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Report

drawn up on behalf on the Committee on Agriculture

on the proposal from the Commission of the European Communities to the
Council (Doc. 56/78) for a regulation on the common organization of the market
in sheepmeat

Rapporteur: Mr Michael HERBERT

By letter of 13 April 1978 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the common organization of the market in sheepmeat.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the Committee responsible and the Committee on Budgets as the committee asked for its opinion.

The Committee on Agriculture appointed Mr Herbert rapporteur on 27/28 April 1978.

It considered this proposal at its meetings of 18/19 May 1978, 25/26 May 1978, 22/23 June 1978 and 18/ 9 July 1978.

At its meeting of 18/19 July 1978 the committee adopted the motion for a resolution and the explanatory statement by 21 votes to 7.

Present: Mr Kofoed, Chairman, Mr Liogier, Vice-Chairman, Mr Liqios, Vice-Chairman, Mr Hughes, Vice-Chairman, Mr Herbert, Rapporteur, Mr Andersen, Mr Ansquer, Mr Baas, Mr Bréguère, Mr Brugger, Mr Corrie, Mr Cifarelli, Mr Cunningham, Mrs Dunwoody, Mr Durand, Mr Dewulf, Mr Früh, Mr van der Gun (deputizing for Mr Ney), Mr Hansen, Mr Kavanagh (deputizing for Mrs Krouwel-Vlam), Mr Klinker, Mr L'Estrange, Lord Murray of Gravesend (deputizing for Mr W. Müller), Mr Pisoni, Mr Prescott (deputizing for Mr Joxe), Mr Scott-Hopkins, Mr Tolman, Mr Vernaschi (deputizing for Mr Pugci).

The opinion of the Committee on Budgets is attached.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement :

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation on the common organization of the market in sheepmeat

¹

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council ¹,
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 56/78),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 249/78),
 - having regard to the report of the Committee on Agriculture, drawn up by Mr Gibbons, on the Commission's proposal for a transitional common organization of the market in sheepmeat (Doc. 432/75),
1. Deplores the prolonged delay in the submission of proposals on the common organization of the market in sheepmeat;
 2. Stresses the critical importance of sheepmeat production to the economic and social viability of the more disfavoured and peripheral and upland regions of the Community;
 3. Notes that sheepmeat production in the main production regions has been declining in recent years;
 4. Points out that, in view of the substantial Community deficit, there are clear and valuable opportunities for a steady expansion of Community production of sheepmeat; this would have important social and economic consequences, especially for certain regions, and would offer, at the same time, real alternatives to producers in sectors which are going through temporary difficulties;
 5. Believes that the fundamental principles of the Common Agricultural Policy :
 - (a) free trade within the Community,
 - (b) Community preference,
 - (c) financial solidarity,
 should be the basis for establishing a common organization of the market in sheepmeat similar to those now governing the market in other meats;

¹ OJ No. C 93, 18.4.1978, p. 5

6. Does not consider the Commission's proposals to offer the prospect of reasonable and stable prices for Community producers and consumers while at the same time being costly to the Community's budget;
7. Believes, therefore, that the Community should establish a regime enabling a realistic price level to be fixed which takes sufficient account of production costs, so as to make sheep production at least comparable with other forms of agricultural production, backed up by arrangements which would adequately support that price level; such arrangements should include a special system of premiums to sheep producers, aids for private storage and the provision of export refunds;
8. Urges, in addition, that measures be adopted to encourage production, and, in particular :
 - (a) measures under the directives on the modernization of farms and on mountain and hill farming and farming in less favoured areas, such as more attractive incentives and larger headage payments,
 - (b) extension of certain measures contained in those directives to include sheep farming in other suitable areas;
9. Believes furthermore that the market organization needs to be supported by a range of structural measures :
 - (a) to improve breeds, grassland techniques and installations,
 - (b) to improve the marketing of sheepmeat, processing and distribution;urges that measures to improve production and marketing provided for in the Commission's proposal be implemented without delay;
10. Considers that there will be ample scope for imports from Third Countries but that such imports must be closely monitored and subjected to adequate controls;
11. Regrets that the Commission has made no proposals for wool; urges, therefore, the early rectification of this situation;
12. Notes that sheep and goatmeat production is of great importance in the three countries applying for accession to the EEC and expresses concern at the possible implications of enlargement for the market organization in sheep and goatmeat now under discussion;
13. Points out that, in accordance with the principles laid down in Article 43(3) of the Treaty of Rome, Community producers must not be adversely affected by the adoption of a regulation on sheepmeat;

14. Recognizes that the transition to a common organization of the market in sheepmeat may give rise to certain difficulties and therefore calls on the Commission to take effective action to alleviate these difficulties over a transitional period;

Doubts the effectiveness of the measures proposed in Articles 26 and 27 to solve the problems which would arise from the immediate introduction of the free movement of goods within the Community, since there is still a wide gulf between the situations on the national markets;

15. Requests the Commission and the Council to take into account the proposals and reservations made above and to incorporate the following amendments in its proposal, pursuant to Article 149 of the EEC Treaty; on that condition approves the Commission's proposal.

Proposal from the Commission of the European Communities
to the Council for a regulation on the common organization
of the market in sheepmeat

Preamble, recital and articles 1 to 20 unchanged

Article 21

sub-paragraphs 1 and 2 unchanged

3. The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission may, for not more than one month from the date of such communication, defer application of the measures which it has adopted.

The Council, acting by a qualified majority, may take a different decision within one month.

Article 21

3. The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council and the European Parliament. In that event the Commission may, for not more than one month from the date of such communication, defer application of the measures which it has adopted.

The Council, acting by a qualified majority, may take a different decision within one month. However, if the measure has significant budgetary consequences, the Council shall act only in agreement with the European Parliament.

Articles 22 to 25 unchanged

Article 26

The Commission may adopt appropriate measures to facilitate the transition from the system in force in each Member State before the application of this Regulation to the system established by this Regulation.

Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 21 and should the occasion rise in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 950/68.

Article 26

The Council shall adopt, on a proposal from the Commission and in accordance with the procedure laid down in Article 43(2) of the EEC Treaty, appropriate measures to facilitate the transition from the system in force in each Member State before the application of this Regulation to the system established by this Regulation.

Deleted

¹ For full text see OJ No. C 93, 18.4.1978, p. 5

Article 27

sub-paragraph 1 unchanged

2. The unit amount of the premium, which may vary with time and be differentiated by region, may in no circumstances exceed a maximum to be laid down.

