

Discussion

N. Marriott: Since we have the opportunity to make comments as well as ask questions, I'd like to make a comment. I would like to say that this is only a personal opinion. I would like to take issue somewhat with the negative picture that was painted of lamb production and consumption. I realize that it has really been down for a long time, but we're starting to see some turn-around in our state and also in some other states in the USA. I would say that if we ever get the problem related to mechanical deboning resolved, because of the fact that processing of lamb is vary labor intensive, I would maintain that we will see quite an increase in production, not only of lamb, but also of goat.

R. Cassens: I have a question for Mr. Seng. If I understood you correctly, you mentioned that the Japanese scientists would have a role, apparently more of a role, than U.S. scientists have had in direction of the industry. Could you explain that, or expand on it, if I heard correctly.

P. Seng: I think in referring to that question I was talking in relation to the European Economic community with the hormone ban that is now in place. I was saying that the Japanese scientists, and their Administration of Health and Welfare, will have more input, and the Japanese will comply more along with what science dictates, rather than what politics dictates, as far as this issue on compounds that are fed to cattle. So my statement was intended to compare the EEC situation to Japan, and to say that the Japanese probably would not take the same course of action as Europe has, which is based on political grounds. They would follow science where science would dictate.

J. Hodges: The GATT Uruguay round negotiations is very important, particularly in the area of the vital sanitary harmonization, but I'd like to hear some speculation by all the panel members about what the chances of success for that particular portion of the negotiation might be. Obviously the hormone ban, the third country meat directive, the Japanese sulphur testing program and a variety of things have a tremendous impact, and this is one opportunity we might have to correct some of those. But what are the chances for success?

L. Martin: I guess my feeling is that there probably are some areas in the negotiations where we'll make quite a bit of progress. As I tried to indicate as I flew over it quickly at the end of my presentation, I really think as you do, that this is in many ways the most important part of the negotiation. The second part has all been about subsidies, but I think the real stuff is this area. I guess in a general sense I suspect that we're going to have trouble making a lot of progress on some of the thorniest issues, and I think it is particularly because of the philosophical difference in some of these things that I observe. There may be others here who know more about it than I do and disagree with me on this.

But between North America and particularly the Europeans, where I think the consumers in Europe are driving them to a political position (which I think is sort of what Phil was saying a minute ago), they are saying in some cases they will not accept any of certain things, whereas we're taking the more scientific approach. If we can't resolve that (political vs scientific positions) then we probably can't make any progress there. So I think in some of those areas we probably

won't have any kind of agreement by the end of 1990. I don't think we have the time to resolve these kinds of differences in this round. It may take place in the subsequent round, but I doubt in this one.

A. de las Carreras: I'd like to say something regarding the Uruguay Round to try to have a wider perspective. One point that must be considered is that this is the most complex round ever negotiated in the GATT since its creation in 1947. Ninety-six countries are negotiating agriculture, services, intellectual property and high technology, and the common trade of industrial goods that were successfully negotiated in former rounds. But countries are negotiating to the chart of the GATT, that is the articles of the entity. Thus, the negotiating is very complex, and I fear that people stress excessively on agriculture, and among the different topics of agriculture, on sanitary and vital sanitary harmonization. Beware of that, because this round is very complex.

J. Ziegler: I'd like to ask Phil if he would comment on what effect the current Japanese financial involvement in the American beef business has had on the trade negotiations?

Seng: I think the Japanese investment in the United States is the result of the negotiations. I think No. 1 with Japan, is that we have to look at an overall context, not just at meat. Japan is one of the most advanced countries in the world today, and also they are one of the most highly dependent upon imported foods. Over 50% of the food they consume is imported. There is no other highly developed country that is as dependent upon imported food to that extent. The natural outgrowth of this would be that Japan is very concerned about the negotiations of the past 14 years. They have always maintained that food self-sufficiency is one of the key hallmarks of their whole system. What we're saying to them now is that you can become food secure through this agreement.

So because of agreement, we're starting to see more Japanese investing in Australia, more Japanese investing in the United States, in order to make sure they have a secure source of product. I have had many Japanese say to me "What happens if IBP, for example, or Excel or John Morrell comes to a choice between serving a Japanese supermarket or an American supermarket? Who will the Americans sell to? Will they take care of the American customers or the Japanese customers?" Some of the Japanese are looking at it this way. I don't think that is the overall approach but many of them do look at it that way.

I think another point is that the Japanese market, and I think the world market to some degree, is following in the approach of becoming a two-tier market. It is becoming a product-specific type of a market. The Japanese are opting for some long-fed cattle, 1,500-pound cattle, and this is part of it. They are seeking more branded items. It's becoming a more complex market to sell to. There are grass-fed products, there is high-quality U.S. product, there is Japanese Wagu or the Kobe beef products. There are many different types of products in that market. They are very eclectic.

