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Sheep meat

Situation in this sector
in the European Community
and in the world

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I

World sheepmeat production at 6.8 million tonnes is modest compared to that of beef and veal (44 million tonnes), pigmeat (42.5 million tonnes) or poultry (21.2 million tonnes).

Nevertheless, sheepmeat plays a not inconsiderable role in world trade. Indeed, in 1975 world exports of sheepmeat were close on 800 000 tonnes compared with 3.3 million tonnes for beef and veal and 1.8 million tonnes for pigmeat.

The Community, with a stock of 42 million, accounts for only 4% of world sheep stocks. Nevertheless, it provides 7.5% of world sheepmeat production and, what is more, one-third of world trade. In point of fact, in the Community sheep are bred as to 90% for meat production and 10% for milk production (restricted to Italy and the South of France). Flocks bred exclusively for their wool are gradually disappearing, whereas in the rest of the world wool flocks predominate.

Consumption of sheepmeat is low in most areas of the globe and it is generally stable at between 1 and 3 kg per capita per annum. Certain countries, however, have high levels of consumption, such as Australia and New Zealand (30 kg per capita per annum), Greece (15 kg), the United Kingdom (10 kg).

Consumption is tending to develop markedly in the Arab oil-producing countries.

II

World sheep stocks are stable overall. However, in certain areas the numbers are steadily declining, for example in the American continent as a whole.

In Oceania, where one quarter of world stocks are to be found, numbers undergo cyclical variations according to the price of wool and beef and veal.

In Europe, sheep stocks are stable in the EEC; it is declining in most of the other countries of Western Europe. On the other hand, it is rising markedly in the Eastern bloc countries, particularly the USSR.

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ANNEXES

This text is based on the report made on 18 March 1977 at the Verona International Agricultural Fair, Italy, by Michel Broders - Division for Cattle and Meat, Directorate-General for Agriculture of the EEC Commission - on the occasion of the Annual Congress of the ASSONAPA (National Sheep Farmers Association).

I. THE SHEEPMEAT MARKET IN THE COMMUNITY

1. Relative stability of Community stocks

Since 1968 Community stocks appear to have been relatively stable (see Table 1 annexed). Apart from Denmark where sheep farming is negligible, Ireland is the only Member State where sheep stocks have appreciably declined (since 1974).

In the United Kingdom, the Member State with half the Community stocks, stocks are stable with cyclical variations (minimum stocks in 1970 and 1975, maximum stocks in 1968 and 1974). On the other hand, the six original Member States have stocks markedly on the increase, with the exception of Italy where sheep stocks are likewise subject to cyclical variations. From a regional point of view Community sheep farming is declining in the lowland regions where other types of farming (including cattle-breeding) compete with it, whereas it is rising in upland regions and in certain less-favoured areas.

In all the Member States there exist agricultural holdings with sheep situated in less-favoured areas as defined in Directive 75/268/EEC, on mountain and hill farming and farming in certain less-favoured areas.

The main regions concerned are the following:

Germany: Schleswig-Holstein, Hesse, Lower Saxony, Baden-Württemberg, Bavaria

Netherlands: Friesland, Groningen, Zeeland

Belgium: The extreme east of the country

Luxembourg: The whole of the country

United Kingdom: "Hill" regions of the north and west of England, Scotland, Wales and Northern Ireland

Ireland: Counties of Galway, Mayo, Roscommon and Wicklow

France: The Central Massif, Pyrenees, Southern Alps

Italy: The Peninsula, Sardinia, Sicily.

In the Member States whose sheep stocks are fairly representative of the Community total, a significant percentage of total stocks is to be found in regions covered by this Directive:

Italy:	80 to 90%
Ireland:	70 to 75%
United Kingdom:	55 to 60%
France:	70 to 75%

Thus two-thirds of the sheep stock is in the less-favoured areas (28 million sheep¹ out of the 43 million in the Community).

¹United Kingdom: 11 million
France: 8 million
Italy: 7 million
Ireland: 2 million.

This shows how much the compensatory allowance provided for in Article 7 of this Directive will mean to the whole of the sheep farming sector.

2. Varying development of production and consumption in different Member States

In 1976 the sheepmeat production of the Nine was 515 000 tonnes. This production is distributed very unevenly between the different Member States. The United Kingdom is by far the leading producer country with 50% of Community production. Then come in order of importance, France (25%) Ireland (9%), Italy (7%), Germany (4%), The Netherlands (3%), the BLEU and Denmark.

Over the last fifteen years the development of Community production has been fairly constant. However, development has varied as between Member States. Thus in Italy a steady regression has been taking place since 1962. On the other hand, production has increased markedly in France, in the Netherlands and in Germany whereas the long-term trend has remained stable in Ireland and in the United Kingdom with major variations in 6-to-8-year cycles.