This maximum may be revised each year when the basic price referred to in Article 3 is fixed.

sub-paragraphs 3 and 4 unchanged

5. The Commission shall submit a report on the application of this Article to the Council not later than 31 December 1981.

The Council shall examine this report and, acting by a qualified majority on a proposal from the Commission, may take a decision before 31 March 1982, in the light of experience gained and the economic situation of the sector in question, to extend or amend the system provided for by this Article.

Article 27

Unchanged

This maximum may be revised each year when the basic price referred to in Article 3 is fixed, in accordance with the same procedure.

5. The Commission shall submit a report on the application of this Article to the European Parliament and the Council not later than 31 December 1981.

The Council shall examine this report and, acting in accordance with the procedure laid down in Article 43(2) of the EEC Treaty, on a proposal from the Commission, may take a decision before 31 March 1982, in the light of experience gained and the economic situation of the sector in question, to extend or amend the system provided for by this Article.

Article 28 unchanged

EXPLANATORY STATEMENTI. INTRODUCTION

1. On 15 February 1976 the European Parliament delivered its opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the transitional common organization of the market in sheepmeat¹.

In its opinion the European Parliament expressed a preference for a complete and definitive organization of the market. Moreover, it considered these initial proposals inadequate when compared with other market organization arrangements.

2. The Charmasson Judgment of 10 December 1974², which provided for national market organizations to be maintained only until the end of the transition period on 31 December 1977, makes it necessary to adopt common market organizations for sheepmeat, ethyl alcohol of agricultural origin, potatoes, honey and bananas, all of which are still subject to national agricultural market organizations.

3. It would have been possible for the national market organizations to continue provided they did not constitute obstacles to trade in agricultural products within the Community. Since this is not the case, they must be replaced by common organizations.

II. GENERAL OBSERVATIONS(A) THE MARKET SITUATION IN SHEEPMEAT IN THE COMMUNITYProduction

4. The Community sheep flock, with 43.5 million head (See Annex I) in 1976, accounts for 4% of the world sheep flock; it breaks down into 90% meat and 10% dairy production. Sheep numbers have been relatively stable since 1968 (+0.4%) except in the original Community countries, where they are expanding (+1.2%). Ireland is the only major producer where the flock has fallen since 1974, mainly due to an increase in beef production.

¹ O.J. No C 28, 9.2.1976, p. 39, and see Doc. 432/75, rapporteur Mr Gibbons

² PE 52.916

In 1976, gross internal production (534,000 tonnes, or 7.5% of world production) showed an increase on 1973 in all Member States except Ireland, but is, in the long term, relatively stable (Annex II shows total sheepmeat production in the Community by Member State).

Sheepmeat production¹

Member States	1000 tonnes		Annual % change		
	1975	1976	$\frac{1975}{1968}$	$\frac{1975}{1974}$	$\frac{1976}{1975}$
	2	3	4	5	6
Deutschland	21.8	23.4	10.3	40.7	7.3
France	138.5	154.9	2.1	0.6	11.8
Italie	49.3	49.7	1.0	7.4	0.8
Nederland	16.8	16.5	9.3	16.6	- 2.1
Belgique/België	4.0	3.8	0.-	218.4	- 4.6
Luxembourg	-	-	-	-	-
EUR 6	230.4	248.3	2.8	7.3	7.8
United Kingdom	260.1	245.2	0.6	3.-	- 5.7
Ireland	46.0	40.-	1.0	2.2	- 13.0
Denmark	0.5	0.4	- 22.6	- 56.2	- 15.4
EUR 9	537.0	533.9	1.9	5.3	- 0.7

There are important differences in each region in lamb carcase quality. In the United Kingdom and Ireland those marketed in the Spring are slaughtered very young (3 to 4 months). They thus fetch much higher prices than those marketed in the Summer or Autumn, which although not markedly heavier, are older and generally fatter (4 to 9 months).

In France, Germany and the Benelux countries, quality is more uniform despite certain specific regional production system features and seasonal variations in market prices are consequently slight.

In Italy there are two clearly defined carcase types : light (agnelli), from 6 to 10 kg, produced all year, and heavy (agnelloni), from 12 to 20 kg, produced at certain times and in certain areas.

Regional importance of sheepmeat production

5. Sheep production in the Community represents only 1.5% of total agricultural revenue. On the other hand, in the United Kingdom and Ireland it represents 5.6% and 4.5% respectively of overall agricultural revenue.

¹ Animals of domestic and foreign origin. Source EUROSTAT

More significantly (with the exception of some pasture regions in the north-west of the European continent where sheepmeat production is complementary to milk production) Community sheep rearing is increasingly concentrated in areas where natural conditions are less suitable for other crop and livestock production.

In these regions, sheep rearing is often the main source of farm income.

In the Member States where the sheep flock is more representative of the Community total, a large proportion of the sheep are to be found in regions covered by Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas :

Country	Livestock in mountain and hill-farming regions and less-favoured areas	Head
Italy	80-90%	7 million
Ireland	70-75%	2 million
United Kingdom	55-60%	11 million
France	70-75%	8 million
TOTAL		28 million

Accordingly, two thirds of the sheep in the Community are in the less-favoured areas (28 million out of 43 million).

Consumption

6. Consumption has, on average, remained fairly stable (800,000 tonnes per year), though with a sharp fall in the United Kingdom (- 29%) between 1962 and 1976, and a steep rise in Germany (+ 178%), France (+ 67%) and Italy (+ 26%).

Consumption per head is approximately 3 kg per year, but varies considerably from state to state :

Ireland	9.- kg
United Kingdom	8.- kg
France	4.- kg
Belgium-Luxembourg	1.3 kg
Italy	1.- kg
Germany	1.- kg
Denmark	0.4 kg
Netherlands	0.2 kg
COMMUNITY AVERAGE	3.- kg

Trade

7. With a net balance of meat imports over exports of 261,000 tonnes in 1976, the Community accounts for a third of world trade. Nevertheless, the Community's degree of self-sufficiency is improving (59.4% in 1973 and 64% in 1976); imports (278,000 tonnes in 1976, 81.4% of which coming from New Zealand, with 81% of the total going to the United Kingdom) are tending to fall, while exports (6,000 tonnes) remain negligible.

8. Intra-Community trade is increasing, having gone from 60,000 tonnes in 1973 to 82,000 in 1976. The bulk of this trade consists of a long-standing flow of 40 to 50,000 tonnes to France, mainly from the United Kingdom, the Netherlands, Germany and Ireland (16,000, 15,600, 9,500 and 1,200 tonnes respectively in 1976).

