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ANNEX

to the report by Mrs C. BARBARELLA

drawn up on behalf of the Committee on Budgetary Control

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Opinion of the Committee on Agriculture, Fisheries and  
Food



## OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Agriculture, Fisheries and Food

Draftsman: Mr EYRAUD

At its meeting of 15 October 1985 the Committee on Agriculture, Fisheries and Food appointed Mr EYRAUD draftsman.

At its meeting of 17 and 18 December 1985 the committee considered the draft opinion and adopted its conclusions by 25 votes to 4 with 6 abstentions.

The following took part in the vote: Mr TOLMAN, chairman; Mr EYRAUD, vice-chairman and draftsman; Mr GRAEFE ZU BARINGDORF, vice-chairman; Mr MOUCHEL, vice-chairman; Mr ANDRE (deputizing for Mrs S. Martin), Mr ANDREWS (deputizing for Mr Fanton), Mr BESSE (deputizing for Mr Thareau), Mr BORGO, Miss BROOKES (deputizing for Mr Battersby), Mr CLINTON, Mr DALSSASS, Mr EBEL (deputizing for Mr Bocklet), Mr ELLES (deputizing for Sir Henry Plumb), Mr FRUH, Mr GATII, Mr GUARRACI, Mr JEPSEN, Mr MACSHARRY, Mr MAFFRE-BAUGE, Mr MAHER, Mr MALLET (deputizing for Mr Debatisse), Mr MARCK, Mr MERTENS, Mr MORRIS, Mrs B. NIELSEN, Mr N. PISONI, Mr PRANCHERE, Mr PROVAN, Mr ROMEOS, Mr ROSSI, Mr ROTHE, Mr SIMMONDS, Mr SPATH (deputizing for Mr F. Pisoni), Mr STAVROU and Mr WOLTJER.

## I. INTRODUCTION

1. The European Parliament adopted a resolution on the organization of the market in sheepmeat on 24 May 1984<sup>1</sup>. In it Parliament noted that the regulation on sheepmeat had ensured neither a fair standard of living for producers nor Community self-sufficiency. Disapproval was expressed of the dual nature of the system currently in force, which is contrary to the spirit of the Treaties. The special report of the Court of Auditors on the operation of the common organization of the market in sheepmeat<sup>2</sup> also indicates that the objectives which the organization of the market had in view have not been attained. It concludes that the Community is not in a position to regulate the sheepmeat market.

## II. THE ISSUE

2. Following upon the Court of Auditors' report, the Committee on Budgetary Control has taken the initiative to draw up a report on the sheepmeat market and the Committee on Agriculture, Fisheries and Food has been asked to give its opinion. In 1984 the latter committee, in a report by Mr EYRAUD, made an extensive review of the problems in the sheepmeat sector and it is therefore not necessary, in the present opinion, to repeat in detail what was said in the report, particularly since the situation has not fundamentally changed.

3. It is necessary nonetheless to recall what the objectives of Regulation (EEC) No. 1837/80<sup>3</sup> were, viz:

- to reduce the gap between the varying terms of production and prices on the most important markets, particularly the UK and France;
- to establish a common market based on a common price system;
- to control imports from third countries, and more particularly New Zealand, by means of voluntary restraint agreements;
- to increase production and to ensure that the fundamental principles of Article 39 of the Treaty are applied to the producers of sheepmeat.

4. The regulation has failed to attain these objectives and has even further accentuated the contrast between the United Kingdom and the other Member States. A consequence of this has been that the situation of many small producers, particularly in hill and less-favoured areas, has become much worse and their incomes in real terms have fallen to the point that they are no longer in a position to make the structural investment necessary to improve and increase production.

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1 OJ No. C 172, 2.7.1984, p. 201

2 OJ No. C 234, 4.9.1984, p. 1

3 OJ No. L 183, 16.7.1980

Sheepmeat production nevertheless needs to be encouraged firstly because the Community is still far from being self-sufficient and secondly because many producers in less-favoured areas have no alternative means of livelihood. For many the choice is between sheep or nothing. It is becoming increasingly clear that the relative harmonization of reference prices has taken place without any direct link being established with the structure of market prices and that this harmonization is therefore extremely fragile and uncertain in the longer term. New producers will be very reticent about coming into the market as long as the price structure does not show any stable upwards trend which will restore confidence in sheepmeat production.