Sheepmeat consumption in the Nine has been fairly constant at around 800 000 tonnes throughout this period¹. This relative stability nevertheless masks two opposite trends: on the one hand, a very marked and regular drop in consumption in Great Britain and on the other, a significant increase in France and Germany. Thus, from 1962 to 1976 consumption went from 617 000 to 435 000 tonnes in the United Kingdom (-45%), from 117 000 to 196 000 t in France (+ 70%), from 50 000 to 60 000 t in Italy (+ 20%) and from 14 000 to 38 000 t in Germany (+ 170%).

Average annual consumption per capita of sheepmeat is very different from one Member State of the EEC to another. In 1975 it was 11.2 kg in Ireland, 8.4 kg in the United Kingdom, 3.6 kg in France, 1.3 kg in the Belgo-Luxembourg Economic Union, 1.1 kg in Italy, 0.4 kg in Denmark, 0.6 kg in Germany and 0.2 kg in the Netherlands - in other words an average of 3.1 kg for the Community (compared with 2.9 kg in 1974).

¹See page 3.

EEC: SHEEPMEAT PRODUCTION

(Gross domestic production) ('000 t)

Member States	1973 ¹	1974 ¹	1975 ¹	1976 ²	1977
Germany	14	16	20	22	
France	128	133	131	147	
Italy	32	32	32	36	
Netherlands	10	16	18	18	
BLEU	4	3	2	3	
Sub-total for the Six	188	200	203	226	
United Kingdom	235	254	264	250	245
Ireland	42	44	47	38	
Denmark	1	1	1	1	
EEC Total	466	499	515	515	

EEC: CONSUMPTION OF SHEEPMEAT

('000 t)

Member States	1973 ¹	1974 ¹	1975 ¹	1976 ¹	1977
Germany	24	24	35	38	
France	180	182	190	196	
Italy	61	52	61	60	
Netherlands	3	2	3	3	
BLEU	11	12	13	14	
Sub-total for the Six	279	272	302	311	
United Kingdom	468	441	475 (3)	435	450
Ireland	32	34	35	32	
Denmark	2	2	2	2	
EEC Total	781	749	814	780	

¹Source SOEC (including goat meat).

²Estimates (based on national sources).

³3 000 t of which for industrial uses.

3. External trade: falling imports from non-member countries

Since it produces on average only 60% of its consumption (a figure which has varied between 52 and 67% over the period 1962/76²) the EEC is very largely dependent on external sources for its supplies. The production/consumption gap reached its maximum during the years 1968 to 1972, then dropped sharply: from 422 000 t in 1969 to 300 000 t in 1975 and 265 000 t in 1976.

Hence imports have fallen since 1971 as is shown in Table 2 annexed.

The main suppliers of the Community are New Zealand, Argentina, Australia, Hungary and Bulgaria. In 1976 these countries supplied respectively 81.4%, 5.3%, 4.6%, 3.2% of total imports.

The United Kingdom is easily the chief Community importer. In 1976 this Member State imported 225 000 t, i.e. 4/5ths of the Community's imports (275 000 t), 200 000 t of which was frozen lamb from New Zealand, the remaining fifth of Community imports from non-member countries is divided between Germany (20 000 t), Italy (20 000 t), France (6 000 t), BLEU (4 100 t) and the Netherlands (1 200 t).

¹1974 was an exceptional year in that it was marked by a very significant increase in the production and consumption of beef and veal in the Community.

²Minimum of 52.5 in 1962.
Maximum of 66.6 in 1974.

In contrast to imports, Community exports are very low: 4 000 t in 1975 intended mainly for certain non-member Mediterranean countries and also Switzerland. They are showing signs of developing, particularly to the Arab countries (Libya).

4. Increasing intra-Community trade

Unlike imports from non-member countries, this trade is developing ('000t): 1971 - 37; 1972 - 50; 1973 - 60; 1974 - 60; 1975 - 85; 1976 - 80.

Most of this trade consists of traditional exports of 40 000 to 50 000 t of meat to France, mainly from the United Kingdom, the Netherlands and Ireland (respectively 26 500, 16 000 and 3 000 t in 1975). Exports from the United Kingdom to France have been relatively stable since 1973¹, whereas those from the Netherlands have increased and those from Ireland have fallen (the respective figures for 1973 are 26 000, 8 700 and 5 000t). Unexpectedly, exports have since 1975 started coming to France from Germany which thus becomes France's third biggest source. The development of French imports appears in Table 3 annexed. It will be seen from this Table that France obtains 90% of its shortfall from within the Community.

5. Market prices: the continuing gap between French and British prices

The structure of sheepmeat prices in the Community is determined essentially by two markets: the British market on the one hand and the French market, on the other. The former market directly influences the level of prices on the Irish market. The French market determines the level of the price received by producers in those Member States which mainly produce meat of a quality designed for the French market (the Netherlands, Germany, Belgium and, to a lesser extent, Italy). It is noteworthy that the market price in Germany and Italy is nevertheless lower than the French price as the representative markets of these two Member States are influenced by imports for home consumption which are often of lower quality than the home produced meat destined for the French market.

