

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## PROPOSAL FOR A COUNCIL REGULATION

on the common organization of the market in sheepmeat

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(Submitted by the Commission to the Council)

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PROPOSAL FOR  
COUNCIL REGULATION (EEC) No /78  
ON THE COMMON ORGANIZATION OF THE MARKET IN SHEEPMEAT

(presented by the Commission to the Council)

(Communication from Mr. Gundelach)

EXPLANATORY MEMORANDUM

I. INTRODUCTION

Sheep production in the Community represents only 1,5% of total agricultural revenue. In the new Member States, however, while the proportion of sheep production in Denmark is negligible in relation to overall agricultural production, in the United Kingdom and Ireland it represents 5.6% and 4.5% respectively of overall agricultural revenue.

However, 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:

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

Accordingly, two thirds of the sheep in the Community are in the less-favoured areas (28 million (1) out of 43 million).

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

## II. MAIN FEATURES OF THE MARKET IN SHEEPMEAT IN THE COMMUNITY

### 1. Production

#### (a) Sheep numbers

Since 1968 the number of sheep in the Community appears to have remained relatively stable (see Table 1 on page 21).

In the United Kingdom, which accounts for half the Community flock, the number of sheep remains steady in the long term, with medium-term variations (low in 1970 and 1975, high in 1968 and 1974). On the other hand, in the continental Member States sheep numbers are rising appreciably, with the exception of Italy where numbers fell until 1972 but rose subsequently.

Together with Denmark, where sheep farming plays a negligible role, Ireland is the only Member State in which the sheep flock has fallen somewhat (since 1974), mainly owing to an increase in the number of cattle and in associated production (beef and veal and milk products).

#### (b) Production of sheepmeat

In 1976, Community sheepmeat production was 534 000 tonnes, very unevenly distributed among the Member States. An increase in production has become apparent since 1973 in all Member States except Ireland (see Table 2 on page 22).

### 2. Consumption

Consumption of sheepmeat in the Community is fairly stable at about 800 000 tonnes per year.

This stability, however, disguises two contrasting trends: a marked drop in consumption in the United Kingdom and an increase in France,

Italy and Germany. In Ireland consumption is remarkably static. Between 1962 and 1976 consumption fell from 617 000 to 438 000 tonnes in the United Kingdom (-29%) and rose from 117 000 to 195 000 tonnes in France (+67%), from 50 000 to 63 000 tonnes in Italy (+26%) and from 14 000 to 39 000 tonnes in Germany (+178%).

There are substantial differences among the Member States of the EEC in average annual consumption per head. In 1976 this was 9 kg in Ireland, 8 kg in the United Kingdom, 4 kg in France, 1.3 kg in the BLEU, 1 kg in Italy, 1 kg in Germany, 0.4 kg in Denmark and 0.2 kg in the Netherlands, giving a Community average of 3 kg.

### 3. Trade

#### (a) Trade with non-member countries

The Community is largely dependent on non-member countries for its supplies. However, the increase in production which has taken place since 1973 has increased the rate of self-supply (1973: 59.4%; 1976: 63.9%) and reduced imports (1973: 315 000 tonnes; 1976: 278 000 tonnes).

The Community's main supplier is New Zealand, other regular suppliers being Argentina, Australia and Hungary. In 1976 these four countries supplied 80.2%, 5.2%, 4.6% and 3.1% respectively of total imports. The United Kingdom is by far the largest importer in the Community. In 1976 this Member State accounted for 225 000 tonnes, or four fifths of Community imports (including 200 000 tonnes of frozen lamb from New Zealand); the remaining fifth is divided between Germany (20 000 tonnes), Italy (20 000 tonnes), France (6 000 tonnes), th BLEU (4 000 tonnes) and the Netherlands (1 000). Australia is the only non-member country amongst the main suppliers whose exports to the Community

increased substantially in 1976 (see Table 5 on page 23).  
The level of Community exports is low (6 000 tonnes in 1976);  
they are mainly to some non-member Mediterranean countries and  
Switzerland.

(b) Intra-Community trade

This trade is increasing:

1973: 60 000 tonnes;                      1976: 82 000 tonnes

Most of it consists of a traditional 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).

4. Market prices

Sheepmeat prices in the Community are determined primarily by two  
markets: those of the United Kingdom and France. The former directly  
influences price levels on the Irish market. The latter determines  
the prices obtained by producers in those Member States which produce  
mainly qualities suitable for the French market (the Netherlands,  
Germany, Belgium and, to a lesser extent, Italy). The difference  
between the French and United Kingdom market prices has been some 50%  
of the French market price since 1968 (this difference has increased  
since accession, mainly owing to monetary factors).