Prices

9. Community sheepmeat prices are determined primarily by the United Kingdom and French markets. Since 1968, prices on the British market had been 50% lower than those on the French market. However, in 1976 British market prices rose by 13.4% and Irish market prices by 22.5%, compared with an increase of only 5.4% on the French market; this brought the difference in price between the two major markets down to 40% as at September 1977. None the less, the difference is still a serious obstacle to the creation of a single market.

It should also be noted that the British market has a direct influence on price levels on the Irish market, while the French market determines the level of prices obtained by producers in those Member States which mainly produce qualities suitable for the French market, i.e. the Netherlands, Germany, Belgium and, to a lesser extent, Italy.

Future trends

10. In 1978 Community production is expected to amount to some 510,000 tonnes, with consumption of some 770,000 tonnes; there will thus be a net deficit of 260,000 tonnes, giving a self-sufficiency degree of 66%.

This is expected to result from a rise in both production and consumption in the continental Member States and a steadying of production and a slight drop in consumption in the United Kingdom.

The medium-term prospects will depend on the implementing provisions adopted in the context of a common organization of the market.

(B) NATIONAL MEASURES REGULATING THE MARKET IN SHEEPMET IN THE COMMUNITY

(a) France

11. Under the French national market organization, imports of frozen sheep-meat from third countries are subject to a very restricted quota (3,000 tonnes). Imports of live sheep and of meat other than frozen meat are authorized only when the price recorded on the home market is above a certain threshold: FF 17.50 for the 1977/78 marketing year; FF 18.55 with effect from 6 March 1978.

In addition, on import a countervailing charge is levied at a rate which varies according to the French home market price (from 6 March 1978 the rate is from FF 4.85 to FF 7.85 per kg carcass).

France also prohibits imports of live sheep not intended for immediate slaughter, although it authorizes the import of sheep for fattening, subject to a quota (280,000 head), without payment of the countervailing charge. Under a plan to boost sheep production, it also grants certain aid to producers who belong to recognized producer groups (which account for 15 to 20% of national production).

In 1976 and 1977 this aid amounted to a total of about FF 20 million per annum, or 3.5 million u.a. This corresponds to 1% of the selling price of each kg of sheepmeat produced in France.

(b) United Kingdom

12. This Member State also has a national market organization.

When the market price drops below the guaranteed price (fixed at the beginning of the marketing year¹ and varying each week), farmers receive an allowance roughly equal to the difference between the guaranteed price and the market price. This deficiency payment varies considerably and can amount to 15% of the market price. However, from December 1972 to June 1974 it was nil. It has been 2.27p per lb on average over the last 19 years, or about 11% of the average market price over that period. It should, however, be noted that since 1972/73, the deficiency payment has never exceeded 7% of the market price. In 1976 payments were made only in respect of 2 weeks and in 1977 in respect of 6 weeks.

13. There is also a guaranteed price arrangement for wool, which serves more or less as a system for stabilizing prices. When the guaranteed price is higher than the market price, the difference is not paid to the producer but into an equalization fund which is used to maintain the guaranteed price to producers if the market price should fall.

¹ 115p per kg for the 1977/78 marketing year;
127p per kg for the 1978/79 marketing year.

(c) Germany

14. In Germany, the import of sheep and sheepmeat from non-Member countries is controlled under the Law on Trade in Livestock and Meat of 25 April 1951.

Licences are granted for the import of only certain products in this sector; these licences may be suspended at any time if the market situation so requires (no suspensions have in fact taken place since November 1972).

(d) Denmark

15. In Denmark imports from non-Member countries are authorized within a quota opened from November until June of the following year. The quota for 1977/78 is 3,500 tonnes, including 500 tonnes from Iceland.

(e) Other Member States

16. In the other Member States there are no import restrictions or other national measures to support producers' incomes.

It should, however, be noted that for health reasons the Republic of Ireland imports only live animals from northern Ireland.

(C) MEASURES TAKEN UNDER DIRECTIVE 75/268/EEC

(a) General

17. Directive 75/268/EEC on agriculture in hillfarming and certain less-favoured regions, provides for the grant of a compensatory allowance per LSU of cattle or sheep in order to compensate for the permanent handicaps of the regions covered by the directive, which represent roughly a third of the utilizable agricultural area of the Community.

The grant of this allowance is discretionary and its level is left open to the Member States within the range 16.5 to 53.5 u.a./LSU. The compensatory allowances are reimbursed by the EAGGF at the rate of 25% except in Italy and Ireland, where the rate is 35%. At present, Directive 75/268/EEC is applied by all the Member States except Denmark.

(b) Application of the directive in the Member States

18. In France, the compensatory allowance granted per sheep LSU (35.5 u.a.) is the same as that granted per cattle LSU. It is granted only in the mountain regions and not in the other less-favoured regions within the meaning of the directive.

In the United Kingdom, the allowance per sheep LSU (32 to 42.6 u.a., according to breed) is lower than that for cattle.

In Ireland, the allowance per sheep LSU (27 to 36 u.a., according to breed) is higher than that for cattle.

In the other Member States, the levels, which are the same for cattle and sheep LSU, are as follows:

Germany	26	to 52	u.a./LSU
Belgium	30.4	to 40.5	u.a./LSU
Italy	16.5	to 50	u.a./LSU
Luxembourg	25.1		u.a./LSU
Netherlands	50		u.a./LSU

Except for Italy, these Member States have only a small percentage of their sheep in the areas covered by Directive 75/268/EEC.

(c) The Commission's projects

19. In May 1976 the Commission forwarded a proposal to the Council aimed at increasing the maximum amount of the compensatory allowance by 15% to take account of inflation¹. The proposal also covers the other allowances provided for in the Directives on structures².

The Commission has also forwarded to the Council a proposal for a directive, the main objective of which is to increase the rate of reimbursement of compensatory allowances by the EAGGF in Italy and Ireland from 35% to 50%³.

It is therefore important for these two proposals to be adopted by the Council without further delay.

(D) THE SITUATION ON THE MARKET IN SHEEPMEAT IN RELATION TO ENLARGEMENT

(a) General

20. The applicant countries (Spain, Greece and Portugal), which have sheep numbers amounting to more than half the Community flock, have a production level of less than one third of that of the Community, owing to the fact that the average weight of slaughtered sheep in those countries is well below the Community level (see Annex IV).

¹ COM(76) 213, 10.5.1976

² 72/159/EEC, 72/160/EEC, 72/161/EEC, 73/131/EEC, 75/268/EEC

³ O.J. No C 304, 7.12.1977, p. 6.

