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OKLAHOMA CATTLEMEN'S ASSOCIATION ANNUAL CONVENTION

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THANK YOU SO MUCH FOR YOUR KIND INVITATION, I FEEL PROUD TODAY TO VISIT AND TO SPEAK TO THE GREATEST PEOPLE IN THE WORLD, THE OKLAHOMA BEEF PRODUCERS. WHEN I WAS PREPARING MY SPEECH I WAS ONLY QUOTING YOUR PRESIDENT DAVE MILLER, BUT NOW THAT I ALREADY SPENT ONE DAY WITH YOU, I FULLY AGREE WITH HIM WITH JUST A SMALL RESERVATION : YOU MAY ADD THE EUROPEANS TO HIS DEFINITION.

TODAY, I WOULD LIKE TO DRAW YOUR ATTENTION TO SOME OF THE LAST ECONOMIC DEVELOPMENTS IN THE BEEF MEAT SECTOR IN EUROPE. THEN, I WILL COMMENT ON SOME POLICY DEVELOPMENTS AND, PARTICULARLY, ON THE CURRENT STATUS OF THE RELATIONSHIPS BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND THE UNITED STATES OF AMERICA.

WITH 15% OF THE WORLD PRODUCTION, THE EUROPEAN ECONOMIC COMMUNITY IS THE SECOND BEEF MEAT PRODUCER IN THE WORLD, BUT FAR BEYOND THE UNITED STATES. IN 1983, IT REPRESENTED ABOUT 15% OF THE VALUE OF OUR TOTAL AGRICULTURAL PRODUCTION. BUT ABOUT HALF OF OUR FARMS ARE INVOLVED IN THE BEEF MEAT PRODUCTION. IN SPITE OF A YEARLY AVERAGE DECREASE IN THE NUMBER OF PRODUCERS OF ABOUT 2% A YEAR, DURING THE RECENT PAST YEARS 2.4 MILLIONS OF FARMS ARE STILL PRODUCING BEEF WHICH MEANS THAT THE AVERAGE SIZE OF THE HERDS IS SMALL, PARTICULARLY WHEN COMPARED WITH YOUR FEEDLOTS. CURRENTLY, THIS AVERAGE SIZE IS OF 33 ANIMALS PER FARM.

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OUR BEEF MEAT COMES FROM 3 DIFFERENT ORIGINS :

- OLD DAIRY COWS AND YOUNG CALVES ;
- ADULT BEEF PRODUCED ON GRASSLAND ;
- YOUNG FEED BULLS (MAIS SILEAGE),

THE LATTER ORIGIN IS CURRENTLY DEVELOPING AND REPRESENTS NOW ABOUT 1/3 OF THE BEEF MEAT PRODUCED IN THE COMMUNITY.

PRODUCTION

DUE TO A DECREASE IN CATTLE SLAUGHTER IN 1981 AND 1982, THE TOTAL NUMBER OF ANIMALS HAS BEEN INCREASING DURING THAT PERIOD. IN DECEMBER 1983, THE TOTAL BEEF POPULATION WAS 1% ABOVE ONE YEAR AGO WITH 79.5 MILLION HEADS. IN THE MID-TERM RANGE, THE AVERAGE INCREASE RATE OF THE BEEF POPULATION HAS BEEN DECREASING DURING THE PAST YEARS.

IN 1984, THE RATE OF SLAUGHTERS INCREASED, PARTICULARLY FOR THE FEMALE FOLLOWING THE IMPLEMENTATION OF A NEW DAIRY POLICY (PRODUCTION QUOTA). THE SAME SITUATION IS EXPECTED TO OCCUR DURING 1985, WHICH MEANS THAT WE ARE IN A PERIOD OF DECAPITALIZATION.

AFTER A RECORD PRODUCTION IN 1980, THE BEEF MEAT PRODUCTION DECREASED BY 2.5% AND 4.9% IN 1981 AND 1982 RESPECTIVELY. THE PRODUCTION WAS UP AGAIN IN 1983 (+ 3.8% 609 THOUSAND TONS) AND IN 1984 (ABOUT 4%). A SLIGHT INCREASE IS EXPECTED AGAIN IN 1985 (ABOUT 1%).