However, in 1976 the difference between these prices, expressed in  
units of account (commercial rate), began to narrow following an  
increase in the UK price (+6.3%) and the Irish price (+15.3%) while the  
French price remained unchanged (See Table 6 on page 23).

This trend continued in 1977, so that the percentage of the French price represented by the United Kingdom market price grew from 46% in 1975 to 49% in 1976 and to 53% in 1977 (market price in u.a. at the commercial rate).

5. Outlook

As regards the short term (1978), Community production can be estimated at some 510.000 tonnes and consumption at 770.000 tonnes; the net deficit will accordingly be 260.000 tonnes and the rate of self-supply 66%.

This will result from a rise in both production and consumption in the continental Member States and a steady production and slight drop in consumption in the United Kingdom.

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

III. NATIONAL MEASURES IN THE MEMBER STATES TO SUPPORT PRODUCERS' INCOMES

The governments of some Member States consider that the protection afforded at the frontier by the Common Customs Tariff is insufficient to ensure the maintenance of an adequate income for producers.

(a) France

In this Member State, under the national market organization, the import of frozen sheepmeat from non-member countries is subject to a very restricted quota (3 000 tonnes), whilst imports of

live sheep and meat other than frozen are only authorized when the prices recorded on the home market are above a certain threshold: FF 18.55 from March 1978; FF 17.50 for the 1977/78 marketing year;

In addition, on import a countervailing charge is levied at a rate which varies according to the French home market price (from March 1978 range is from FF 4,85 to 7,85/kg carcasse)<sup>1</sup>. Furthermore, this

Member State prohibits the import of live sheep not intended for immediate slaughter; however, it authorizes the import of sheep for fattening, subject to a quota, without payment of the countervailing charge<sup>2</sup>. 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 production in France).

In 1976 and in 1977 this aid represented a total of about FF 20 million per annum or 3.5 million u.a., which corresponds to 1% of the selling price of every kilogram of sheepmeat produced in France.

(b) United Kingdom

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 year<sup>(3)</sup> 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. It can reach 15% of the market price, but from December 1972 to June 1974 it was zero.

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(1) for the 1977/78 marketing year the range was FF 4.40 to FF 7.40 (average 5.90).

and for the 1976/77 marketing year the range was FF 5.00 to 6.80 (average 5.90).

(2) 280 000 head in 1976; 170 000 head were imported.  
" " " " 1977; 200 000 head " "

(3) 115 pence/kg for the 1977/78 marketing year.  
127 pence/kg for the 1978/79 marketing year.



It has been 2.27 pence/lb on average over the last nineteen years<sup>1</sup>. There is also a guaranteed price system for wool which basically functions as a system for stabilizing prices. When the guaranteed price is higher than the market price the difference is paid not to the producer but into an equalization fund which is used to ensure the guaranteed price to producers if the market price should fall.

(c) Federal Republic of Germany and Kingdom of Denmark

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

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 t, including 500 t from Iceland.

- (d) In the other Member States there are no import restrictions (although Ireland, for health reasons, in fact imports only from the United Kingdom)<sup>2</sup> or other national measures to support producers' incomes.

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<sup>1</sup> This represents about 11% of the average market price for the last nineteen years. 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 two weeks and in 1977 in respect of six weeks.

The United Kingdom's accession to the Community has caused an increase in the market price of beef and veal and accordingly an increase in the market price of sheepmeat.

<sup>2</sup> Live animals from Northern Ireland

IV. MEASURES TAKEN UNDER THE HILL-FARMING DIRECTIVE

1. Directive 75/268/EEC 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 that Directive; these regions 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 the case of Italy and Ireland where the rate is 35%.

2. At present, Directive 75/268/EEC is applied by all the Member States except Denmark.

- In France, the compensatory allowance granted per sheep LSU<sup>1</sup> (35.5 u.a./LSU) is the same as that granted per cattle LSU.

It is granted only in the mountain regions<sup>2</sup>, and not in the other less-favoured areas within the meaning of the Directive.

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

- In Ireland, the allowance per sheep LSU (27.00 to 36.00 u.a./LSU according to breed) is higher than that granted for cattle.

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<sup>1</sup> 1 ewe = 0.15 LSU

<sup>2</sup> These regions account for roughly half the sheep in the whole of the areas covered by the Directive.

