

# Past, Present and Future of the International Meat Trade

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## Introduction

This paper attempts to provide an overview of the worldwide evolution of meat trade and its probable future projection. The analysis is centered on beef, as it is the most important item in the international meat trade. However, other kinds of meats are also considered in this context. The paper starts with a brief section outlining the past. It describes the development of the various stages of the meat trade since the origin of large-scale commercial transactions, towards the end of last century, up to the present day. A second section is devoted to the analysis and description of the main characteristics of the current trade. A third section tries to identify the determinant factors of the trade of the future. This last section endeavours to provide analytical elements for an easier identification and setting of those who play the main roles in the international context.

## The Birth of Large-Scale International Trade

The event which may be considered as the beginning of meat trading at international scale is the oceanic transportation of chilled products which took place at the time cold storage holds were installed, allowing preservation of carcasses for a length of time sufficient to allow their transportation to far-off markets. The starting point was the fitting out of the French vessel "Le Frigorifique" which set out from the port of Rouen for Argentina towards the end of 1876, carrying ovine and bovine carcasses refrigerated according to the system developed by the French scientist Charles Tellier. Prior to this, there had been international trade of salted and dried meats, which covered some specific needs. However, it was not of great significance.

The installation of large packing houses in several large-territory countries started off at the end of the 19th century. These countries enjoyed favourable natural conditions for the breeding and fattening of animals which provided a good quality meat. Important investments, mainly of British and North American origin, were made in Argentina, Australia, New Zealand, Brazil and Uruguay, countries which very soon became important meat suppliers to the new markets which arose in Great Britain and, in a lesser proportion, in continental Europe.

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## The Period of Influence of British Imports

In the early decades of the present century, Great Britain had a prevailing position in the world economy because of its big commercial share and as a supplier of investments and technology. Thus, it was a determining influence in the establishment of those industries in the countries referred to above and the installation and development of a vast network of railways, ports, maritime lines, banks, insurance companies and other enterprises, all of which served the development of exports of raw materials and food for the benefit of the United Kingdom, which needed to maintain its industrial costs at competitive international levels. Among the meat suppliers to the British Isles, Argentina occupied a privileged position on account of its extensive and rich grasslands, and its distance to the United Kingdom, which made it possible to send chilled meats, preferred by the English consumers. Figures No. 1 and 2 show that during the period 1934-38, Great Britain was buying 77% of world beef imports and Argentina was selling 53% of world exports.

## The U.S. Influence Period

At the end of World War Two, the U.S. became the center of international politics and economics. Its wealth shaped the life styles of its residents and led to the growth of meat consumption. Meat production grew with the introduction of feed-lots, but its growth was not sufficient, particularly in the supply of meat for industrial use subject to strong demand for hamburgers and convenience foods. At the same time, the decline of the British Empire reduced its share in the world meat trade. In a few years, the U.S. became the leader among the beef importers. Figures No. 1 and 2 demonstrate this. The U.S. acquired 30% of world imports. This change had an important influence in the relative share of the main importing countries. Due to the U.S. sanitary policy, previous cooking of meats imported from countries with foot and mouth disease was required and became mandatory. As a consequence, a division of the world meat market into two blocks took place. It favoured the expansion of livestock in Australia, New Zealand and Central America that are free of such disease. For this reason and others of economic nature, Australia developed its great territorial potential and at the beginning of the 70's, surpassed Argentinian beef exports.

## The Period of European Influence

During the 60's, Europe underwent great economic growth. It brought about an increase of its imports of foodstuffs in general and of meat in particular.

By the end of the 60's, the imports of the six signatories of the Roman Treaty were practically similar to those of the U.S.

Yet, at the end of the 60's, there is another aspect of European economic development to take into account with the emergence of the European Community as a meat exporter, with such a strength that by the mid-80's, the Community gained a position of leadership among beef exporters. The origin of this flourishing European export was the tremendous agricultural protectionism of the common agricultural policy. European sales, absurdly financed, reached a million tons of beef, representing 25% of world exports, which duplicated its declining imports. The deficit of the Soviet Union in production of meat contributed to sustain this period of European predominance.