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CONSUMPTION

DURING THE SEVENTIES, THE PER CAPITA PRODUCTION OF BEEF MEAT INCREASED FROM 25 KG TO 26 KG. SINCE THEN, DUE TO THE ECONOMIC CRISIS AND TO THE HIGH RATE OF UNEMPLOYMENT THE CONSUMPTION DECREASED TO 24.4 KG PER CAPITA IN 1983. AS THE POPULATION IS NOW GROWING AT A VERY SLOW RATE, THIS MEANS THAT WE HAD IN FACT A GLOBAL DECREASE OF MORE THAN 5% IN MEAT CONSUMPTION DURING 1980 AND 1983. FORTUNATELY, WITH THE IMPROVED ECONOMIC PERSPECTIVES, THE PER CAPITA MEAT CONSUMPTION IS EXPECTED TO INCREASE TO 25.2 KG IN 1984 AND 25.6 KG IN 1985.

DUE TO THE DECREASE IN CONSUMPTION AND TO THE INCREASING PRODUCTION OF MEAT, THE SELF-SUFFICIENCY RATE WILL BE CLOSE TO 105% IN 1984, BUT THEN IT IS EXPECTED TO FALL PROGRESSIVELY NEAR 100% BECAUSE ^{OF} THE ECONOMIC RECOVERY AND THE CURRENT SLAUGHTERING OF COWS RELATED TO THE DAIRY QUOTA POLICY.

IN ORDER TO REACH A MARKET EQUILIBRIUM AND TO FIGHT THE OVER-SUPPLY, THE EUROPEAN ECONOMIC COMMUNITY HAS RECENTLY TAKEN A SERIES OF MEASURES :

- PUBLIC INTERVENTION : INCREASE IN THE INTERVENTION STOCKS BETWEEN PAST YEAR AND NOW. THE PUBLIC STOCKS INCREASED BY 100,000 TONS TO THE LEVEL OF 500,000 TONS ;
- ENCOURAGEMENT TO PRIVATE STORAGE ;
- STIMULATION OF THE CONSUMPTION BY SALES OF LOW-PRICED INTERVENTION STOCKS TO THE NEEDY PEOPLE ;

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- IMPROVEMENT OF THE INTERVENTION SYSTEM ;
- DECREASE OF 1% OF THE GUIDE AND INTERVENTION PRICES FOR BEEF MEAT.

TRADE

BEEF MEAT IMPORTS IN THE COMMUNITY EITHER IN THE FORM OF LIVING ANIMALS, OR FRESH AND FROZEN MEAT, HAVE BEEN PRETTY STABLE DURING THE PAST YEARS (ABOVE 400,000 TONS). THEY ARE EXPECTED TO BE AT THE SAME LEVEL IN 1984 AND 1985.

MOST OF THESE IMPORTS BENEFIT BY SPECIAL IMPORT CONDITIONS INTO THE EEC ACCORDING TO PREVIOUSLY NEGOTIATED BILATERAL OR UNILATERAL AGREEMENTS:

- IN THE FRAMEWORK OF THE GATT : 43,000 LIVING ANIMALS (4% DUTY) AND 50,000 TONS OF FROZEN MEAT (20% DUTY) ;
- IN THE FRAMEWORK OF THE QUALITY MEAT AGREEMENT : 29,800 TONS (20% DUTY) MEAT OF WHICH 10,000 TONS FROM THE USA AND CANADA ;
- IN THE FRAMEWORK OF THE EEC/AFRICAN CARIBBEAN PACIFIC CONVENTION : 30,000 TONS FROM AFRICAN COUNTRIES (NO DUTY) ;
- IN THE FRAMEWORK OF THE PROVISIONAL BALANCE SHEET FOR 1983 : 50,000 TONS OF FROZEN MEAT FOR PROCESSING ; 190,000 YOUNG BEEF FOR FATENING ;
- IN THE FRAMEWORK OF AN AGREEMENT WITH YUGOSLAVIA : 50,400 TONS OF BABY BEEF.

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OUR EXPORTS REGAINED TO ABOUT 600,000 TONS IN 1983 AFTER HAVING DECLINED IN 1982. IN 1984 AND 1985, TOTAL EXPORTS SHOULD BE AROUND 1980 AND 1981 LEVEL AT ABOUT 650,000 TONS, WHICH MEANS THAT OUR NET TRADE BALANCE WILL BE IN EXCESS OF ABOUT 200,000 TONS. BUT THE SITUATION COULD BE REVERSED AFTER 1986.