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

Germany:	26.30 to 52.70 u.a./LSU <sup>1</sup>
Belgium:	30.4 to 40.5 u.a./LSU <sup>2</sup>
Italy:	16.5 to 50 u.a./LSU <sup>1</sup>
Luxembourg:	25.1 u.a./LSU <sup>3</sup>
Netherlands:	50 u.a./LSU

These Member States, with the exception of Italy, have only a small percentage of their sheep in the areas covered by Directive 75/268/EEC.

3. In May 1976, the Commission transmitted a proposal<sup>4</sup> to the Council aimed at increasing the maximum amount of the compensatory allowance by 15% to take account of inflation. That proposal also covers the other allowances provided for in the Directives on structures<sup>5</sup>.

The Commission has also transmitted to the Council a proposal for a Directive whose chief aim is to increase the rate of reimbursement of compensatory allowances by the EAGGF in Italy and Ireland<sup>6</sup> from 35 to 50%.

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1 Varying according to less-favoured area  
2 Varying according to the number of LSU per farm  
3 Cattle only  
4 Document (COM) 76/213 of 10 May 1976  
5 72/159, 72/160, 72/161, 72/131, 75/268  
6 OJ N° C 304, 7.12.1977, p. 6

V. UNDERTAKINGS MADE BY THE COMMUNITY UNDER THE GATT

1. During the tariff negotiations in 1962, the Community of Six bound the following headings in the sheepmeat sector:
  - live pure-bred breeding sheep of domestic species (free)
  - sheepmeat, fresh, chilled or frozen (20%)
  - sheep offals (12%)
  - fats for industrial uses (free)
  - other fats (10%)
  - preserved sheepmeat (20%)
  
2. Certain bound rates of duty were reduced during the 1967 tariff negotiations (offals: 6%; other fats: 7%).
  
3. In 1973 the Community negotiated, on the basis of Article XXIV-6 of the GATT, extension of all the headings bound by the Six to the nine Member States. In addition, the duty on sheep offals was reduced to 3%.

4. Accordingly, the headings in the sheepmeat sector which have not been bound are the following:

- live sheep other than pure-bred breeding animals (autonomous duty: 15%)
- meat and offals, salted in brine, dried or smoked (autonomous duty: 25%).

## VI. SITUATION IN THE APPLICANT COUNTRIES

### 1. Economic significance

The production level of the countries applying for accession (Spain, Greece and Portugal), with sheep numbers amounting to more than half the Community herd, is less than one third that of the Community owing to the fact that the average weight of slaughtered sheep in those countries is well below the Community level.

- Over the long term (1960/1978) herd numbers have been falling steadily in Spain and in Portugal. In Greece numbers fell initially until 1970, but since then there has been a steady increase.

In Spain, in spite of the drop in herd numbers, production has remained relatively stable following the increase in carcass weight.

### 2. Comparison with the Community

- Table 7 on page 24 hereto compares basic economic data in the sheepmeat sector in the Community and in the applicant countries: this comparison tends to show that accession of these countries would not substantially disturb the balance of the Community market. On the basis of data for 1976 the Community deficit would remain practically unchanged (296000 T instead of 278000 T) and the degree of self-supply would increase slightly (71% instead of 64%). Finally it should be stressed that the level of market prices in the applicant countries is quite close to the Community average.

3. Goatmeat Sector

Production of goatmeat stays a significant role in the agricultural economy of the applicant countries, in particular in Greece (where production is increasing rapidly) and in Spain (herds of 4.6 and 2.2 million head respectively).

In the three applicant countries goatmeat production is 54,600 tonnes per year (Greece: 39 000 tonnes; Spain 12 000 tonnes; Portugal: 3 600 tonnes). These countries import only a very small amount of goatmeat.

In Greece goatmeat consumption (4.3 kilograms per head) represents 7% of total meat consumption.

4. Government measures

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

a) Spain:

Contrary to the beef and veal and pigmeat sectors, price guarantee or intervention measures do not apply in the sheep sector; provision is made only for measures to guide production with a price maximum of 12 pesetas per kilogram liveweight (0.12 uc/kg) grant for lambs which exceed a certain weight on slaughter and paid to producers which have signed an agreement with the FORPA<sup>1</sup>. In addition, the slaughter of sheep of a carcass weight of less than 5 kilograms is prohibited. The import of products of this sector is strictly controlled (State trading) in terms of market requirements.

b) Greece

Market prices are regulated by means of import licences for the products of the sector and the issue of which is suspended during the periods of the year when the market is saturated.

Since the 1 January 1974, the import of fresh meat is prohibited. In practice there is no authorization to export products of this sector. Besides:

- Direct aid is granted to producers in very varied forms<sup>2</sup>; such aid represented 10% of the value of production in 1975 and in 1976.