The gap between the market prices of France and the United Kingdom is very significant. Thus, since 1968 the British market price has been only about half of the French market price; indeed this gap widened in 1975, particularly under the effect of the weakness of the pound. (see Table 4 annexed).

¹ However, these have declined considerably in 1976 unless one accepts the existence of deflections of trade across certain neighbouring countries (Belgium and especially Germany).

Nevertheless in 1976 there were signs of the price gap beginning to close under the influence of a rise in the British and Irish prices¹ (+ 6.4% and + 15.2% respectively) whereas the French price¹ has been falling since April 1976.

In January 1977 the British price reached 2/3rds of the French price as against 50% of the French price in January 1976.

It is nonetheless too early to say that this price gap will continue to narrow; for, although the French price is expected to rise only slightly in 1977, the upward movement of the British price will continue only until the summer and then undergo a seasonal fall before rising again at the end of the autumn.

6. Prospects for 1980: depending on future market organization

As far as medium-term prospects are concerned the United Kingdom should continue to occupy a place apart in Community development. If the cyclical movements which affect the stocks of breeding ewes in this Member State (see Table 1) were to continue in the medium-term, stocks could, over the period 1978 to 80, increase once more. If this were the case, production should continue to drop in 1977 then increase once again to reach before 1980 a level close to that reached in 1968 and in 1974 (250 000 tonnes).

In the United Kingdom, consumption, which had dropped by 23% between 1971 and 1976 should in the medium-term increase slightly (reversal of the trend in 1977). In point of fact, in this Member State sheepmeat encounters direct competition from beef/veal and from poultry. The price of these two interchangeable products should no longer drop markedly in relation to that for sheepmeat (because of the expected firming up in the prices of concentrated feeds).

Under these circumstances consumption of sheepmeat in the United Kingdom could be of the order of 450 000 t in about 1980. The United Kingdom shortfall would then be around 200 000 t which, allowing for the expected continuance of exports at the present level (30 000 t) would leave a market of around 230 000 t for the exports of non-member countries.

In the other Member States, present trends should continue until 1980: a rise in production² (except in Ireland and Italy) and a rise in consumption (except in Ireland).

Consequently Community production would be of the order of 540 000 t and consumption of the order of 830 000 t, i.e. a shortfall of 290 000 t which would give a self-supply rate of 65%, thus hardly higher than the present rate.

Nevertheless, these prospects, which take account of present trends in sheep farming and national income support measures, could be largely modified through the policy adopted in the future common market organization.

Thus any marked drop in the income of producers in the less-favoured areas of the Community as originally constituted would bring about a sharp drop in sheep numbers in these areas. On the other hand, a substantial and rapid rise in market prices in the United Kingdom would sharply reduce the sheepmeat shortfall of this Member State, through, on the one hand, an increase in domestic production and, on the other, a drop in the consumption of fresh sheepmeat for which new outlets would have to be found on the Continent.

¹ Prices expressed in units of account at the floating rate.

² A certain "revival" is taking place in sheep farming in certain Member States, particularly in the Federal Republic of Germany.

In point of fact, the United Kingdom authorities have indicated to the Commission that the price/consumption elasticity in the case of sheepmeat is currently 1.12. Consequently, any price increase of 10% in sheepmeat would lower consumption by around 11% (assuming that the prices of other meats remain unchanged).

II. NATIONAL INCOME SUPPORT MEASURES FOR SHEEP FARMERS IN THE EEC

(a) France

In this Member State there exists a national market organization. Under this, the import of frozen sheepmeat from non-member countries is authorized only within a very limited quota (3 000 tonnes). The import of live sheep and meats other than frozen is authorized only when the price on the domestic market is above a certain threshold (FF 17.50 from March 1977). Furthermore, at the time of import, a countervailing charge is levied, the level of which varies according to the price on the French home market (currently the range of fluctuation is between FF 4.40 and FF 7.40 per carcass kilogram¹). Moreover, this Member State authorizes, within a quota, the introduction into its territory of lean sheep intended for fattening without payment of the countervailing charge². It likewise grants as part of a plan for reviving sheep farming certain aids to production for sheep farmers belonging to recognized producer groups (who produce 15-20% of national production).

In 1976 such aid represented a total of 20 million francs or 3.5 million units of account, representing 1% of the selling price of each kilogram of sheepmeat produced in France.

As regards the application of the "mountain" Directive the amount of the compensatory allowance is FF 200 or 36 units of account per livestock unit³, or 30 francs per sheep, which would represent an overall total of the order of FF 45 million or 8 million u.a., representing 2% per kg of meat produced (at the present time only sheep in mountain and hill regions qualify for it. It is planned that, as from winter 1977/78, sheep kept on piedmont areas (alluvial scree slopes) will also qualify for it at a rate of the order of FF 100 per livestock unit⁴).

(b) United Kingdom

British sheep farmers receive two types of subsidy:

(i) Deficiency payments

When the market price falls below the guaranteed price (a price fixed at the beginning of the marketing year and variable each week (see Table 5 annexed)) sheep farmers receive compensation approximating to the difference between the guaranteed price and the market price. This deficiency payment varies greatly. It can amount to as much as 15% of the market price but it was nil from from December 1972 to June 1974. On average over the last

¹For the 1976/77 marketing year the range of variation was between 5 and 6.80 French francs.