For a long time now (1960/1978), flock numbers have been falling steadily in Spain and Portugal. In Spain, however, production has remained relatively stable as a result of increase in carcase weight. In Greece numbers fell initially until 1970, but there has since been a steady increase.

21. Comparison of the basic economic data relating to the sheepmeat sector in the Community and in the applicant countries suggests, in the Commission's view, that the accession of the latter would not substantially disturb the balance of the Community market. On the basis of data for 1976, the Community deficit would remain practically unchanged (296,000 instead of 278,000 tonnes) and the level of self-sufficiency would increase slightly from 64% to 71%).

However, it should be noted that in Spain and Portugal the level of market prices is higher than the Community average. Of the applicant countries, only Greece has market prices close to those of the Community. It cannot, therefore be asserted that the accession of these three countries would not influence the Community market in sheepmeat in its present form.

22. Goatmeat production plays a significant role in the agricultural economies of the applicant countries, in particular Greece, where production is increasing rapidly, and Spain (4.6 and 2.2 million head respectively).

Goatmeat production in these three countries amounts to 54,600 tonnes per year, broken down as follows:

Greece	:	39,000 tonnes
Spain	:	12,000 tonnes
Portugal	:	3,600 tonnes

These three countries import only very small amounts of goatmeat. In Greece, goatmeat consumption, at 4.3 kg. per head per annum accounts for 7% of total meat consumption.

(b) National measures regulating the sheepmeat market in the applicant countries

23. None of the three applicant countries has introduced a true national organization of the market in the sheepmeat sector; however, all have adopted government measures designed to influence production and consumption.

(1) Spain

Contrary to the beef and veal and pigmeat sectors, price guarantees or intervention measures do not apply to this sheep sector; provision is made only for measures to guide production with a premium of a maximum of 12 pesetas per kg live weight (0.12 u.a./kg), granted for lambs which exceed a certain

weight on slaughter and paid to producers who have signed an agreement with the FORPA (Fund for the Guidance and Control of Agricultural Products). In addition, the slaughter of sheep of a carcass weight of less than 5 kg is prohibited. Imports of products of this sector are strictly controlled in terms of market requirements.

(2) Greece

Market prices are regulated by means of import licences for the products of the sector, the issue of which is suspended during the periods of the year when the market is saturated. Since 1 January 1974, imports of fresh meat have been prohibited. In practice there is no authorization to export products of this sector.

Moreover, direct aids are granted to producers in very varied forms, for example for the purpose of improving sheep holdings, purchasing breeding sires or helping less-favoured areas. Such aid represented 10% value of production in 1975 and in 1976.

The slaughter of sheep weighing less than 8.5 kg per carcass is prohibited and since April 1975 there has been no control of wholesale and retail prices and no fixing of maximum authorized margins.

(3) Portugal

Unlike the beef and veal sector, which is assisted by a system of guaranteed prices and direct aid equivalent to deficiency payments, sheepmeat does not in principle benefit from any mechanism to support production. On the other hand, direct intervention in the market is possible in the event of excess production.

Maximum retail selling prices are, however, fixed for various qualities by the 'Junta nacional dos Productos Pecuários' (National Junta for Livestock Products), whereby distribution margins can be fixed freely and the National Junta has a monopoly on imports.

24. It will therefore be clear that the market in sheepmeat in the three applicant countries differs significantly from the existing Community market. This is not likely to facilitate harmonization.

Following these general observations, the common organization of the market in sheepmeat as proposed by the Commission will now be considered.

III. CONSIDERATION OF THE COMMISSION'S PROPOSAL

A. Scope

25. The Commission's proposal for a regulation covers all the products of the sheep-farming sector except offals for the manufacture of pharmaceutical products. These will therefore continue to be covered by the Council Regulation on the common organization of the markets in certain products listed in Annex II to the EEC Treaty, the so-called 'remnant' regulation¹. In addition, owing to the structure of the CCT, it is proposed that the common organization be extended, where trade arrangements with non-member countries are concerned to live goats and goatmeat. Wool, which is not an agricultural product for the purposes of the Treaty, is not covered by the proposal.

B. Price and intervention arrangements

26. The marketing year would begin on the first Monday in April, thus coinciding with the marketing year in the beef and veal sector.

27. Each year the Council would fix a basic price for fresh and chilled sheep carcasses, with reference to the market situation, the development prospects and production costs for sheepmeat, and the market situation in the other livestock product sectors, in particular the beef and veal sector, and past experience.

The basic price would be fixed with reference to carcasses, this being the point at which prices best represent market trends. The basic price could be seasonally adjusted to take into account the normal seasonal trend in market prices in the Community, which itself reflects the variations in production costs for sheep according to the time they are put on the market.

For the 1978/79 marketing year, the Commission proposes that the basic price be set at a level to represent the weighted average of the market price recorded in the Member States in 1977.

As with beef, veal and pigmeat, the weighting coefficients would represent the proportion in each Member State of the total Community herd.

Conversion into units of account of the market prices in national currency would be by the "stabilized commercial rate" conversion rate (also applying to all conversions into national currency of amounts fixed in units of account).

¹ Regulation (EEC) No 827/68, 28 June 1968, O.J. No L 151, 30 June 1968

The Commission proposed to use neither representative (green) rates nor monetary compensatory amounts. Using green rates without monetary compensatory amounts would create the rate of deflections of trade, and applying monetary compensatory amounts would cause a reduction in producer prices in Member States with weak currencies.

The conversion rate must be both sufficiently close to the market exchange rate to prevent distortion of competition and sufficiently stable to avoid having to amend too frequently certain prices, in national currency.

The proposed definition is given in Annex V.

The calculation of the Community average for 1977 is shown in Annex VI. On the assumption that the level thus calculated would correspond to the basic price fixed for the 1978/79 marketing year, it is easy, in reading Annex VI, to see how the market price level in each Member State relates to the basic price.

28. Moreover, a market price for fresh or refrigerated sheep carcasses would be fixed periodically or calculated on the basis of the prices recorded in each Member State on representative markets.

In establishing the Community market price, no account would be taken of imported carcasses (principally frozen meat). Their price does not correspond to the price of fresh sheep carcasses produced in the Community. It will be one of the components used in working out the free-at-frontier offer price (Articles 8 and 9).

29. To avoid excessive fluctuations in market prices, the Commission proposed that intervention measures may be taken in the form of aid for private storage of sheepmeat when the price recorded on the representative markets in the Community (see para. 28) remains below 90% of the basic price.