As people become more advanced, their buying power becomes more advanced. They become more eclectic in their buying needs. That's the case of the Japanese, so they're opting for many kinds of product, and that is why if we

don't produce it on a mass basis, they're coming in on some of the specified projects and buying in. I don't think we've viewed this basically as a threat, since Japanese investments in the United States are No. 3 behind the British and the Dutch, but it's a trend that is developing, and in many respects I look at this as being positive. It is enveloping or encouraging the globalization of the meat trade and all these types of things, I think, are positive. If they invest in this market, the American market, they are going to export products to Japan from the American market, and that will be good for our beef producers, and the people that produce the corn, etc. So on the whole we look at that very positively. Anyway, I do. I shouldn't say I speak for the whole industry, but from my standpoint, I think it's a positive development.

de las Carreras: I am remembering one point stressed by a Dutch lecturer in a conference that was in English. He said that in fixing the rules of the game for future conferences, it would be better to require people to speak in the language of the other. Then for the next conference I invite you to learn Spanish, and I promise you to improve my English. But the point I want to tell you complements my own comment made before. That is, if the GATT round is so complex and there are many areas in which the United States is involved, it is up to you and to the institutions involved to stress to the American government to take into account the agricultural negotiations. That is, to be as tough as the Reagan government was in the beginning of the round, because you take the risk of giving more importance to other areas of the negotiations. I, as an Argentine, from a country which also depends greatly on agriculture, feel the need for a strong American position on agriculture.

J. Riemann: I have two questions for Phil Seng. I'll give you both of them and you can probably wrap your responses together. You mentioned your major role is that of trying to compare US beef to that of your competitor when you're dealing with these other countries in trying to improve the export situation. My question is: How do you compare US beef to that of the competition? What do you say about US beef or domestically produced beef, and then secondly, does the Meat Export Federation have any role in ensuring that the shipments that go from the United States to the other countries are really exactly what the customer ordered? Other than the role that the inspection services play, do you have any other additional supervisory role to ensure that only high-quality beef that is clean and sanitary is going out?

Seng: I think I'll begin with the second part of your question. I think, No. 1 is that the MEF basically are trying to facilitate a freer and more trouble-free exchange between our country and the countries that we are exporting to. I think as far as certifying that the product is the product the customer ordered, this is basically the responsibility of the supplier who is providing it. He has a letter of agreement. He has a contract he signs. Mr. Beatty, when he signs an agreement with the Japanese, and as he even said, he often does it with a handshake (or possibly in Japan more of a bow), and that finalizes or consummates a contract. It is basically incumbent upon him, if he is going to do business for long term, to follow up and to supply that customer correctly. We have found that we have had little role to play in that. I think in the Japanese market, and in most world markets, the black sheep have

been weeded out. There are not too many black sheep in the U.S. exporting meat anymore. They have been identified, and basically the cards have been folded on them.

I think as far as comparing our product to the competition, I really don't try to compare our product to the competition. I try, or the MEF tries to basically articulate the attributes of our product, and why they should buy our product. I think in today's discussions we don't appeal to the total worldwide market. I don't think we were even on Mr. de las Carreras' charts. We appeal to maybe the top 10% of the whole world market and that's the market that we're basically catering to. We recognize we can't be all things to everyone, so we're going into those markets with good food service sectors, strong retail sectors and selected markets, and we're just pushing our high-quality, grain-fed beef. We're a net importer of grass-fed beef. We import predominantly from Australia, so we really wouldn't have a market to export grass-fed beef. So we go with what we produce best, that is our grain-fed beef. We have surplus grain, we feed that to our cattle, and that's what we're trying to export. So that is basically it in a nutshell.

C. Beatty: I would say one thing on this investment of Japanese money in the United States. This is a pure matter of economics. If you look at what the yen has done in the last few years, as a Japanese businessman what is a good investment? My yen now will buy twice as much in the United States as it did three years ago, so I would invest my money here rather than in very, very high land values in Japan. I can come to the United States and get twice as much for my yen. So from a pure economic standpoint, investment should be encouraged here, and it's one of the things that will help balance our trade picture. We welcome it.

K. Jones: I have a question for Mr. Beatty regarding a reference you made to freshness of the products in Japan. In your experience, what do you see as a necessary shelf-life for refrigerated products to go through distribution systems in Japan and in other Pacific rim countries?

Beatty: When it comes to beef and pork, you must have a minimum of 40-day shelf-life. You produce the product here in your plants, and then ship it via sea transport. Currently we're flying a lot of products to Japan, but that is only an intermediate thing in order to get the LIPC over the hump, and keep boners and fabricating people in Japan busy. On a long-term basis, you're going to have to have 60 to 65 days, without a doubt, and then be able to prove to a consumer in Japan, or in other foreign countries, that the meat is just as good as that which was slaughtered five days before. We have run some extensive tests with the U.S. government and the military, where we put beef into Europe and had 60, 65, or 70 days, but this is a matter of keeping the temperature low, with a variation of only 2°F up or down. If you start fluctuating the temperature widely above 30° to 31°F, if you allow it to get up to 40°F, and then bring it back down, your bacteria have increased significantly. If you bring it up again to 40°F, it raises the numbers again. So it's a matter of handling, and it's a matter of sanitation within our own packing plants. But it's going to take somewhere around 60 days of shelf-life. With the packaging equipment we have today, we are capable of doing that if we handle the product correctly — I would say 60 to 65 days.