²280 000 sheep in 1976; 170 000 imports.

³1 sheep = 0.15 livestock unit.

⁴In actual fact, the piedmont areas (alluvial scree slopes) do not make up all the less-favoured areas within the meaning of the "mountain + hill" Directive.

nineteen marketing years it has been 2.27 pence per lb.¹ A guaranteed price system exists likewise for wool, which operates more in the manner of a price stabilization system. When the guaranteed price is higher than the market price, the difference is paid not to the producer but into an equalization fund out of which is financed the guaranteed price to producers in the event of a drop in the market price.

(ii) Subsidies to hill sheep farmers

This subsidy was introduced with the aim of maintaining a significant sheep stock in the mountain areas. It has had the effect of accentuating the traditional movement of these regions, i.e. hill farmers sell all their lambs before winter even if they are not ready for slaughter. This method of subsidy influences all the British farmers who can thus obtain breeding or fattening animals at a favourable price.

As from 1 January 1976 this national system was replaced by the Community system deriving from the application of the mountain and hill farming Directive: a rate of £3.60 per sheep belonging to certain breeds, £2.85 for other breeds, giving an average of £3.50 or 41 u.a. per livestock unit. In 1976 this premium was paid in respect of 8 million sheep, or 60% of the sheep stock in the United Kingdom. Total "hill" aid was £28 million or 50 million u.a., representing 12% of the price of each kg of sheepmeat produced by the United Kingdom.

Table 6 annexed summarizes the different subsidies granted by the United Kingdom and their incidence on farmers' income².

This table shows that: (period March 1969 to March 1976)

- (i) British farmers were granted on average: 6% of the market price in the form of a deficiency payment and 20% of the market price in the form of direct subsidies.

Thus total direct aid represented 26% of the price received by the market.

- (ii) The total income of UK farmers (market price and direct aid) remains lower than that received by French farmers owing to the difference in market prices³. Over the period under consideration the income of the British producer was in fact exactly two-thirds that of his French counterpart.

The important point to note is that this lower income is compensated by correspondingly lower outgoings; if one were to compare the profit margins in British farming⁴ and French farming, the ratio comes out to the advantage of the former because of a two-fold influence:

¹Which represents about 11% of the average market price of the last 19 years (see table 5 annexed). However, it should be noted that, since the 1972/73 marketing year, the incidence of deficiency payments on the market price has never exceeded 7% of that price. In 1976 there were payments for only two weeks and in 1977 no deficiency payments have been made so far. The accession of the UK to the Community has brought about a rise in the market price of beef and veal and, by way of repercussion, a rise in the market price of sheepmeat.

²Worked out by Mr Boutonnet - INRA Economie (Montpellier, France) / National Institute for Agronomic Research Economics from official statistical bases.

³To which one should add, to complete the picture, aid to hill farming and aid to producer groups (3% of the market price in 1975).

⁴In March 1977 by virtue of prices, in national currency, higher by 40%, these margins have increased from 60% to 100% as compared with the same period in 1976.

- on the one hand, lower production costs since British farming produces grass-fattened lamb and grass is a cheap feed. Consequently, this production is of a seasonal character, which is no problem for the consumer since New Zealand production is there to fill the out-of-season gap;
- on the other hand better production structures:
the average of 150 sheep per farmer in the United Kingdom, as against 40 in France, represents a better utilization of labour (shepherd). A further advantage is the specialization of United Kingdom production under a system analogous to the system of sub-contracting in industry; the hill regions breed the hardy sheep which are crossed with improver rams; the sheep produced by these crossings are sent to intermediate regions where they are crossed with meat strain rams to produce slaughter lambs which are then sent to lowland regions for fattening. This system permits optimal utilization of the forage available in each area.

This specialization - which has its origin in the traditional conditions of sheep-farming in the UK - has been greatly encouraged by the granting of direct aid per animal kept in a mountain or hill area. Under these circumstances it is in the interest of the farmers in these areas to dispose of the lambs as quickly as possible so as to keep feeding areas free for sheep. The fatterer benefits indirectly from the direct aid granted to the breeder as the latter will be able to sell him the lambs at less than cost price.

Thus this system enables the direct aid granted to the less-favoured regions to have an effect on the whole of the UK production system. It also reinforces the specialization of British sheep farming in the production of grass lamb (for slaughtering in summer and autumn), this being the only line of production to receive subsidies, direct or indirect.

This specialization is in fact encouraged by the rules for fixing the guaranteed price (low seasonality of this price) which eliminates the risk of a drop in income and provides no incentive to out-of-season production.

(c) Federal Republic of Germany

Imports of sheep and sheepmeat from non-member countries are regulated under the Law on the cattle and meat trade of 25.4.51.

Licences are granted for imports of sheep and sheepmeat; they can be suspended whenever the market situation so requires (no effective suspensions since November 1972).