The recipients of private storage will be Community operators able to freeze and store sheepmeat for a sufficiently long period (three to six months). The level of aid will take into account the storage costs and the loss of value in freezing; tenders may be invited in order to determine the level of aid compatible with market requirements.

The Commission considers that the purpose of private storage is to alleviate the effect of temporary or seasonal market price drops and that it is not a permanent intervention measure. A moderate and flexible approach would be called for and 40,000 t per year would be a reasonable assumption (see point 1 of Annex to financial statement).

The Commission is making no provision for intervention measures other than aid for private storage since, in view of the relatively low Community degree of self-sufficiency (64%), it considers that measures such as intervention buying would not be justified.

C. Arrangements for trade with non-member countries

30. The Commission feels that, in view of the considerable differences in the formation of market prices for sheepmeat between the Community and non-Member countries, charging an ad valorem customs duty is not likely to maintain a balance on the Community market in live animals and meat. It accordingly proposes that this market should be protected by levies on imports of the products listed in Article 1(a), i.e. live sheep and goats, other than pure-bred breeding animals, their fresh, chilled or frozen meat and their meat salted, in brine, dried or smoked. The Common Customs Tariff would continue to apply to products listed in Article 1(b) and (c).

In conformity with the GATT consolidation, the proposed levy system does not increase the amount paid on importation. The system would nevertheless be much less rigid and correspond better to the organization proposed for sheepmeat. A customs duty of 20% takes no account of variations in either offer or market prices. In contrast to this, in a levy system the higher the representative offer price, the lower the levy.

The levy system would, through the use of coefficients, be applied to all types of qualities of sheepmeat.

(a) Calculation of the levies

31. The levies would be fixed monthly by the Commission and calculated as follows:

1. For fresh and chilled carcasses, the levy would be the difference between the basic price and the free-at-frontier offer price (see Art. 8 of the proposal for a regulation), established on the basis of the purchasing possibilities which are most representative recorded during a period to be determined prior to the fixing of the levy, account being taken of:
 - the supply and demand situation for fresh or chilled sheepmeat;
 - the world prices for frozen sheepmeat of a category competitive with the fresh or chilled sheepmeat, and
 - past experience.

For the other meat listed in sections (a) and (b) of Annex I and for live sheep, the levy would be that calculated for fresh and chilled carcasses multiplied by a fixed coefficient expressing the relative value of those products.

2. For frozen sheep carcasses, the levy would be the difference between a price derived from the basic price which took into account the usual margin between frozen and fresh meat and a free-at-frontier offer price established for frozen sheep carcasses (see Article 9) to be determined in exactly the same way as that applying to fresh or chilled sheep carcasses.
3. For other frozen meat, the levy would be calculated by applying fixed coefficients to the levy applicable to frozen carcasses.
4. Finally, the levies calculated as described above in respect of fresh, chilled or frozen meat which had been bound under GATT would be limited to the amount so bound.

32. However, if the free-at-frontier offers in respect of any products listed in the Annex were made by a non-member country at levels substantially lower than the free-at-frontier offer price calculated as set out above, a special levy could be fixed for such imports, bearing in mind that any such special levy would, in respect of products bound under the GATT, also be limited to the amount so bound (see Articles 10 and 11 of the proposal for a regulation).

(b) Other measures

33. All imports and exports of products listed in Article 1(a) and (c) would be subject to presentation of an import or export licence. This measure is intended to keep the Member States and the Commission informed as to the quantities likely to be traded with non-member countries.

34. Where the situation on the market so requires, the Council, acting by a qualified majority on a proposal from the Commission, may prohibit in whole or in part, the use of inward or outward processing arrangements in respect of the products covered by the market organization. This measure is intended to safeguard the Community preference.

35. A protective clause is included so that the necessary measures may be taken at Community level to alleviate any problems caused by imports or exports which might endanger the objectives of the market organization in the **sheepmeat** sector (see Article 16 of the proposal for a regulation).

36. Since the volume of the Community's traditional exports is small and its degree of self-sufficiency is low, the Commission does not feel that export refunds should be granted for products in the sheepmeat sector.

Moreover, the Commission does not intend to extend monetary compensatory amounts to this sector. Stabilized market exchange rates will be used.

D. Transitional measures

37. In view of the very great differences in current market prices and production costs in Ireland and the United Kingdom, compared with the other Member States, the Commission feels that a transition period will be essential.

To change too abruptly would affect both production and consumption and also have social consequences. In particular, a sudden and steep fall in sheepmeat producers' income, particularly in France, would make it very difficult to maintain sheep farming in the areas where it represents a substantial part of agricultural income, as there would not have been time to carry out the necessary changes in production structures.

38. To enable the implementation of this regulation to comply with the conditions set out in Article 43(3)(a) of the EEC Treaty, the Council may authorize the granting of a premium to sheepmeat producers, insofar as is necessary, up to a maximum to be determined. The unit amount of this premium could vary from time to time and be differentiated by region, bearing in mind the basic price fixed each year by the Council.

The purpose of the sheepmeat producers' premium is to ensure that the conditions laid down in Article 43(3)(a) of the Treaty will be respected in the implementation of the proposed regulation.

The premium is intended in principle for producers in regions whose application of the regulation would cause a drop in market prices.

The average amount envisaged, expressed for budgeting purposes in tonne of carcasses produced (although the premium would take the form of a direct production aid), is 500 u.a./tonne, which would involve Community budgetary expenditure of 70 to 100 million u.a./year (see Annex to financial statement). The expected duration of the premium is four years.

The Commission will report to the Council before 31 December 1981 on any payment of this premium, and in particular on the effect it has had on economic conditions in the sector. The Commission may propose to the Council, on the basis of this report, that the premium system be maintained or amended.

E. Community and national aids

39. Certain measures may be taken to encourage action by trade and joint-trade organizations to make it easier to adjust supply to market requirements (see Article 2 of the proposal for a regulation).

40. Any production and marketing aid granted by the Member States is to be subject to the provisions of Articles 92, 93 and 94 of the Treaty relating to aid granted by the States (see Article 18 of the proposal for a regulation).

41. The variable premium granted by the United Kingdom under the national price guarantee system is to be abolished on the entry into force of the regulation. In this Member State the application of the proposed regulation, which provides for the grant of private storage aid and, where appropriate, a premium to sheepmeat producers, should, in the Commission's opinion, be a sufficient guarantee of producers' income. At the same time, aid under Directive 75/268/EEC will be continued.