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(1) Fund for the guidance and control of agricultural products.

(2) Improvement of sheep holdings, subsidy for building, purchase of breeding sires, aid in less favoured areas, etc.

- The slaughter of sheep weighing less than 8.5 kilograms per carcas is prohibited.

Since April 1975 there has been no control of wholesale and retail prices and no fixing of maximum authorized margins.

c) Portugal

- Contrary to the beef and veal sector which enjoys a system of guaranteed prices and direct aid (deficiency payments), sheepmeat does not in principle benefit from any mechanism to support production<sup>3</sup>. On the other hand,
  - maximum retail selling prices are fixed for the various qualities by the "Junta national dos Productos Pecuarios"<sup>4</sup>; the distribution margins can be fixed freely.
  - The Junte nationale has a monopoly on imports.

## VII. DESIRABILITY OF A COMMON MARKET ORGANIZATION

1. In view of the disparities in national rules and the widely differing market prices, the Commission has taken measures to ensure the harmonious development of intra-Community trade and to prevent deflections of trade. By means of these measures, adopted pursuant to Article 115 of the EEC Treaty which, by virtue of Article 60 of the Act concerning the Treaty of Accession, applies to trade between new and original Member States, it has been possible to ensure the proper functioning of the national market organization set up by France. However, the measures adopted by the Commission in their present form apply only until 31 December 1977 at the latest (the conclusion to be drawn from the judgment of the Court of Justice in Case 48/74 - Charmasson v French State).

2. Since, with effect from 1 January 1978, no obstacle to intra-Community trade may any longer be considered as compatible with the Treaty, the continued existence of national market organizations would run counter to Community law where such organizations create obstacles to intra-Community trade, which is the case in France. However, the simple abolition of national organizations, which at first sight might appear to be the logical consequence of the rules of the Treaty, might not be consistent with the objectives set out in article 39 of the Treaty. The abolition of national organizations must consequently be made possible by establishing a common organization in accordance with the conditions laid down in Article 43 of the Treaty and in particular paragraph 3 thereof.

<sup>3</sup> There may however be direct intervention on the market in the event of surplus production.

<sup>4</sup> The national junta for livestock products (State body)

## VIII. THE PROVISIONS ENVISAGED

### 1. Scope

The attached proposal for a Regulation setting up a common organization of the market in sheepmeat covers all the agricultural products in this sector, except offals for the manufacture of pharmaceutical products, which will therefore continue to be covered by the Council Regulation on the common organization of the market in certain products listed in Annex II to the Treaty, known as the "remnant" Regulation<sup>5</sup>. 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;

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(5) Regulation (EEC) No 827/68 of 28 June 1968 , OJ No L 151, 30 June 1968.



Wool, which is not an agricultural product for the purposes of the Treaty, is not covered by this proposal.

The proposal includes arrangements for prices and for trade.

## 2. Price and intervention arrangements

### (a) Prices

It is proposed that the marketing year should commence on the first Monday in April. It would thus coincide with the marketing year in the beef and veal sector.

- A Community market price would be established to represent the prices of fresh and chilled sheep carcasses. This price would be calculated from time to time on the basis of the prices recorded in each Member State on the representative markets.
- The Council would fix a basic price each year 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 the particular beef and veal sector.

The basic price would be fixed for carcasses, since this is the point at which prices best represent market trends. The basic price could be seasonally adjusted to take into account the normal seasonal trend 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 1978/79, the Commission proposes that the basic price be set at a level to represent the weighted average of the market prices recorded in the Member States in 1977.

(b) Intervention

As the rate of self-supply of the Community is fairly low (about 60%), the Commission considers that buying-in by intervention agencies will not be necessary.

However, in order to avoid excessive fluctuations in market prices, the Commission proposes 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 remains at less than 90% of the basic price.

3. Arrangements for trade with non-member countries

(a) Application of the Common Customs Tariff

The Common Customs Tariff has been applied in its entirety throughout the Community since 1 July 1977.

However, since there are large 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.

(b) Levies

The Commission accordingly proposes that a variable levy, in place of the customs duty, be applied to imports of the products listed in Article 1(a).

The Common Customs Tariff would still be applied to the products listed in Article 1(b) and (c).

The levies would be fixed monthly by the Commission and be calculated by two methods:

- i) For fresh and chilled carcasses, the levy would be the difference between the basic price and the free-at-frontier offer price.

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

- ii) 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, increased to take account of certain specific cost factors involved in trade in frozen meat. For other frozen meat, the levy would be calculated by applying fixed coefficients to the levy applicable to frozen carcasses.