(d) Denmark

Imports from non-member countries are authorized within a quota open from November to the June of the following year. For the 1975/76 marketing year the quota is 1 700 tonnes, 500 tonnes of which is reserved for Iceland.

(e) In the other Member States there are neither import restrictions, (although Ireland, for health reasons, imports only from the UK¹) nor other national income support measures for producers.

¹Live animals from N. Ireland.

III. MAIN FACTS CONCERNING THE WORLD MARKET

1. Overall stability of world stocks

World sheep stocks are estimated at around one milliard head. This figure has been very stable since 1968.

Asia has around 280 million sheep and numbers are growing at an even rate. This continent plays only a minor role in world trade (exports from Mongolia to the USSR).

Oceania is the second production area with 200 million sheep, three-quarters of which are in Australia and one-quarter in New Zealand (the stocks of the latter country are thus of the same size as those of the Community).

African stocks are considerable with 138 million sheep; as with Asia its trade is negligible.

In the USSR stocks are increasing at a steady rate (130 million in 1970, 140 million in 1976). However, import needs are growing. In the other countries of Europe with centrally planned economies stocks are not increasing. The most numerous stocks are to be found in Romania, Bulgaria and Yugoslavia (respectively: 13, 10 and 8 million sheep).

In Western Europe the non-member countries where sheep stocks hold an important place are Spain (16 million sheep; falling) and Greece (9 million sheep; growing).

South American stocks (115 million) are slowly falling in numbers; North American stocks (20 million) are falling more rapidly.

For comparison, let us recall that Community stocks are about 42 million.

2. The marked polarity of world trade in sheepmeat

The outstanding feature of the world market in sheepmeat is its even more marked polarity than that of the beef and veal market. Two countries - New Zealand and Australia - represent 80% of world exports and three countries, the UK, Japan and France account for 75% of world imports. World trade in live sheep (and in meat preserves) is of very limited importance compared to that for fresh and, above all, frozen meat. From the point of view of trade a distinction must be made between mutton and lamb, the world prices of which can develop divergently.

Thus the main feature of the international trade in mutton is the predominance of a demand country (Japan) and a supply country (Australia). There is only one other major supplier (New Zealand) and only four countries which regularly make significant purchases (United States, Canada, United Kingdom, Greece). World trade in lamb is also dominated by a demand country (United Kingdom) and a supply country (New Zealand). Other exporters (Australia, Argentina, Ireland) and importers (United States, Canada, France, Greece) are of only limited importance and Japanese demand for lamb is only marginal. Deliveries of frozen New Zealand lamb to the British market represent by far the greatest trade flow on the international sheepmeat markets (40% of world exports of sheepmeat). This flow is, however, gradually diminishing. It may be added that the United Kingdom and France are the only countries where purchases of lamb still take a predominant share of their total imports of sheepmeat, whereas mutton represents constantly the greatest share of Japanese purchases; in all the other regularly purchasing countries the respective shares of mutton and lamb in total sheepmeat imports can vary considerably from year to year, first place going now to the one, now to the other.

3. The influence of wool prices on sheep farming in the major producing countries

(a) Australia

Sheep farming in Australia specializes very largely in wool production. The size of stocks is governed by the price of wool and by the price relationship between wool and beef/veal. The production of sheepmeat plays only a secondary role. Thus, the number of sheep slaughtered tends to increase when the price of wool sags and inversely. In addition, the production of sheepmeat is much affected in the short-term by weather conditions (rainfall), but is little affected by price levels. Given the Australian consumer's very marked preference for lamb, the home market absorbs each year the bulk of national production, of which only a small proportion (between 10 and 15%) remains available for export. In contrast, more than half of mutton production is exported.

In Australia the unprecedented rises recorded on the world wool markets in 1973 have brought a halt to the decline in sheep stocks. There has been an appreciable downturn in wool prices since then, but the price support purchases which the Australian Wool Corporation began in 1974 have prevented a collapse of prices and hence of stocks.

The stabilization of stocks observed in 1973 enabled both production and more particularly exports to pick up again. The latter chiefly concern mutton. In 1976 Australia exported 160 000 t¹ of mutton (100 000 t of which to Japan), or 40% more than in 1975, and 35 000 t¹ of lamb or 7% more than in 1975.

Australia:

	72/73	73/74	74/75	75/76	76/77
<u>Sheep stocks:</u> as at 30 March of the first quoted year (in millions)	169.9	140.0	145.2	151.7	148.6
<u>Production:</u> (in 1 000 t carcase weight)					
Lamb	278	235	269	262	265 E*)
Mutton	435	221	250	322	321 E*)
Source: Bureau of Agricultural Economics, Canberra					
<u>Exports:</u> (in 1 000 t product weight)					
Lamb	32	20	22	25	28 E*)
Mutton	157	68	75	134	141 E*)

*E = Estimates

(b) New Zealand

New Zealand sheep farming offers a rather more contrasting picture. The proceeds of wool sales are the main source of income for New Zealand sheep farmers, but the proceeds of sales of fattening lamb are almost as important. It might therefore be thought that the price of wool and that of lamb have an equal influence on the development of sheep stocks but, according to one econometric model², this does not seem to be the case. From this it emerges that the variations in the sheep stock during the period 1954-72 could be explained as to 73% by the price outlook for wool as against that for beef/veal (as a competing product) as well as by grazing conditions and only as to 14% by the price outlook for lamb.