**The Beginning of the Multipolar Period**

In the last few years, two new developments have taken place. One is the important greater demand from the Asiatic markets headed by Japan; the other is the demand coming from the developing world. As a consequence of both, the growth of the population and the gradual improvement of its standard of living, leading to a higher consumption of meat protein now takes place. On the side of exports, the gradual growth of the U.S. as meat supplier for some high-priced markets is taking place. Therefore, demand and supply are now distributed among a greater number of countries. (Figs. 1 and 2.)

This one-century picture shows that meat markets have been following – as could be expected – the big changes undergone by the world economy. The meat trade has its own peculiar characteristics due to the nature of the products involved, but in general, it has paralleled the great economic events of the world.

**Ten Relevant Facts of the Present**

The world today is multiple, varied, mutable, very dynamic, and enjoying high scientific and technological innovations. Any activity, be it economic or of any other nature, exhibits features which call for great attention from governments, entrepreneurs and technicians. I am going to point out some events of the utmost interest for those who are concerned with the international meat trade.

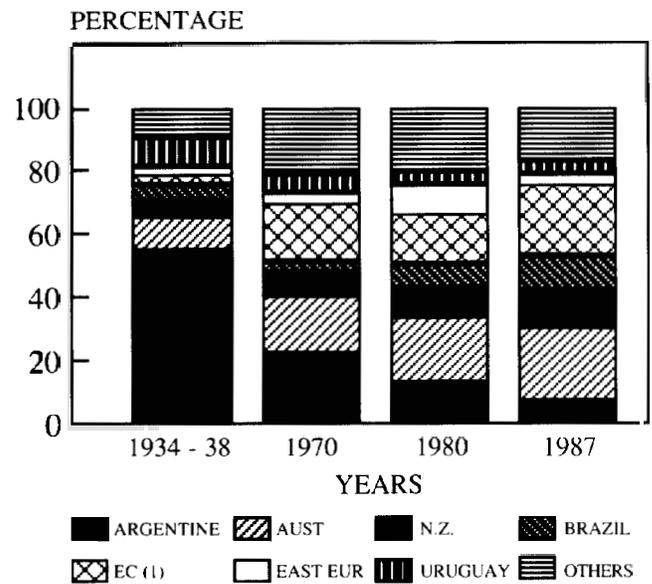
**Meat Consumption is Growing Faster in Developing Countries**

As a result of major demographic growth and higher incomes, this sector of the world is the one showing the most dynamic demand for meat from its previous rather low level of consumption. We can say, for the sake of simplification, that many countries which moved a few decades ago from rice to bread, are moving today from wheat to meat protein consumption. Table 1 shows it very clearly.

An important number of developed countries, on the other hand, have good food consumption standards. Therefore, increases in meat consumption are of lesser importance; sometimes they even register a reduction of consumption due to dietetic factors. There are, of course, exceptions such as in Japan, the Soviet Union and the socialist countries of eastern Europe, where meat consumption is increasing significantly.