5. Since the introduction of the common organization of the market, the Community's self-sufficiency has remained unchanged at about 75%, notwithstanding the potential for expanding production. The existing regulation has not succeeded in providing the stimulus required to produce a substantial increase in production. The costs of the organization have nevertheless risen sharply: from 191.5 m ECU in 1981 to 451 m ECU in 1985. One Member State, the United Kingdom, seems to be receiving by far the largest part of these resources through the system of the variable slaughter premiums. Although it was known, when the regulation was being drawn up, that it was necessary to apply a different system of premiums because of the fundamentally different conditions found in the sheepmeat market of the United Kingdom and the other Member States, it was nevertheless the intention that these differences should eventually be reduced. This has not at all proved the case.

6. Low-price imports from third countries, and particularly from New Zealand, may increase further despite voluntary restraint agreements. Furthermore, 88% of the imports from New Zealand are destined for the UK and arrive there at prices well below the reference price. Imports together with internal production are thus higher than internal consumption. At present these imports are making it more difficult to achieve a common organization of the sheepmeat market. In addition, respect for the 'traditional pattern of supply' must on no account take precedence over achieving the objectives of the organization of the market. It is as a result of these imports, taken largely by the United Kingdom, that the market has been distorted and prices cannot be maintained at the desired level. As a result, not only are producers unable to make a viable income, but the budget line relating to the sheepmeat regulation, which is unfairly distributed, has been unjustifiably increased.

### III. CONCLUSIONS

7. The Committee on Agriculture, Fisheries and Food requests the committee responsible to incorporate the following paragraphs in its motion for a resolution:

- 7.1. Would like the Court of Auditors to be more specific in its criticism of those provisions of the sheepmeat regulation which, because of their dual nature, are preventing the achievement of a genuine common market in sheepmeat and are maintaining discrimination in breach of Article 40 of the Treaty of Rome;
- 7.2. Considers in particular that the granting of the compensatory ewe premium across the board, irrespective of the number of ewes on each farm, confers an unjustified advantage on the larger units of production;

- 7.3. Considers also that the variable slaughter premium applied in the United Kingdom,
- constitutes too great a charge on the budget since in 1983 the United Kingdom received 93% of EAGGF appropriations for the sheepmeat market,
  - is not conducive to the creation of a single market;
- 7.4. Regrets that the Court of Auditors has not drawn sufficient attention to the additional distortion caused by Directive 75/268/EEC, on aid to hill and less-favoured regions, because, for the United Kingdom, it does not lay down any ceiling on aid by reference to the number of ewes on each farm and thus unfairly favours large production units;
- 7.5. Believes it imperative, as does the Court of Auditors, that, in the present state of affairs, the clawback clause designed to remedy these distortions of competition should be systematically applied;
- 7.6. Approves the Commission's decision no longer to exempt ewes exported by the United Kingdom since, even if they do not receive the slaughter premium, they are nonetheless sold at an abnormally competitive price in other Member States as a result of the effect of the very existence of the said premium on the British market as a whole;
- 7.7. Insists that the principle of Community preference be respected in order to preserve the balance of the internal market and ensure the success of the common organization, thus making it possible to reduce the cost of supporting the sheepmeat market, which is all the more excessive given that sheep production is substantially in deficit;
- 7.8. Stresses that the inadequacy of controls on sheepmeat imports together with direct expenditure on supporting production generates INDIRECT EXPENDITURE which is of much greater significance for the correction of distortions and the reabsorption of additional surpluses on the red meat market as a whole';
- 7.9. Considers it desirable that the Commission should act firmly, at least as regards quality standards, by no longer accepting that imports from outside the Community of sheepmeat refrigerated in a gaseous atmosphere be accepted under the same favourable terms as fresh meat;
- 7.10. Believes that it will be possible to introduce effective measures to encourage production in suitable regions once the rules governing the market have been corrected.