 million tons). The extent of the drop is difficult to predict. However, a conservative assumption of a 10-percent production increase, combined with the same level of consumption as in 1973, would imply a 650,000-ton decline in 1974 net import requirements.

The most important suppliers of the West European market are the South American countries (mainly Argentina), followed by Eastern Europe and Oceania. Pressure on the U.S. market will intensify as these exporters seek to divert beef supplies, especially since Japan has also stopped issuing import licenses for beef. The United States is thus the only major market still open for beef imports. Argentine exports of cooked beef to the United States have already shown a sharp increase—up 54

percent in the first 6 months of 1974.

The surge in 1974 beef production in Western Europe results from the large herd buildup that has taken place over the past 2 years. Cattle numbers at the end of 1973 were over 7 million head or 8 percent higher than 2 years earlier. Most of this expansion took place in the European Community. The Netherlands, Ireland, and the United Kingdom—showed the largest herd increase over this period—up 22, 16, and 14 percent, respectively. Only Italy showed a decline in cattle numbers.

Several factors motivated the herd expansion.

In the first place, there was an initial need to rebuild herds after successive reductions in cattle numbers in 1969, 1970, and 1971. These reductions occurred in response to deteriorating profitability in dairy output, as well as government actions to reduce dairy cow herds. (For example, the EC paid premiums for the slaughter of about 235,000 cows in 1970.) Subsequent increases in support and market prices for dairy products caused a reversal of this trend.

Further incentive for herd expansion was provided by the large jump in beef prices in 1972 and early 1973 and by widespread expectation of a chronic world beef shortage. In addition, herd building in the United Kingdom, Denmark, and particularly Ireland was encouraged by the prospect of entry into the Community, with its promise of higher livestock prices and lucrative market outlets unfettered by import restrictions.

Finally, it appears that even the drop in prices in the latter half of 1973

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Meet Will Eye Farm Preservation

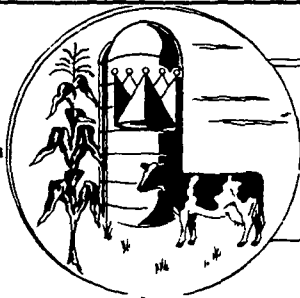
Ways to preserve Lancaster County's agricultural heritage will be examined on Wednesday evening, October 16, at a public meeting in the Farm and Home Center, 1383 Arcadia Road, Lancaster. The meeting will start at 8:00 p.m.

Speaker for the evening will be Cornelius W. Heine from the U.S. Department of the Interior. Heine is chief of the National Park Service historic and architectural surveys. There will also be a panel discussion by John R. Ahlfeld, Lancaster County Planning Director, John W. Aungst, Jr., president of the Historic Preservation Trust of Lancaster County, Arnos H. Funk, vice-chairman of the Lancaster County Conservation District board of directors, Henry Hackman, executive assistant with the County Conservation District, and Dr. Robert Herr, Narvon, head of the Garden Spot High School vo-ag department.

The meeting is being sponsored by the Conestoga Valley Association, a local watershed group.

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