Figure 1

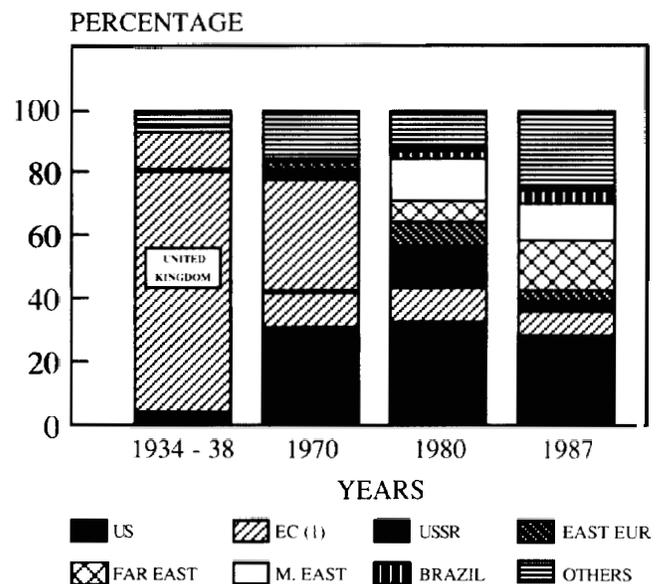
**WORLD BEEF EXPORTS  
SHARE BY COUNTRIES**



(1) All countries that at present belongs to the EC

Figure 2

**WORLD BEEF IMPORTS  
SHARE BY COUNTRIES**



(1) All countries that at present belongs to the EC

**Table 1. World Meat Consumption in Different Countries.**

	<i>Period</i>	<i>Million Tn.</i>	<i>% Incr.</i>	<i>Kg p/Capita</i>	<i>% Incr.</i>
DEVELOPING COUNTRIES					
	1975-77	35.1		11.7	
	1985-87	58.3	66.1	15.8	35.0
DEVELOPED COUNTRIES					
	1975-77	81.8		72.1	
	1975-77	96.7	18.2	79.4	10.1

Source: FAO. It includes beef, pork, poultry, sheep meat, goat and others.

**Table 2. Evolution of World Meat Production: Period 1961/86.**

	<i>In Million Tons Carcass Weight-Excl. China</i>		
	<i>1961</i>	<i>1986</i>	<i>Growth 86/61</i>
Beef	26.2	48.3	84.3%
Pork	21.2	61.5	190.1%
Poultry	8.4	36.3	332.1%
Sheep Meat	5.7	5.7(1)	0 %(1)

Source: UNCTAD and FAO

(1) Year 1982 - Growth 1982/1961

### **A Change Has Occurred in the Composition of World Meat Production and Consumption**

Poultry and pork production has grown at a higher rate than beef and sheep meat. There has been a notable improvement in the efficiency of poultry and pork production, bringing about cost reductions in relation to other meats. Poultry and pork production may take place almost in any part of the world, at about the same cost conditions; besides, they are very appropriate for agribusiness development. The manufacturing technology applicable to these meats has also evolved rapidly, facilitating their promotion and consumption. In the particular case of poultry, the prevailing dietetic tendencies, especially in developed countries, have increased the production and consumption of poultry. Table 2 shows the evolution of world meat production in a recent period, stressing the already-mentioned greater growth of pork and poultry production.

Beef and also sheep meat have two systems of production with very different costs: one of extensive type where the animals are reared and fattened in pastures; and the other intensive, the so-called feedlot system. The first one is a low-cost system being used in Australia, New Zealand, Argentina, Brazil, Uruguay and in some other countries in Africa and in America. The second one is of higher cost and is used in Europe, U.S. and Japan, among others. Therefore, it may not sound strange that Australia, Argentina, New Zealand and others have comparative economic advantages in beef and sheep meat production.

### **Developing Countries Will Be the Most Dynamic Factor in the International Meat Trade**

Developing countries have a much higher demographic growth than developed ones, and it has already been stated that they are expected to improve their meat and protein diet. This is the reason why they are already performing an important role in the international meat trade. This is the case of Iran, Iraq and in general the Middle East, and also the Mediterranean African countries such as Egypt, Argelia, Tunisia and Morocco. In Asia, similar trends can be observed in South Korea, in Singapore and in others. During the last decade, the European Community has been the main supplier of meats to these countries, the basis of heavy EEC subsidies.

The two developed countries, Japan and the Soviet Union, are in a trend of growing meat consumption. The Soviet Union, in certain aspects (like meat consumption), is like the underdeveloped countries, due to its past existing chronic supply problems.