The levies calculated as described above in respect of fresh, chilled or frozen meat which had been bound under the GATT would be limited to the amount so bound.

However, if the free-at frontier offers in respect of any product 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 such a special levy would, in respect of products bound under the GATT, also be limited to the amount so bound.

(c) Additional provisions

- 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.

- Community provisions applicable to the inward and outward processing systems have already been adopted. They are contained in Council Directive 76/119/EEC of 18 December 1975 on the harmonization of provisions laid down by law, regulation or administrative action in respect of outward processing<sup>1</sup> and Council Directive 69/73/EEC of 4 March 1969 on the harmonization of provisions laid down by law, regulation or administrative action in respect of inward processing<sup>2</sup>, as last amended by the abovementioned Directive; however, provision should be made for regulating recourse to these systems.

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1 OJ No L 24, 30.1.1976, p. 58

2 OJ No L 58, 8.3.1969, p.1

- Since the volume of the Community's traditional exports is small and its self-supply rate is low, the Commission does not feel that export refunds should be granted for products in the sheepmeat sector.
- A protective clause similar to that already adopted for the other common market organizations 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.
- It is intended to use the stabilized market rate of exchange and monetary compensatory amounts would not be applied.

IX. GENERAL PROVISIONS

(a) Removal of barriers to intra-Community trade

Intra-Community trade is to be completely free, subject to any health provisions necessary.

(b) Management Committee

Provision is made for setting up a Management Committee for sheepmeat.

(c) Financial provisions

The expenses arising from the provisions adopted for implementing this Regulation are all to be chargeable to the EAGGF.

(d) Production and marketing aid

- The Regulation lays down measures that may be taken to encourage action by trade and joint trade organizations to make it easier to adjust supply to market requirements.
- Any production and marketing aid granted by the Member States is to be subject to the provisions of Articles 92, and 94 of the Treaty.
- 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 be a sufficient guarantee of producers' incomes.
- Provisions adopted under Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas which concern special aid for sheep farming in the areas covered by that Directive will not be affected by this Regulation. If however, it became apparent that in the new circumstances and consistently with the objectives of Directive 75/268/EEC an increase were justified, the Commission would propose this.

X. OTHER MEASURES

The 1978/79 marketing year begins on 3 April 1978 and the Commission considers that the regulation should be put into effect at the earliest practical date.

- The Commission considers also that a transitional period is essential on account of the very big differences in market prices and production costs between Ireland and the United Kingdom and the other Member States.

Too sharp changes would affect both production and consumption and also have social consequences bringing about, in particular, a sudden steep fall in sheepmeat producer's 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.

To enable the implementation of this Regulation to comply with the conditions set out in Article 43(3)(a) of the Treaty, The council may authorize the granting of a premium to sheepmeat producers insofar as is necessary and up to a maximum to be determined. The unit amount of this premium could vary from time to time and be differentiated by region.

The maximum aid figure will be determined bearing in mind the basic price fixed each year by the Council.

The expenditure incurred in respect of this premium will be chargeable to the EAGGF.