¹ Expressed in carcase weight.

² Study p.158 - internal information on agriculture (not yet published).

In New Zealand two successive periods of extreme drought (1972/73 and 1973/74) and, to a certain extent, the sharp rise in the prices of beef and veal in 1972 and 1973, have prevented any increase in the sheep stock which should normally have followed the price explosion recorded in 1972/73 on the world wool market. In consequence the production of lamb sharply declined in 1973 and 1974; the production of mutton, after a sharp rise in 1973 (slaughter of sheep) has considerably declined in 1974 and 1975 in line with a steady rise in sheep numbers which has been evident since the end of 1975 and which will continue at least through 1977.

The fact that the prices of beef and veal since 1974 have developed less favourably than wool prices can explain why New Zealand sheep numbers are increasing for the first time since 1972 and why, under these circumstances, the New Zealand supply of lamb available for export should once again be in an upward phase over the next few years; this movement was already underway in 1975; it should continue until 1979/80.

New Zealand:

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
<u>Sheep stock:</u> (as at 30 June: in millions)	60.0	60.5	59.9	60.3	58.9	60.9	56.7	55.9	55.3	56.3
<u>Production:</u> 1 000 t										
carcase weight										
lamb	332.1	350.2	362.8	362.6	360.7	375.9	340.3	303.0	329.7	357.0
mutton	188.5	216.1	199.9	200.0	203.2	193.0	213.3	190.0	160.5	155.0
<u>Exports:</u> 1 000 t										
carcase weight										
lamb	298.7	314.7	309.5	335.3	337.2	339.7	305.9	250.5	300.0	324.0
mutton	86.6	106.8	137.6	102.8	113.4	100.2	92.2	110.8	107.2	85.0

Source: New Zealand Meat Producers' Board.

The New Zealand Government in 1966 introduced a diversification programme (Lamb Market Diversification Scheme) in an attempt to reduce dependence on the UK market in respect of lamb. In 1973 this programme was suspended temporarily while the UK was experiencing difficulty in obtaining supplies of this product. Exporters are obliged to send a minimum percentage of their exports (30% for the 1976/77 marketing year) to markets other than the UK market (otherwise they pay a duty on quantities exported to the UK above the maximum percentage).

(c) Argentina

In Argentina the price of wool likewise bulks large in determining the volume of Argentine sheepmeat production (in certain regions there is the added factor of the price relationship between wool and beef/veal). The proportion of sheepmeat production exported fluctuates widely from year to year (approximately between 10 and 25%).

In this country the sheep stock is in steady and marked decline (1970: 42 million; 1976: 36.5 million) in favour of the cattle stock.

4. New outlets, particularly for mutton, which make for firmer prices in this sector

A certain number of Latin American countries (in the forefront of which is Peru), the Arab countries and, in South East Asia, Malaysia, Singapore and Hong Kong are emerging as important customers on the international market. More generally, the share of the developing countries in the total of world imports has moved from 7.8% in 1969 to 16.5% in 1974). Recently, the purchases of the Arab oil exporting countries have been particularly striking (Iran 1972: 7 500 t; 1975: 45 000 t).

As regards mutton South Korea, Iraq and the USSR are likewise becoming major buyers.

In April 1976 the USSR announced the signing of a contract with New Zealand for 25 000 t of mutton. A tender for 20 000 t of the same product was accepted by Iraq in May 1976.

In respect of mutton Community demand on the international market should remain stable from now until 1980; demand should rise slightly in Greece and the USA while it could well continue to rise in Japan and in the countries of the Middle East. The growth in Australian and New Zealand mutton production for export should enable the rise in total demand on the international market to be met, thereby preventing an excessive upsurge in prices for this product.

In respect of lamb the Community is likely to remain the chief importer, though one may foresee a slight rise in the United States and Canada. If there is to be a spectacular increase in demand on the international market it will no doubt be due solely to purchases by the Arab countries or other oil-exporting countries.

Nevertheless, the likely rise in New Zealand export potential should prevent supply difficulties arising in the case of lamb.

5. The consequences for Community sheep farmers of the balanced situation to be expected on the world market for lamb

As the Community's import demand relates mainly to lamb, it would not be seriously affected by a possible firming-up of prices on the international mutton market; the assumptions put forward above suggest that the Community should be able to cover all its sheepmeat import needs without undue difficulty until the end of the present decade by purchases on the international market, provided no serious droughts occur.

The possibility of a temporary imbalance on the international beef and veal market - given the repercussions which this market has on the world sheep meat market - could contribute around 1978/79 towards making world market prices rise slightly both for lamb and for mutton.