### **Bovine and Ovine Meats Hold a Higher Share in the International Meat Trade**

Beef and sheep meat, in this order, participate in the world trade in a higher proportion than poultry and pork. These are their relative shares of meat traded in comparison to total production: 9.5% and 12.3% for beef and sheep meat respectively, and 2.54% and 3.71% for poultry and pork, re-

**Table 3. World Meat Production and Trade.**

<i>In million ton carcass weight – 1987</i>			
	<i>World Production</i>	<i>World Trade</i>	<i>Trade/Prod.</i>
Beef	48.6	4.60	9.5 %
Pork	61.0	1.55	2.54%
Poultry	35.0	1.30	3.71%
Sheep and Goat	8.5	1.05	12.3 %

*Source:* FAO. Excludes EC intertrade.  
Includes cattle on the hoof and offals.

spectively. The reason for this difference is to be found in the fact that beef and sheep meat production have clearly defined comparative advantages in several extensive production countries as mentioned. The production of pork and poultry demands almost similar cost in most of the countries, thus inviting self-supply in those countries. Table 3 supplies more detailed information on the subject.

### **Food Protection Brings About New Demands in International Trade**

Agricultural technology has introduced the use of agricultural chemicals, antibiotics and other agents of higher productivity. Additionally, the industrialization of foodstuffs has meant the use of additives and manufacturing processes which cause potential risks, demanding the introduction of sanitary and hygienic controls to avoid non-desirable product residues. The importance of this requirement is such that the observance of these rules is in fact a quality condition which should be certified by exporting countries.

### **The Increase of Agricultural Productivity is an Outstanding and Distinguishing Fact in the Second Half of the 20th Century**

Ever since the 50's, an extraordinary increase of agricultural productivity has been observed. The mechanical, genetic, chemical and informatic revolutions have caused a great increase in agriculture production. This higher productivity has put an end to the pessimistic view of the Club of Rome that had forecasted world-wide food scarcity. This erroneous vision gave way to protectionism and to enormous stocks and low prices in agriculture. Today we have a more realistic outlook, allowing discussion of more realistic agricultural policies.

### **Industry and Services Represent a Growing Share of Food Prices**

As a consequence of the growing share of the industry and services in the economy of the contemporary world, there is a growing reduction of the share to cattle and agricultural producers in general from the price paid by consumers. It is a relative phenomenon which does not imply detriment in the farmers' income. To the contrary, it may even favor them if and when those processes lead to a better

satisfaction of consumers' preferences. Of course, this makes production more complex, but that is a reality of the modern world. In the U.S., where this trend has shown a greater strength, the share to cattle producers from the price paid by consumers of beef has dropped from 64% in 1971-75 to 56% in 1983-87. The share to pig producers from the consumer prices has dropped to 44% in 1987. The explanation of such change is the trend to provide more sophisticated goods and services to the consumers.

### **The Promotion and Publicity of Meats Has Gained Great Importance in Many Countries**

During some time now, Australia and New Zealand have undertaken a good promotional effort for their meats both domestically and abroad. A similar effort has taken place in the U.S. Great dynamism has been noticed presently in the promotional field. In the U.S., two programs were instituted, one for domestic consumption with funds collected at the rate of one dollar per beef animal sold, payable by the producer for the financing of research, promotion and education. The other program is international in its scope and is financed with public funds provided by PL 480 and additional private contributions. France has just begun a new program with resources supplied by private business. Holland, Great Britain and other nations have followed the same path, hoping to maintain, and if possible to attract, further consumer preferences. Meats have become raw materials for sophisticated industrial elaboration and transformation. Meat production is fighting for its place in the market with the assistance of modern promotional media.

### **Mergers and Acquisition of Enterprises Move in the Direction of Global and Interdependent Markets**

Recent cases of mergers and acquisition of foodstuffs enterprises have led to conglomerates of extraordinary size. In Europe, some big deals have taken place involving Unilever and Nestle, among others. In the U.S., the Nabisco and Philip Morris cases are well known. In the specific area of meat production, Excel, IBP and Conagra buy two-thirds of fat cattle produced in the U.S. These operations are to be seen in the background of European integration, economy of scale, market growth and major international commercial liberalization programs.