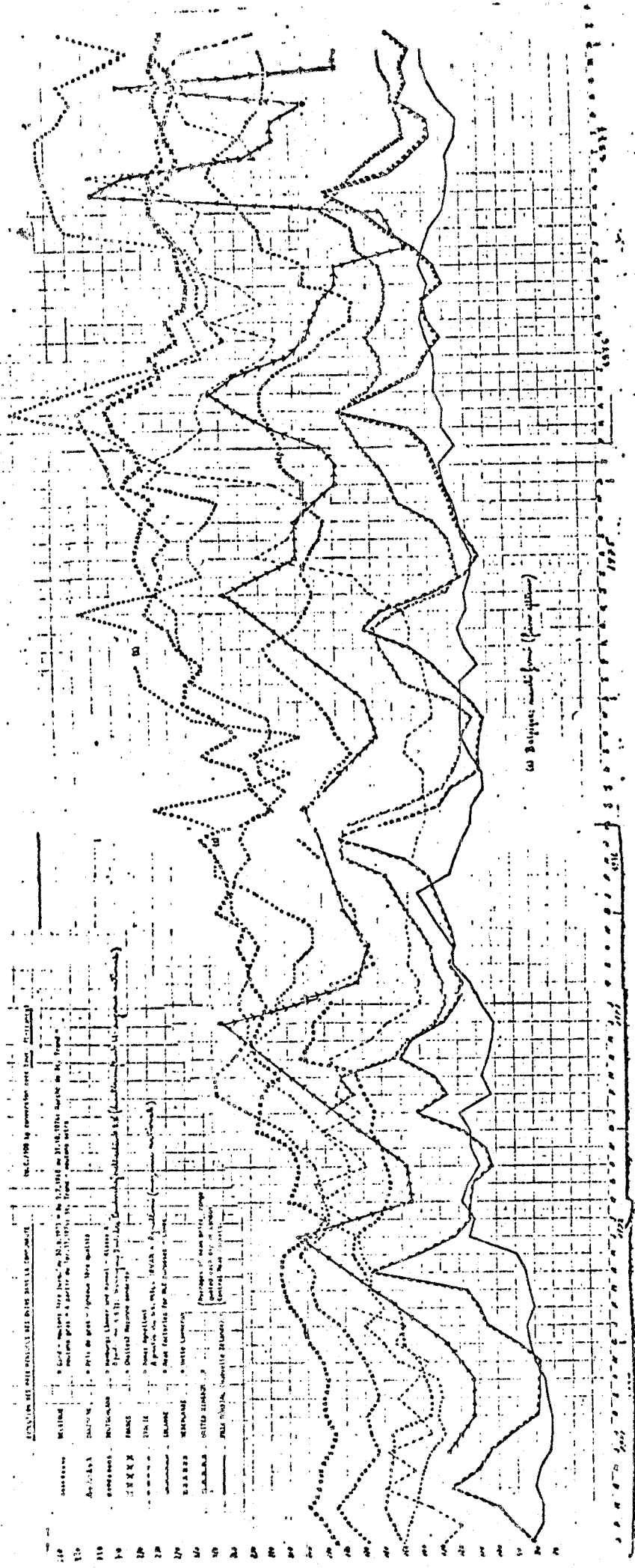
The Commission will report to the Council before 31 December 1981 on any payment of this premium and in particular on the effect it has had on economic conditions in the sector. The Commission may propose to the Council, on the basis of this report, that the premium system be maintained or amended.



MONTHLY PRICE MOVEMENTS - SHEEP (u.a./100 kg converted at floating rates)

.....	Belgique	= Ghent - Moutons lère up to 30.6.1973 = from 1.7.1968 to 31.10.1974 : St. Trond market - Moutons gras = from 1.11.1974: St. Trond - Moutons extra
→△→△→△	Danmark	= Wholesale prices - First quality lambs
oooooooo	Deutschland	= Hamburg: Lämmer und Hammel - Klasse A. From 1.1.1977 = Vereinigung Deutscher Landesschafzuchtverbände (Mastlammfleisch L1 - national average)
xxxxxxxx	France	= (Halles) weighted average
-----	Italia	= Rome: Agnelli from 1.1.1976 = IRVAM = Agnelli (national average)
- - - - - - - -	Ireland	= Meat factories for MLC purposes - Lambs
====	Nederland	= Vette lammeren
<u>     </u>	United Kingdom	= ( Averages of mean price range quoted each day at
<u>     </u>	World price (New Zealand)	= ( London central meat markets

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SCALE: 1/4" = 10' (VERTICAL) 1/4" = 10' (HORIZONTAL)

100' 90' 80' 70' 60' 50' 40' 30' 20' 10' 0'

100' 90' 80' 70' 60' 50' 40' 30' 20' 10' 0'

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100' 90' 80' 70' 60' 50' 40' 30' 20' 10' 0'

100' 90' 80' 70' 60' 50' 40' 30' 20' 10' 0'

(a) Dam cross section (from figure)

Table 1 - Sheep numbers (in December each year)

Member States	1000 head			Annual % change		
	1975	1976	$\frac{1975}{1968}$	$\frac{1975}{1974}$	$\frac{1976}{1975}$	
1	2	3	4	5	6	
Deutschland	1.087	1.091	3.9	4.5	0.4	
France	10.803	10.945	1.8	2.2	1.3	
Italia	8.152	8.445	- 0.1	2.-	3.6	
Nederland <sup>1</sup>	495	510	4.7	1.-	3.0	
Belgique/België	83	82	- 0.2	2.5	- 1.2	
Luxembourg	5	5	3.2	0.-	0.-	
EUR 6	20.625	21.078	1.2	1.-	2.2	
United Kingdom	19.526	19.900	- 0.1	- 3.3	1.9	
Ireland	2.503	2.440	- 1.9	- 7.7	- 2.5	
Danmark <sup>(2)</sup>	61	61	- 8.1	3.4	0.-	
EUR 9	42.715	43.479	0.4	- 1.-	1.8	