Table 1

Census of sheep in the EEC

December census

Total stocks in 1 000's

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
EEC	41 620	41 501	40 881	40 923	41 775	42 548	43 137	42 626			
Germany	830	841	843	850	908	1 016	1 040	1 094			
France	9 507	10 037	10 239	10 115	10 191	10 324	10 569	10 707	10 945		
Italy	8 206	8 138	7 948	7 846	7 770	7 809	7 995	8 152			
Netherlands	360	360	375	375	388	430	490	495			
Belgium	84	85	66	66	69	74	81	83			
Luxembourg	4	5	5	5	5	5	5	5			
United-Kingdom ¹	19 667	19 157	18 499	18 749	19 557	19 989	20 187	19 536	19 900		
Ireland	2 852	2 788	2 836	2 862	2 835	2 845	2 711	2 503	2 440		
Denmark	110	90	70	55	52	56	59	61			

¹June census of ewes
(source MLC)

12 685 13 106 13 753 13 865 13 752 13 637 13 800 14 100

Source : S.O.E.C.

Table 2

EEC: Imports in the sheepmeat sector from non-member countries (all categories in carcase weight) (in tonnes)

	1973		1974		1975		1976		Ave. of the 3 years 1974-1975-1976	
	Total head	%	Total head	%	Total head	%	Total head	%	Total head	%
New Zealand	251 097	80.1	209 271	84.7	245 429	83.5	222 539	81.4	225 746	83.6
Argentina	8 406	2.7	6 932		13 890	4.7	14 467	5.3	11 763	4.4
Australia	24 418	7.8	7 939	3.2	8 531	3.0	12 713	4.6	9 727	3.6
Hungary	10 150	3.2	8 530	3.5	8 622	3.0	8 639	3.2	8 597	3.2
Bulgaria	5 707	1.8	3 596	1.5	4 108	1.5	2 146	0.8	3 283	1.2
Poland	1 435		1 939		3 338	1.2	3 645	1.3	2 974	1.1
Yugoslavia	2 520	0.8	2 448	1.0	3 123	1.1	3 276	1.2	2 949	1.1
Uruguay	334		-		2 535	0.9	3 507	1.3	2 014	0.7
GDR	1 645	0.6	1 918	0.8	2 274	0.8	2 427	0.8	2 206	0.8
Rumania	3 082	1.0	1 570	0.6	968	0.3	190	0.1	909	0.3
Grand total	313 629	100	246 066	100	295 937	100	273 549	100	270 168	100

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Source DG VI-C-1 (EEC Commission)

Table 3

Development of French imports in
the sheepmeat sector(total meat from live sheep by
carcase weight and imports of
fresh, refrigerated and frozen
meat) in tonnes

	1971	1972	1973	1974	1975	1976	
Germany	2 683	2 243	1 894	2 017	5 750	9 524	
Italy	661	1 754	1 508	237	785	743	
Netherlands	9 900	8 728	8 724	13 540	16 095	15 648	
BLEU	165	472	24	50	144	57	
United Kingdom	11 664	18 197	25 755	23 541	26 574	15 993	
Ireland	2 581	4 775	4 959	2 893	2 931	1 176	
Denmark			1		2	-	
<u>EEC Total</u>	27 654	36 169	42 865	42 278	52 281	43 142	
Austria					13	-	
GDR	185	548	541	732	811	955	
Poland	247	240	732	549	376	518	
Hungary	875	229	1.023	940	571	1 808	
Yugoslavia		4		168	117	-	
Brazil	7	6	10			2	
Czechoslovakia						-	
Romania	324	214	948	1 098	216	110	
Bulgaria		156	901	311	1 268	330	
Argentina	2 100	2 388	2 337	1 745	2 136	1 064	
Uruguay							
New Zealand	175	1 204	1 143	396	798	536	
USA	5	8			18	-	
Australia	1 130	1 514	302	102	277	384	
Spain	358	209	1 127	155	30	147	
Morocco		180	259				
Norway		11	9				
Switzerland	3	10	10	10	9	9	
Iceland		26					
USSR				6			
Non-member countries total	5 492	6 981	9 333	6 224	6 697	5 864	
EEC total	27 654	36 169	42 865	42 278	52 281	43 142	
World total	33 146	43 150	52 198	48 502	58 978	49 006	

Source : VI-C-1 (EEC Commission)

Table 4

Development of wholesale market prices in lamb
in the EEC

u.a. per 100 kg carcass
conversion with floating
rates since April 1973

	0 Years 68-69-70	1971	1972	1973	1974	1975	1976	% 1976 in relation to 1975
Belgium	140.9	141.3	176.8	211.8	238.6	269.7	307.6	+ 14.0
Denmark	-	120.0	172.4	189.9	174.8	203.5	201.5	- 1.0
Germany	141.7	149.5	162.6	179.1	187.1	197.9	197.0	- 0.5
France	191.3	192.0	208.2	228.2	240.2	275.4	274.8	-
Ireland	-	-	-	147.3	140.2	137.2	158.0	+ 15.2
Italy	142.4	142.6	180.2	158.5	136.8	169.7	-	
Netherlands	170.2	171.3	196.3	234.8	225.3	271.7	275.4	+ 1.0
United Kingdom	83.6	92.1	118.7	128.5	126.2	125.8	133.9	+ 6.4
(a) English lamb								
(b) New Zealand lamb	67.6	77.2	101.6	112.9	114.3	111.8	125.6	+ 12.4
(c) Pence/kg		40.8	[52.8]	[70.5]	[67.1]	[77.1]	[126.5]	