IV. IMPACT OF THE COMMISSION'S PROPOSAL

42. The Commission's proposal raises a number of fundamental questions, particularly concerning the impact of the regime on prices to producers and consumers, which are difficult to answer with any certainty.

a) producer prices

43. According to the Commission producer prices would go up slightly in the United Kingdom. They would drop on the Continent, particularly in France. In Ireland prices would be slightly down on the present level, which is very much higher than it was in 1977.

The reduced produce prices referred to above would, in order to conform to the objectives of Article 43(3)(a) of the Treaty, be compensated for by direct aids (Article 27). Hence neither producers' incomes nor production in outlying areas of the Community ought to be affected in any significant way.

MARKET PRICE IN THE SHEEPMET SECTOR IN THE COMMUNITY IN 1977

	Herd numbers 1/12/76 in 1000 head	Weighting coefficient by Member State	Annual average market price for 1977			
			commercial rate in u.a.		agricultural rate in u.a.	
			per 100 kg carcass weight	% compared to Community average	per 100 kg carcass weight	% compared to average
Deutschland	1,091	2.51	223.53	111.2	205.39	84.4
France	10,945	25.17	269.03	133.9	313.14	128.7
Italia	8.445	19.43	254.30	126.5	299.90	123.2
Nederland	510	1.17	267.60	133.1	263.85	108.4
Belgique/Belgie	82	0.20	314.70	156.6	310.60	127.6
Luxembourg	5	-	-	-	-	-
United Kingdom	17,900	45.77	142.76	71.2	192.02	78.9
Ireland	2,440	5.61	156.38	77.8	168.76	69.3
Denmark	61	0.14	209.49	104.2	209.35	86.1
Average	43.479	100.0	201.0	100	243.35	100

b) Consumer prices

44. The possible movements in prices to consumers resulting from the implementation of the Commission's proposal are even more difficult to evaluate, given that one cannot evaluate with precision the impact of the intervention measures and the levy system on prices, and taking into account differences in the type of sheepmeat produced and consumed. The limited producer price movements, however, indicated above by the Commission, should be reflected to a degree in consumer prices.

c) production patterns

45. For the reason mentioned above, production trends in mountain, hill and less-favoured areas ought to remain unchanged. It should be remembered here that all Member States have a certain amount of latitude in the use they make of the "mountain" Directive (see page 8 of explanatory memorandum). There is consequently an additional means of supporting incomes in these producing areas that is in no way restricted by the present proposal.

V. WOOL

46. The production of wool provides an important complement to sheepmeat production in a number of regions of the Community. Adequate measures to stabilize auction prices and to improve quality and marketing are essential if any degree of order is to be achieved in a market notorious for fluctuations in market prices and facing severe competition from man made fibres. It is to be regretted that the Commission has not included proposals for wool, and the Committee on Agriculture requests that concrete measures be drawn up in the near future.

WOOL (GREASY) PRODUCTION

	<u>1961-65</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
France	23200	21700	22100	22100
Germany	3700	3500	3500	3500
Ireland	11706	9435	8981	9200
Italy	12260	11400	11600	11700
United Kingdom	58480	49623	49260	47627
TOTAL EEC	<u>109346</u>	<u>85398</u>	<u>95441</u>	<u>94127</u>
Greece	8466	9213	9236	9200
Portugal	11945	9768	8000	8500
Spain	36129	31616	29154	28561
TOTAL Applicant countries	<u>56540</u>	<u>50597</u>	<u>46390</u>	<u>46261</u>
TOTAL Europe	<u>165886</u>	<u>135995</u>	<u>141831</u>	<u>140388</u>
Australia	777000	700891	793479	754300
TOTAL World	<u>942886</u>	<u>836886</u>	<u>935309</u>	<u>894688</u>

Source : FAO Monthly Bulletin, 3.3.1977

VI. CONCLUSION

47. The Commission's proposal, which contains provisions for ending restrictions on intra-Community trade in sheepmeat, ought to eliminate the legal uncertainty in this market and thus resolve the conflicts which have arisen between certain Member States.

48. At the same time the proposal raises a number of fundamental questions regarding national markets in sheepmeat.

The most fundamental questions concern the fixing of the basic price for fresh or chilled carcasses (Article 3), the market prices recorded on the representative markets (Article 5) and the free-at-Community-frontier offer price (Articles 8 and 9).

49. The most immediate political problem facing the Community is that the difference between prices on the two most representative markets - the British and French - is so great (1.43 AUA/kg and 2.69 AUA/kg in 1977) that harmonization will be extremely difficult.

50. The Commission, in proposing a premium during the transitional period to French producers, appears to have provided at least a partial solution to this initial political difficulty.

Yet nowhere in the proposal, nor in the otherwise excellent explanatory memorandum, is consideration given to the wider social regional and economic implications of the sector under examination. There are a number of vital questions to which answers should have been provided, but which are not even posed by the Commission, in particular:

- the role played at present by sheepmeat in the economies of the more peripheral or disfavoured regions;
- the role that sheepmeat can, and ought, to play in those regions;
- the relationship of sheepmeat to other red meats, in terms of possible substitution of production and consumption;
- the degree to which sheepmeat ought to be encouraged as an alternative production to products, such as milk, presently in surplus.

51. The scope of vision of the Commission has been limited and this is inevitably true of their proposals. The regime proposed by the Commission is the minimum required, reflecting the Commission's preoccupation with the relatively low degree of self-sufficiency of the Community in sheepmeat. Much greater attention needs to be paid, however, to determining the most effective way of ensuring a viable sheepmeat sector, fair incomes to producers and reasonable prices to producers. For example, the Commission should examine the advantages of a permanent system of premiums instituted on a permanent basis and integrated more explicitly in the proposed price mechanisms.

52. Moreover, concerning the transitional period, the proposals are regrettably vague. The purpose of the premium is not made clear, nor is there any certainty as to their duration. Indeed, the Commission's proposals as a whole could be considered as yet another transitional arrangement; the confidence of the producer, and sustained growth in the sheepmeat sector, cannot be achieved on this basis.

53. At the same time, it is urgent that the measures to improve production and marketing structures, as well as breeds and grassland techniques, should be given a more concrete form in the immediate future.

54. The Commission's proposal can be considered as a first step towards a sheepmeat regime and, as such, can be approved by the Committee on Agriculture. However, further measures, along the lines laid down in the motion for a resolution, will be clearly required.