Source: EUROSTAT

1 in May each year

2 in June each year

Table 2 - Sheepmeat production<sup>1</sup>

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
Danmark	0.5	0.4	- 22.6	- 56.2	- 15.4
EUR 9	537.0	533.9	1.9	5.3	- 0.7

Source: EUROSTAT

<sup>1</sup> Animals of domestic and foreign origin

Table 3 - Slaughterings of sheep

Table 4 - Gross home production

Member States	Average carcass weight in kg		Carcass weight, 1000 tonnes	
	1975	1976	1975	1976
Deutschland	23.8	23.2	19.8	20.4
France	18.9	19.0	131.2	147.4
Italie	8.3	8.4	32.2	34.5
Nederland	24.3	25.1	17.8	17.4
Belgique/België	21.3	22.1	4.1	2.5
Luxembourg	-	-	-	-
EUR 6	15.2	15.5	205.1	222.2
United Kingdom	19.7	19.5	263.5	249.6
Ireland	25.1	26.5	46.3	37.6
Danmark	22.6	21.3	0.7	0.6
EUR 9	17.9	17.8	515.6	510.0

Source: EUROSTAT

Table 5 - Sheepmeat imports

Origin	1975		1976		Annual % change	
	t	t	1976 1973	1975 1974	1976 1975	1976 1975
1	2	3	4	5	6	
Total imports(1)						
- New Zealand	245.429	222.539	- 3.9	+ 17.3	- 9.3	
- Argentina	13.890	14.467	+ 19.8	+100.4	+ 4.2	
- Australia	8.531	12.713	- 19.8	+ 7.5	+ 49.0	
- Hungary	8.622	8.639	- 5.2	+ 1.1	+ 0.2	
- Bulgaria	4.108	2.146	- 27.8	+ 14.2	- 47.8	
- Poland	3.338	3.645	+ 59.0	+ 72.2	+ 9.2	
- Yugoslavia	3.123	3.276	+ 9.1	+ 27.6	+ 4.9	
- Uruguay	2.535	3.507	-	-	+ 38.3	
- GDR (1)	2.274	2.427	+ 13.0	+ 18.6	+ 6.7	
- Rumania	968	190	-	- 38.4	- 80.4	
Total	295.937	277.791	- 4.0	+ 20.3	- 6.1	

Source: Commission of the European Communities, DG for Agriculture

(1) Excluding trade between the Federal Republic of Germany and the GDR

Table 6 - Market prices of sheepmeat

Origin	AUA/kg — (commercial rates):			Annual % change		
	1975	1976	1977	1975 1974	1976 1975	1977 1976
1	2	3	4	5	6	7
Deutschland	1.98	1.97	2.24	5.9	- 0.5	+ 13.7
France	2.75	2.75	2.69	14.6	0.0	- 2.2
Italia	1.70	2.41	2.54	24.1	41.8	+ 5.4
Nederland	2.72	2.75	2.68	20.1	1.1	- 2.6
Belgique/België	2.70	2.77	3.15	13.9	2.6	+ 13.7
United Kingdom	1.26	1.34	1.43	0.0	6.3	+ 6.7
Ireland	1.37	1.58	1.56	- 2.1	15.3	- 1.3
Danmark	2.04	2.00	2.09	16.6	- 2.0	4.5
Weyhted average EEG	1.77	1.95	2.01	+ 9.9	+ 10.6	+ 2.9

Source: Commission of the European Communities, DG for Agriculture

Deutschland: Hamburg - Lämmer und Hammel, Klasse A. 1977: Mastlammfleisch LI - national average  
 France: Paris-Rungis - Moutons (weighted average) 1977 "France" quotations  
 Italia: Rome - Agnelli - from January 1976: Agnelli - national average  
 Nederland: Landbouw Economisch Instituut - national weighted average  
 Belgique/België: St. Trond market - Mouton extra  
 United Kingdom: Smithfield  
 Ireland: Meat factories for MLC purposes - Lambs: 1977 Ministry of Agriculture  
 Danmark: Ministry of Agriculture - Lambs - 1st quality

Table 7 : Sheepmeat : comparison of basic economic data for the Community and for the appercant countries.