Sources : Belgium from 1968 to 1974 National Statistics Institute - Ghent Market (premier quality sheep).
Denmark from 1975 St. Trond Market ("extra" sheep).
Germany Ministry of Agriculture.
Monthly Statistical Report - Hamburg Market (lambs and wethers Class A)¹
France Echo des Halles - Des Halles Market. Weighted average.
Ireland Lambs up to 46 lbs - Meat factories for MLC purposes.
Italy Chamber of Commerce - Rome Market. Fattened lambs.
Netherlands Agricultural Economics Institute. Fattened lambs.
United Kingdom Meat and Livestock Commission. Averages of mean of price range quoted each day at London Central Meat Markets
(a + b)
(c) Average prices on the home market providing a basis for the calculation of the deficiency payment.

¹The German Delegation has provided some data relating to the prices received by farmers for Northern Germany; the yearly average of these prices is as follows:

1974: 210 u.a./100 kg
1975: 235 u.a./100 kg.

Table 5
United Kingdom

Comparative development of the market
price and of guaranteed prices in £/cwt

Marketing year	Market price	Deficiency payment	Total income
58/59	13.4	3.1	16.5
59/60	10.9	5.4	16.3
60/61	12.8	3.2	16.0
61/62	10.3	5.7	16.0
62/63	11.9	3.8	15.7
63/64	13.1	2.7	15.8
64/65	15.0	1.3	16.3
65/66	15.0	1.0	16.0
66/67	14.2	1.9	16.1
67/68	14.2	2.4	16.6
68/69	16.4	1.4	17.8
69/70	17.7	0.9	18.6
70/71	17.5	2.6	20.1
71/72	18.4	3.7	22.1
72/73 ¹	25.4	0.5	25.9
73/74 (estimates)	32.9	0.-	32.9
74/75	29.5	2.0	31.5
75/76	35.4	1.6	37.0
76/77	50.0	0.-	50.0

¹Period following accession: the sheepmeat market generally follows that for beef and veal; consequently, as from 1972/73, the adoption by the United Kingdom of the common organization of markets in the beef and veal sector has influenced the development of sheepmeat prices.

Table 6

COMPARATIVE DEVELOPMENT OF SHEEPMEAT PRICES
AS BETWEEN FRANCE AND THE UNITED KINGDOM

	69/70	70/71	71/72	72/73	73/74	74/75	75/76
S Subsidy for hill and mountain farming and winter feeding							
- £ per eligible sheep	1.22	1.22	1.65	11.75	1.75	3.00	3.60
- total (£ million)	8.50	8.50	11.50	12.20	12.20	21.00	25.20
- FF/kg carcase (f)	0.50	0.50	0.70	0.70	0.60	1.00	0.90
Deficiency payment meat FF/kg carcase (as a % of the market price)	0.10 (2.0%)	0.60 (11.5%)	1.00 (18.5%)	0.10 (1.5%)	=	0.30 (3.8%)	0.30 (4.2%)
Deficiency payment wools							
- total (£ million)	4.6	6.1	0.9	1.5	-	-	1.9
- FF/kg carcase	0.30	0.40	0.40	0.10	-	-	0.10
Total subsidies FF/kg carcase (as % of the market price)	0.90 (18.4%)	1.50 (28.9%)	2.10 (39.0%)	0.90 (13.2%)	0.60 (7.8%)	1.30 (16.2%)	1.30 (18.0%)
Average market price (e) FF/kg carcase	4.90	5.20	5.40	6.80	7.70	8.00	7.20
Total income of farmers FF/kg carcase	5.80	6.70	7.50	7.70	8.30	9.30	8.50
Wholesale price FF/kg carcase							
(a)	4.40	4.90	5.10	6.20	7.00	7.50	7.00
(b)	3.50	4.00	4.20	5.20	6.20	6.80	6.30
(c)	10.00	9.80	10.60	11.50	12.70	14.50	15.70
F Production price (d) FF/kg carcase	10.90	10.90	11.30	12.70	14.40	16.00	17.00

- (a) Average of quotations for English lamb on the Central London Meat Market (Smithfield)
- (b) Average of quotations for New Zealand lamb at Smithfield
- (c) Weighted average for high-quality meat on the Paris wholesale market (Les Halles, then Rungis)
- (d) Average production price for sheepmeat
- (e) Average market price of sales by farmers
- (f) Conversion of pounds sterling into French francs at the average going rate.