ANNEX I

SHEEP NUMBERS IN 1976

(thousand head)

Germany	1,091	2.51 %
France	10,945	25.18 %
Italy	8,445	19.42 %
Netherlands	510	1.17 %
Belgium	82	0.19 %
Luxembourg	5	0.01 %
Total in original Member States	21,078	48.48 %
United Kingdom	19,900	45.77 %
Ireland	2,440	5.61 %
Denmark	61	0.14 %
Total in new Member States	22,401	51.52 %
=====		
COMMUNITY TOTAL	43,479	100.00 %

TOTAL SHEEPMET PRODUCTION IN 1976¹

(thousand tonnes)

Germany	23.4	4.38 %
France	154.9	29.01 %
Italy	49.7	9.31 %
Netherlands	16.5	3.09 %
Belgium	3.8	0.71 %
Luxembourg	-	-
Total in original Member States	248.3	46.50 %
United Kingdom	245.2	45.93 %
Ireland	40.0	7.49 %
Denmark	0.4	0.08 %
Total in new Member States	285.6	53.50 %
=====		
COMMUNITY TOTAL	533.9	100.00 %

¹ including animals of national and foreign origin

ANNEX III

AVERAGE ANNUAL SHEEPMEAT CONSUMPTION IN 1976

Ireland	9.- kg
United Kingdom	8.- kg
France	4.- kg
Belgium-Luxembourg	1.3 kg
Italy	1.- kg
Germany	1.- kg
Denmark	0.4 kg
Netherlands	0.2 kg
COMMUNITY AVERAGE	3.- kg

ANNEX IV

SITUATION ON THE SHEEPMEAT MARKET IN 1976
IN THE APPLICANT COUNTRIES

	Numbers (million head)	Production (1000 tonnes)	Consumption per head (kg)
Greece	9.0	79	10.2
Spain	14.8	134	3.9
Portugal	2.1	19	2.0

Definition of the stabilized commercial rate (to insert in a specific Council regulation)

1. For the currencies of the Member States between which there is a maximum instantaneous difference of 2.25% (the "snake" currencies), the stabilized commercial rate is the exchange rate based on the central rate.
2. For currencies other than those in the "snake", the stabilized commercial rate
 - a) is fixed with effect from the beginning of the marketing year (each year);
 - b) is equal to the exchange rate vis-à-vis the monetary unit of account based on the average rate taken into consideration to calculate the monetary compensatory amounts applicable from the 31st day preceding the date of the beginning of the marketing year;
 - c) is revised where during a period of (20) working days the conversion rate vis-à-vis the European monetary unit of account departs by an average of (5%) or more from the special rate fixed in advance for the currency in question.
3. The exchange rates referred to at points 1 and 2 are fixed by the Commission.

Subject: Sheepmeat; fixing of the basic price for 1978/79; effects on the Community market price and on the free-at-frontier offer price

1. Parity used for the conversion of levels fixed in u.a. in the framework of:

stabilized commercial rate (1)

parities on 22/2/78 : £1 sterling = 1.27921 u.a.

1 FF = 0.137172 u.a.

2. Background data: (conversion to the commercial rate)

- a) average market price for sheepmeat for 1977 (2)
(weighting provided for in Article 5
of the proposed basic Regulation 200 u.a./100 kg
- b) French threshold price from 6/3/78:
FF 18.55/kg or 254 u.a./100 kg
- c) guaranteed price in the United Kingdom on 27 March 1978:
127 pence/kg or 161 u.a./100 kg
- d) EEC market price and free-at-frontier offer price in 1975, 1976,
1977 and forecasts for 1978: see page 3.

3. In the event of the basic price being fixed at 200 u.a./100 kg
if the derived basic price for frozen meat was fixed at 160 u.a./100 kg (-20%), and the free-at-frontier offer price at 120 u.a./100 kg (frozen meat). The frozen carcass levy would be $160 - 120 = 40$ u.a./100 kg, but the ceiling would be applicable in effect at 20% of 120 = 24 u.a./100 kg.

-
- (1) for a period of 6 months or for the whole marketing year.
 - (2) at the agricultural rate, this average is 243.40 u.a. to be compared with the average price, expressed in carcass weight in the beef and veal sector: 197.00 u.a.

4. Practical example of the operation of the Community system of variable levy

- in the hypothesis referred to under 3 above, the levy actually applicable is limited to 24 u.a./100 kg or 20% of the free-at-frontier offer price.

However, in practice, the offer price calculated each month end estimated at 120 u.a./100 kg on average in 1978, could vary according to the month within a bracket of 110 to 140 u.a.

If the offer price were fixed at 135 u.a., for example, in December 1978, the levy in that case would be:

$$160 - 135 = 25 \text{ u.a./100 kg}$$

which represents an 18.5% ad valorem import charge.

MAR·ET PRICE IN THE SHEEPM·EAT SECTOR IN THE COMMUNITY IN 1977

	Herd numbers 1/12/76 in 1000 head	Weighting coefficient by Member State	Annual average market price for 1977			
			commercial rate in u.a.		agricultural rate in u.a.	
			per 100 kg carcass weight	% compared to Community average	per 100 kg carcass weight	% compared to average
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Luxembourg	5	-	-	-	-	-
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Denmark	61	0.14	209.49	104.2	209.35	86.1
Average	43.479	100.0	201.0	100	243.35	100

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman : Mr Schreiber

On 17 May 1978 the Committee on Budgets appointed Mr Schreiber draftsman.

It considered the draft opinion at its meeting of 24 May 1978 and adopted it unanimously.

Present: Mr Lange, Chairman; Mr Cointat, Vice-Chairman;
Mr Schreiber, draftsman; Lord Bessborough, Lord Bruce of Donington,
Mr Hamilton, Mr Ripamonti, Mr Shaw and Mr Spinelli.

Introductio.

1. It is proposed to extend the common organization of the agricultural markets to the sheepmeat sector in order to attain the objectives set out at Article 39 of the Treaty. In particular, it is argued that the common organization of the market is necessary to stabilise markets and to provide a fair standard of living for those working in this sector. Furthermore, because the Community is not self-sufficient in this sector, production should be increased.

2. The present market situation is characterised by widely differing market prices and divergence in national regulations governing the market. The temporary measures making these national market organizations compatible with the EEC Treaty have now lapsed and, since the beginning of the year, the absence of a common organization and the continuation of national measures providing obstacles to intra-Community trade, seem to be in violation of the Treaty. It is to be regretted that this situation, which was foreseeable, did not give rise to Commission proposals before. However, it does underline the urgent need for Community action.