OUR TRADITIONAL EXPORTS MARKET ARE LOCATED IN EUROPE AND IN THE MIDDLE EAST. IN 1983 :

- ONE THIRD OF OUR TOTAL EXPORTS WENT TO THE MIDDLE EAST (WITH 12% FOR EGYPT) ;
- ONE FOURTH TO EASTERN EUROPEAN COUNTRIES (WITH 18% FOR USSR) ;
- ONE FOURTH TO MEDITERRANEAN COUNTRIES IN EUROPE AND IN AFRICA.

OUR GUIDE AND INTERVENTION PRICES HAVE BEEN LOWERED BY 1% IN 1984. OUR INTERNAL MARKET PRICES HAVE ALSO DECREASED BY ABOUT 6% FOR THE PERIOD APRIL-SEPTEMBER 1984 COMPARED WITH THE SAME PERIOD DURING THE PREVIOUS YEAR. IN SPITE OF A DECREASE OF THE WORLD PRICES EXPRESSED IN DOLLARS IN 1982 AND 1983, THE IMPORT PRICES OF MEAT IN THE EEC HAVE BEEN QUITE STABLE DURING THAT PERIOD BECAUSE OF THE DEPRECIATION OF OUR CURRENCIES AGAINST THE DOLLAR.

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AS I ALREADY MENTIONED TO YOU EARLIER, THE EEC NET BALANCE OF PRODUCTION HAS BEEN GOING BEYOND SELF-SUFFICIENCY DURING THE PREVIOUS YEARS AND OUR TRADE SURPLUS WILL BE AROUND 200,000 TONS IN 1984 AND 1985. BUT, AT THIS POINT I WOULD LIKE TO MAKE SEVERAL OBSERVATIONS.

THERE ARE SPECIFIC CIRCUMSTANCES LIKE OUR DAIRY SCHEME WHICH IS FAVORING THE INCREASE OF BEEF MEAT PRODUCTION. AS YOU ALL KNOW, THERE ARE PRODUCTION CYCLES AND WE ARE UNFORTUNATELY IN A PERIOD OF GROWING PRODUCTION. BUT, I ALSO MENTIONED BEFORE THAT IN A MEDIUM TERM PERSPECTIVE OUR PRODUCTION INCREASE IS SLOWING DOWN AND WE WILL PURSUE OUR POLICY OF ADAPTATION OF THE PRODUCTIONS TO THE MARKET NEEDS DURING THE COMING YEARS BECAUSE WE LIVE IN A CHANGING WORLD. AFTER A GROWING EXPANSION OF THE WORLD MARKET FOR AGRICULTURAL PRODUCTS WE HAVE BEEN SUFFERING A SLOW-DOWN IN THE EXPANSION SINCE THE EARLY EIGHTIES BECAUSE OF THE DETERIORATING ECONOMIC SITUATION. WE MUST ADAPT TO THE NEW SITUATION AND AVOID TO GENERATE GROWING EXPENSES DEVOTED TO THE MARKET SUPPORT OF AGRICULTURAL PRODUCTS.

DURING THE PAST MONTHS, WE HAVE REDUCED OUR EXPORT REFUNDS AND, AS YOU KNOW, WE DO NOT PROVIDE EXPORT REFUNDS FOR EXPORTS TO LATIN AMERICA AND TO THE FAR EAST.

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I MAY SAY THAT ON A GENERAL AGRIPOLICY LEVEL, WE IN EUROPE AND YOU IN THE UNITED STATES ARE CAUGHT IN A SIMILAR SITUATION WHICH IS EVEN WORSE FOR YOU SINCE THE EXPENSES DEVOTED TO THE SUPPORT OF AGRICULTURE HAVE BEEN GREATER IN THE UNITED STATES.

I WOULD ALSO LIKE TO TELL YOU THAT TRADE MUST BE TWO-WAYS TO SURVIVE, YOU CANNOT EXPECT TO HAVE ONLY CUSTOMERS ON ONE SIDE AND SUPPLIERS ON THE OTHER SIDE.