### **The Power of the Great Enterprises is Balanced in a More Complex Market**

During the 20's and 30's, important political conflicts took place as a direct consequence of the power of packing houses in all meat-producing countries. In the U.S., more than 50% of the fat cattle offered for sale were bought first by five firms, and then by four, generating protests and resistance. Something similar occurred in Argentina, Australia, New Zealand, South Africa, Kenya and other countries. Special laws were enacted for the protection of cattle breeders subject to monopolistic practices of different characteristics in most of the producing countries. The presence of large firms in the markets has not created at the present time in the U.S. the same kind of conflicts and hurt feelings. Probably the enactment of remedial legislation plus the availability of more complex markets and other competing forces have introduced industrial peace. It is a fact of experiencing the great influence gained by supermarkets and fast-food chains. In addition, the growing commodity exchanges and futures and option markets in which a great number of operations take place, tend to balance these forces, which, in a simpler context, had excessive weight.

### **The Uruguay Round and the Perspective of a Reduction of Agricultural Protectionism**

At the present time, an international commercial negotiation of great significance is taking place, which could reduce substantially protectionism practices established during the last decades. These practices have distorted the international trade of agricultural products in general and of meats in particular. In the international meat trade, it is habitual to find non-tariff barriers, while exports of meat are promoted by great subsidies which are often more expensive than the value of the product exported.

The decision to carry out the Uruguay Round, including agricultural goods as a central subject of discussion, and the agreement obtained in their headquarters in April of this year, warrants mention of a liberalizing trend in the international marketing of raw materials and commodities. This trend seems to be the result of a more realistic policy of the great countries after experiencing the cost of protectionism, its effects in international relations and of a more enlightened awareness of the potential of agriculture to feed people on Earth, mainly as a consequence of revolutionary improvements in agricultural productivity.

### **A General Anticipation of the Future**

In the long term – till the end of the century – meat

production and trade will be subject to the influence of the following factors:

A) Stronger demand for meat due to high population growth in the developing countries.

B) Economic expansion estimated not to be checked by international conflicts. In the case of developing countries where food needs have not been fully satisfied, economic development will mean an additional factor of demand. The developed countries, with the exception of some cases already discussed, now enjoy good levels of consumption of food, especially meat, and will tend to buy more expensive products with higher industrial added value. Therefore, it will be two different markets: one of high quality and price, and another ruled by quantity and lower prices.

C) Shrinkage of agricultural protectionism and, as a consequence, expansion of international trade. In this case, developed countries which are highly protectionist may become stronger importers, reducing thereby the anticipated preponderance of developing countries in the trade (importing) of raw materials and commodities.

D) Technological development will have strong influences on the form in which meat is offered for trade. Poultry, pork and fish appear to be subject to better processes of industrialization than beef, although in the case of beef, some important investments are being made which may alter the forecast. Sheep meat does not seem to have good potential for growth.

E) Present dietary trends influenced by health habits and knowledge, and by esthetic considerations, will become stronger with the passing of time. Some beef-producing countries, where extensive methods of production are applied, will undertake systematic promotion campaigns to exhibit dietetic qualities of their production.

F) Economic changes in the socialist world may improve productivity levels, increasing their share of self-supplied foodstuffs. Yet, these changes may be very slow. Bigger production may be compensated by increased consumption.

G) Shrinkage of the world tends to standardize habits in general and, particularly, dietary customs. Western ways of eating are being followed in many countries. This reduces the influence of old cultural habits which limit the consumption of meat, as in the case of many Asiatic countries such as India and Japan. Obviously, the international meat trade may grow as a consequence.

Briefly: an optimistic forecast of development of meat production and trade for the remaining of the century may be advanced, allowance being made for all the risks involved in making prophecies for the future.