

# European Beef

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(widely seen as a short-lived phenomenon) encouraged herd expansion—due to the speculative holding back of market-weight cattle in hopes of a price rebound.

The potential for increased beef production created by this herd expansion began to be realized in the last quarter of 1973 as large numbers of cattle started moving to market. Combined cattle and calf slaughterings in the last quarter of 1973 were 12 percent above those of the same quarter in 1972. (Despite this, slaughterings in 1973 as a whole were 14 percent below the 1971 level, the lowest since the 1950's.)

Earlier in the year, most observers predicted an increase of 5-8 percent in West European beef and veal production. However, increases in production in the first half of the year have been much greater than foreseen. For example, French production in the first 5 months of 1974 was reported 25 percent above that in the same period of 1973 while cattle slaughterings in West Germany were reported up 23 percent in the first half of 1974. Production is expected to slow in the latter part of 1974—in part due to measures taken by EC and national governments. The EC has instituted a system of slaughter subsidies aimed at encouraging cattle raisers to delay slaughter until early 1975. But it now appears that West European beef and veal production will increase by at least 10 percent in 1974.

These expected gains continue the long-term uptrend in European beef

production. During 1960-73 this trend was marred only by significant dips in 1964 and 1965 and again in 1972 and 1973. Despite the last drop, average European beef production for 1970-73 was nearly 20 percent above the average of 1960-64. However, output of other meats has risen even faster, dropping beef and veal's share of total meat production from 34 to 30 percent over the same period (and to 28 percent for 1973 alone).

Ironically, the resumption in beef production growth coincided with a falling consumption. After showing strong growth in the 1960's—and reaching a peak 7.7 million metric tons in 1970—West European consumption of beef and veal fell in both 1972 and 1973. These declines dropped total consumption to 7.4 million and 7.2 million tons, respectively, in the 2 years as domestic supplies contracted and consumer resistance to high prices became apparent.

Per capita consumption of beef and veal has shown a parallel trend, increasing by 27 percent between 1960 and 1970 but since falling nearly 9 percent. And while consumption in the Mediterranean area has risen steadily, that in Denmark, the Netherlands, Sweden, and the United Kingdom has actually declined since 1960.

The share of beef and veal in total meat consumption has also fallen in all but four countries (Austria, Greece, Portugal, and Spain). For the region, it has dropped from 34 to about 30 percent.

Up until recently, prices have been the prime factor behind these consumption changes. Between 1968 and 1972, retail prices widely turned against beef and veal in favor of pork and poultry meat. This was reversed in 1973 as prices for pork and poultry rose faster than those for beef. But by then many West European consumers, faced with sharply rising food budgets, were attempting to economize. They did this by purchasing more pork and poultry meat, which despite price gains were still considerably cheaper than beef on a per pound basis.

Historically, beef and veal consumption in Western Europe has shown a very close correlation with domestic production. In 1974, however, consumption is expected to stay at about the low level of 1973 as a result of the following factors:

- The economic slowdown in Western Europe. Aggregate GNP is expected to be up only 1.7 percent in 1974 in real terms. At the same time, double-digit inflation is expected in practically all countries.

- Severe balance-of-payments problems. Many countries may take measures to discourage imports. For example, Italy imposed a 50-percent cash deposit (non-interest bearing) on many imported commodities, including beef. (This was later reduced to 25 percent for beef. However, it was removed entirely for most other agricultural imports.)

- The EC increase in beef target prices—12 percent for 1974-75 and 40 percent since 1970. The EC support system, plus the price rigidity shown by European retail outlets, will keep beef prices high.

- Competition from other meats. Supplies of pork and poultry are ample this year and wholesale prices of these products have already fallen considerably more than beef prices. Price support mechanisms for these products are weaker than those for beef.

EUROPEAN BEEF AND VEAL consumption in the current year is unlikely to rise substantially above 1973 levels unless the European Community decides to let beef prices fall sharply below intervention levels or to directly sub-

sidize beef consumption. Thus far, the EC has shown little inclination to follow either approach, although, as noted earlier, there are plans to step up efforts to move beef through "welfare" channels.

Looking to the near future, high levels of beef production can be expected to continue into 1975 and probably 1976 as well. This anticipated growth reflects the large increase in herd size over the past few years, which has allowed sizable gains in meat production without reducing the potential for future output.

About 80 percent of West European cattle slaughter takes place in the European Community, where a 10-percent increase in 1974 production could occur with only a slight reduction in the current herd growth rate. In fact, an increase in the EC slaughter rate to about 36 percent (27 percent for cattle and 9 percent for calves) would be required to reduce herd size in 1975 by about 1 percent, and this would imply a 1974 production gain of 27 percent. While the slaughter rate for adult cattle has not previously reached 27 percent, that for calves was considerably higher than 9 percent in earlier years. These changes reflect the growing tendency toward production of beef, rather than veal.

Increases in beef production in the near future could be lessened if farmers begin to market cattle at lighter weights, or if there is a shift back to greater veal production. These developments will be encouraged if, as appears likely, cattle market prices remain depressed and feed costs remain high.

While consumption may pick up in 1975, high production will keep beef imports from outside Western Europe at relatively low levels.

There is great difference of opinion as to the longer term outlook for beef imports, however. Some studies foresee a sharp rise in Western Europe's beef import deficit, whereas others see it stabilizing or declining. These differences stem in large part from conflicting views as to the potential for expanded production.

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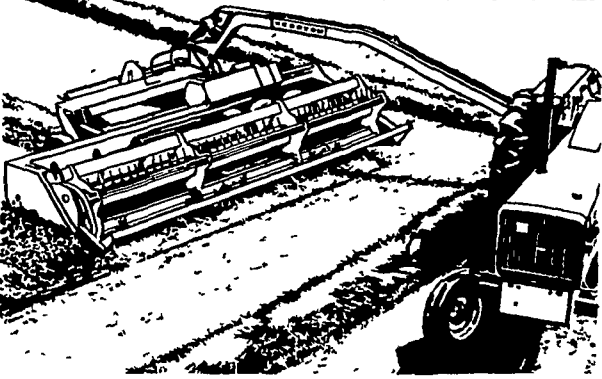
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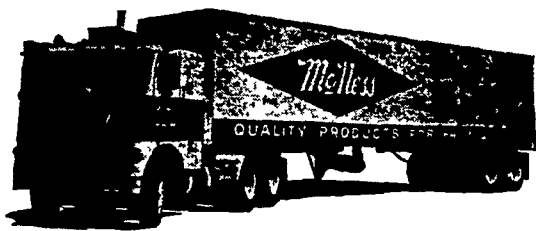


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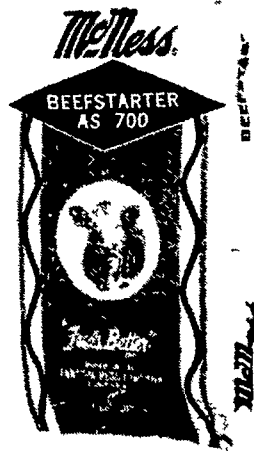
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