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WE HAVE TO REPLACE OUR BEEF MEAT EXPORTS IN THE GLOBAL CONTEXT OF THE EXCHANGE OF AGRICULTURAL PRODUCTS. I AGREE WITH THE FACTS THAT WE EUROPEANS ARE NOW NET EXPORTERS OF SUGAR, BEEF AND WHEAT. IT WAS NOT THE CASE A FEW YEARS AGO BUT, IN THE MEANTIME, WE HAVE BEEN IMPORTING MORE AND MORE OF OTHER PRODUCTS LIKE CEREAL SUBSTITUTES, FRUIT, VEGETABLES, PROCESSED FOOD ETC. FOR EXAMPLE, SINCE 1974 THE IMPORTED QUANTITIES OF CEREAL SUBSTITUTES HAVE BEEN MULTIPLIED BY 5 AND YOU ALL ARE AWARE OF THE TREMENDOUS INCREASE IN OUR SOYBEAN IMPORTS (PARTICULARLY FROM THE US) IN EUROPE DURING THE PAST TEN YEARS.

CONTRARY TO WHAT IS OFTEN SAID AND THOUGHT IN THE UNITED STATES, THE EUROPEAN ECONOMIC COMMUNITY IS A NET IMPORTER AND THE FIRST NET IMPORTER OF AGRICULTURAL PRODUCTS IN THE WORLD.

OUR GLOBAL BALANCE OF TRADE IN THE AGRICULTURAL SECTOR IS IN DEFICIT AND THIS DEFICIT HAS BEEN GROWING FROM ABOUT 17 BILLION EUROPEAN CURRENCY ACCOUNT* IN 1973 TO 24 BILLION EUROPEAN CURRENCY ACCOUNT IN 1983.

THE EUROPEAN ECONOMIC COMMUNITY IS THE MAIN WORLD IMPORTER OF AGRICULTURAL PRODUCTS WITH IMPORTS AMOUNTING TO 50 BILLION ECUS IN 1983 - AND IN HARD CASH.

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* \$1.00 IS ABOUT 1,3 ECU

THE EEC IS OFTEN ACCUSED TO BE PROTECTIONIST, BUT MAY I TELL YOU THAT MORE THAN HALF OF OUR IMPORTS ARE DUTY AND LEVY-FREE AND MAY I REMIND YOU THAT ON YOUR SIDE YOU ARE USING A GATT WAIVER TO IMPOSE RESTRICTIONS OF IMPORTS OF SOME AGRICULTURAL PRODUCTS INTO THE U.S.

THE EUROPEAN ECONOMIC COMMUNITY IS THE FIRST CUSTOMER FOR US AGRICULTURAL PRODUCTS WITH MORE THAN 7 BILLION DOLLARS IN 1983. EVEN IF OUR TRADE DEFICIT HAS BEEN REDUCED DURING THE TWO PAST YEARS, WE ARE STILL FACING A TRADE IMBALANCE WITH THE USA OF 4,5 BILLION ECUS IN 1983 COMPARED WITH 3,4 BILLION ECUS IN 1973.

IN THE CURRENT ASSESSMENT OF OUR TWO-WAY TRADE A SPECIAL ATTENTION MUST BE DEVOTED TO THE EXCHANGE RATES WHICH CAN PLAY A GREATER ROLE THAN MOST OF THE OTHER FACTORS.

AS YOU KNOW, THE DOLLAR HAS APPRECIATED VERSUS OTHER CURRENCIES, THUS MAKING YOUR PRODUCTS LESS COMPETITIVE IN OTHER MARKETS COMPARED WITH OURS AND MAKING IMPORTED PRODUCTS MORE ATTRACTIVE IN YOUR COUNTRY.

FOR A LONG TIME, THE EEC HAS ASKED THE USA TO PUT SOME ORDER IN THE INTERNATIONAL EXCHANGE MARKET, BUT THE EEC IS NOT TO BE BLAMED FOR THE FAILURE TO REACH AN AGREEMENT SINCE THE US GOVERNMENT REFUSED TO COOPERATE WITH US IN THIS AREA.

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TO CLOSE MY REMARKS, I WOULD LIKE TO COMMENT ON THE TRADING RULES. AS YOU KNOW, WE LIKE YOU ARE CONTRACTING PARTIES OF THE GENERAL AGREEMENT ON TARIFF AND TRADE (GATT) AND WE TRY TO COMPLY WITH MUTUALLY AGREED INTERNATIONAL RULES. UNFORTUNATELY FOR BOTH OF US IN THESE PREVIOUSLY AGREED RULES THERE ARE ELEMENTS THAT WE DO NOT LIKE AT ALL AND THAT WE MUST LIVE WITH.