The Commission's proposals

3. The Commission proposes the establishment of a common market organization in more or less close conformity with the existing organizations, particularly with those for beef and veal. The essential element would be the existence of intervention measures in the form of aid for private storage of sheepmeat when the price recorded on the representative markets of the Community remained at less than 90% of the basic price.

4. As regards trade with non-member countries, and in view of the large differences in market prices between the Community and its trade partners, it is proposed that a variable levy be applied to imports of sheep and goats and sheepmeat and goatmeat for the purposes of consumption. Special import or export licences would be required to accompany these imports or exports.

As regards intra-Community trade, all obstacles are to be removed, subject to any health provisions.

5. It is proposed to establish a Management Committee to which would be submitted a draft of measures proposed by the Commission. Where this Committee disagrees with the Commission's proposal on the basis of an Opinion adopted by a qualified majority, the Council shall be informed and may, within a month, and acting by a qualified majority, take a different decision. This Committee may consider any item referred to it or any item that its members consider appropriate.

6. As regards production aids, it is proposed to maintain the provisions of the mountain and hill farming directive concerning aid for sheep farming.⁽¹⁾ It is also proposed to permit the Council to authorise the granting of a premium to sheepmeat producers insofar as it is necessary in view of the very big differences in market prices and production costs between the Member States.

Financial consequences of the Commission's proposal

7. The Commission has attached a financial statement and an annex to the financial memorandum. This indicates that, for the remainder of 1978, costs to the 1978 budget could be anticipated as somewhere between 41 to 59 mEUA (without or with dual rate). For a full financial year the cost would rise to between £1 to 118 mEUA (without or with dual rate). Revenue, at approximately 60 mEUA in a full financial year, would remain unchanged, given GATT rules.

Commentaries of the Committee on Budgets

8. What is being proposed for the sheepmeat sector is a major extension of the common market organization which will have continuing effects on the Community budget. It will add to agricultural expenditure by approximately 100 mEUA for at least the foreseeable future. Given the existence of the Common Agricultural Policy it is appropriate that it should cover as many sectors of agricultural activity as possible. Furthermore, the present situation is, from a legal point of view, clearly unsatisfactory. However, it is the duty of the Commission, where such a major and continuing commitment is proposed, to provide the fullest possible financial information.

9. As regards the financial implications, certain elements are missing:

- (i) the Commission does not state how it intends to meet extra expenditure in 1978, although the order of magnitude leads your draftsman to expect that such expenditure could only be covered by a supplementary budget;

⁽¹⁾ Directive 75/268/EEC

- (ii) the Commission does not provide any estimate of the likely growth of expenditure over the next five years. In particular, it does not state if it considers that the scale of intervention is likely to be expanded, nor does it give any indications as to how long the special premium to producers is likely to be needed. Indeed, for the transitional measures under Article 26, the Commission limits itself to saying "measures still to be defined but they should not incur high expenditure."⁽¹⁾
- (iii) as regards aid to private storage, the Commission does not provide any basis for the quantities or the amounts shown. Why should it be assumed that storage of 40,000 tonnes will be necessary? Nor does it provide any breakdown as to that storage aid, as between real storage costs and interest payments;
- (iv) for the premium to be granted to producers, which is likely to be a major element in the transitional period, no justification is given for the different quantities mentioned. It is not clear which regions are involved. Future developments in these regions are not taken into account.

10. The Committee on Budgets could not accept the proposed structure for the Management Committee for sheepmeat, which in no way corresponds to its wishes, as expressed when considering Mr AIGNER's Opinion⁽²⁾ on compatibility of the Management Committees' procedure with Article 205 of the EEC Treaty. This view was confirmed when the Committee on Budgets adopted, at its meeting of 19 April, the draft report drawn up by Mr RYAN⁽³⁾ which recognised that where significant budgetary implications were concerned, and when the Council, following the Opinion of the Management Committee, intended taking a different decision from the Commission, it should only do so on the basis of an agreement with the European Parliament.

Your draftsman has, therefore, suggested amending Article 21 of the Commission's proposed regulation accordingly.

11. Furthermore, he suggests amending Article 27 of the draft regulation so that Parliament would have the Commission's report on the application of this Article (concerning the granting of a premium to sheepmeat producers) submitted to it. This should be standard practice and it is a matter of some surprise that the Commission does not include the Parliament for the transmission of these reviews of proposals automatically.

⁽¹⁾ Page 1 of the annex to the financial memorandum

⁽²⁾ PE 47.932/fin.

⁽³⁾ PE 52.451/fin.

Conclusions

12. The Committee on Budgets cannot give a favourable opinion on the present draft regulation in view of the insufficient financial information provided, as explained above.

13. Furthermore, and irrespective of the point concerning the information provided, it asks the Committee on Agriculture to adopt the following amendments to Articles 21 and 27 of the Commission's draft. In the case where the Committee on Agriculture cannot or does not take up these amendments, the draftsman is authorised to table them on behalf of the Committee on Budgets.

Proposal from the Commission of the European Communities to the Council
for a Regulation on the common organization of the market in sheepmeat

Preamble and Articles 1 - 20 Unchanged

Article 21

1. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee either on his own initiative or at the request of the representative of a Member State. 1 Unchanged

2. The representative of the Commission shall submit a draft of the measures to be taken. The Committee shall deliver its Opinion on such measures within a time limit to be set by the Chairman according to the urgency of the matter. Opinions shall be adopted by a qualified majority. 2.Unchanged

3. The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission may, for not more than one month from the date of such communication, defer application of the measures which it has adopted.

The Council, acting by a qualified majority, may take a different decision within one month.

Article 21

3. The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council and the European Parliament. In that event the Commission may, for not more than one month from the date of such communication, defer application of the measures which it has adopted.

The Council, acting by a qualified majority, may take a different decision within one month. However, if the measure has significant budgetary consequences, the Council shall act only in agreement with the European Parliament.

Articles 22 - 26 Unchanged

Article 27

Paragraphs 1 - 4 Unchanged

5. The Commission shall submit a report on the application of this Article to the Council not later than 31 December 1981.

The Council shall examine this report and, acting by a qualified majority on a proposal from the Commission, may take a decision before 31 March 1982, in the light of experience gained and the economic situation of the sector in question, to extend or amend the system provided for by this Article.

Article 27

5. The Commission shall submit a report on the application of this Article to the Council and the European Parliament not later than 31 December 1981.

The Council shall examine this report and, acting by a qualified majority on a proposal from the Commission, may take a decision before 31 March 1982, in the light of experience gained and the economic situation of the sector in question, to extend or amend the system provided for by this Article.

Article 28 Unchanged