I KNOW, FOR EXAMPLE, THAT YOUR ADMINISTRATION DOES NOT LIKE THE PRINCIPLE OF VARIABLE LEVIES USED BY THE COMMON MARKET, ALSO MAY I TELL YOU THAT WE DO NOT LIKE THE MEAT IMPORT LAW AND THE WAY IN WHICH, IN OUR SENSE, IT DISTURBS THE WORLD TRADE. BY THE WAY, IF OUR NET EXPORTS HAVE BEEN INCREASED BY ABOUT 150,000 TONS DURING THE LAST TWO YEARS, IN THE MEANTIME - DUE TO A REDUCTION OF YOUR IMPORTS - YOUR NET IMPORTS DECLINED BY NEARLY 250,000 TONS.

BUT, THERE ARE ALSO POSITIVE ELEMENTS IN THE GATT. THE GENERAL AGREEMENT HAS NO DOUBT BEEN FAVORING THE TREMENDOUS DEVELOPMENT OF TRADE RELATIONS AMONG NATIONS DURING THE PAST TWENTY YEARS. THE GENERAL AGREEMENT ALLOWED A DECREASE IN THE GENERAL LEVEL OF PROTECTION IN : REDUCING THE AVERAGE EXTERNAL TARIFFS AND DEFINING A FRAMEWORK FOR INTERNATIONAL TRADING RULES. BUT NOTHING IS PERFECT, THERE IS ALWAYS ROOM FOR IMPROVEMENT, PARTICULARLY WHEN THE ECONOMIC ENVIRONMENT IS CHANGING.

UNDER DISCUSSION IN THE AGRICULTURE COMMITTEE OF THE GATT IN GENEVA IS THE LANGUAGE OF A TENTATIVE AGREEMENT WHICH WOULD PERMIT NEXT YEAR THE SERIOUS EXPLORATION OF TOUGHER AND/OR NEW DISCIPLINES FOR INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS. SOME CONCERN HAS BEEN VOICED THAT THE COMMUNITY IS BACKING AWAY FROM AN EARLIER COMMITMENT TO CONSIDER THE POSSIBLE BASIC PROHIBITION OF ALL EXPORT SUBSIDIES WITH AGREED EXCEPTIONS. WE HAD ENTERED INTO NO FIRM COMMITMENT TO FOLLOW THIS EXCLUSIVE LINE.

IN OUR ASSESSMENT OF THE CURRENT SITUATION WHICH WILL SERVE AS A BASIS FOR IMPROVEMENT, THERE ARE A FEW FACTS THAT WE MUST BEAR IN MIND :

FIRST: AGRICULTURAL SUBSIDIES ARE NOT A UNIQUELY EUROPEAN PHENOMENON, WHILE WE SPEND ABOUT 15 BILLION DOLLARS FOR AGRICULTURE IN THE COMMUNITY BUDGET, THE FEDERAL FARM PRICE SUPPORT IN THE U.S. WAS 19 BILLION DOLLARS WITHOUT THE PIK PROGRAM.

SECONDLY: EXPORT SUBSIDIES ARE ONLY ONE OF THE VISIBLE ELEMENTS OF THE STATE INTERVENTIONS IN FOREIGN TRADE (FOR INSTANCE, BLENDED CREDIT). IMPORT RESTRICTIONS (GATT WAIVER FOR YOU) HAVE TO BE TAKEN INTO CONSIDERATION.

INTERNAL PROGRAMS (CREDIT, GUARANTEED PRICES, CROP INSURANCE ETC.) HAVE AN INDIRECT EFFECT ON OUR TRADE AND MUST ALSO BE TAKEN INTO ACCOUNT IF WE WANT TO ASSESS AND THEN TO MASTER THE STATE INTERVENTIONS IN THE FOREIGN TRADE.

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I WOULD LIKE TO FINISH ON A MORE OPTIMISTIC NOTE.
AS I SAID, WE BOTH AGREE THAT THERE IS ROOM FOR IMPROVE-
MENT OF THE INTERNATIONAL TRADING RULES AND IT IS IN
THIS SPIRIT THAT WE ARE TRYING TO WORK OUT EITHER A
CLARIFICATION OR A CHANGE OF THE CURRENT RULES.

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8/11/84