	EEC	Spain	Greece	Portugal	Total of 12
<b>Herd (million head)</b>					
au 31.12.1975	42.7	15.2	8.2	2.2	69.0
au 31.12.1976	43.5	14.8	9.0	2.1	69.4
<b>Production (in 1000t)</b>					
1975	515	136	77	18	746
1976	502	134	79	19	734
<b>Consumption (in 1000t)</b>					
1975	814	137	89	18	1 058
1976	786	138	92	19	1 035
<b>Imports (in 1000t)</b>					
1975	296	1.2	12.0	0.1	309
1976	278	5.1	13.3	0.1	296
<b>Market price of heavy lambs (1) (ua/100kg carcas weight)</b>					
1975	176,6	243.7	176.7	232.9	
1976	195,2	241.6	201.4	271.7	
<b>Exports (in 1000t)</b>					
1975	4.0	0.4	-	-	4.4
1976	6.0	0.8	-	-	6.8
<b>Rate of self-supply in %</b>					
1975	63	99	87	100	71
1976	64	97	86	100	71
<b>Consumption in kg per capita</b>					
1975	3	3.9	8.8	1.9	3.4
1976	3	3.9	10.2	2.0	3.3

Source : EEC : SOEC and DG VI C 1

Spain : Ministry of Agriculture

Greece : Ministry of Agriculture

Portugal : funta nacional dos productos Pecuarios

(1) For the EEC : weighted Community average (ua at Commercial rate)

THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament<sup>1</sup>,

Having regard to the opinion of the Economic and Social Committee (2),

Whereas the operation and development of the common market in agricultural products must be accompanied by the establishment of a common agricultural policy to include in particular a common organization of agricultural markets, which may take various forms depending on the product;

Whereas the aim of the common agricultural policy is to attain the objectives set out in Article 39 of the Treaty; whereas, in the sheepmeat sector, in order to stabilize markets and to ensure a fair standard of living for the agricultural community concerned, provision should be made for measures to facilitate the adjustment of supply to market requirements and for intervention measures; whereas the latter may take the form of aid for private storage, since such aid least disturbs the normal marketing of products and since buying-in by intervention agencies is not justified on account of the Community's low rate of self-supply in sheepmeat;

Whereas provision should be made for the fixing of a basic price at which intervention measures will come into operation and which will protect the Community market against price fluctuations on the world market for certain products in the sector;

Whereas the creation of a single Community market in sheepmeat involves the introduction of a single trading system at the external frontiers of the Community; whereas a trading system replacing customs duties with import levies, for certain products combined with intervention measures, serves in principle to stabilize the Community market, in particular by preventing fluctuations in world market prices when these are lower than the basic price, from disturbing prices ruling within the Community;

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1 OJ No

2 OJ No

Whereas, for the purposes of the levy system, free-at-Community-frontier offer prices should be fixed on the basis of quotations recorded on the most representative markets of non-member countries and a special levy should be fixed for the products in question where the offer prices from one or more non-member countries are abnormally low;

Whereas, for products falling within subheading 01.02A IV or the Common Customs Tariff in respect of which the rate of duty is bound under the GATT, the levies must be limited to the amount so bound;

Whereas, in order to follow the trend in imports and exports, provision should be made for a system of import and export licences involving the provision of security as a guarantee that import or export will be effected;

Whereas, in addition to the system described above, provision should be made for prohibiting in whole or in part, when the situation on the market so requires, the use of inward or outward processing arrangements;

Whereas the customs duties and levies make it possible to dispense with all other protective measures at the external frontiers of the Community; whereas, however, the system of common prices, customs duties and levies may, in exceptional circumstances, prove defective; whereas in such cases, so as not to leave the Community market without defence against disturbances which may arise therefrom after the import barriers which existed previously have been removed, the Community should be enabled to take all necessary measures without delay;



Whereas restrictions on free circulation resulting from the application of measures intended to prevent the spread of animal diseases may cause difficulties on the market of one or more Member States; whereas provision should be made for the introduction of exceptional measures of market support to remedy such a situation;

Whereas, in order to facilitate implementation of the proposed measures, a procedure should be provided for establishing close cooperation between the Member States and the Commission within a Management Committee;

Whereas the common organization of the market in sheepmeat must take account, in appropriate manner and at the same time, of the objectives set out in Articles 39 and 110 of the Treaty;

Whereas the establishment of a single market based on a common price system would be jeopardized by the granting of certain aid; whereas, therefore, the provisions of the Treaty which allow the assessment of aid granted by Member States and the prohibition of that which is incompatible with the common market should be made to apply to sheepmeat;

Whereas the tariff nomenclature resulting from this Regulation is included in the Annex to Council Regulation (EEC) N° 950/68 of 28 June 1968 on the Common Customs Tariff<sup>1</sup>, as last amended by Regulation (EEC) N° 2500/77<sup>2</sup>.

Whereas the transition from the present system in each Member State to that established by this Regulation should be effected as smoothly as possible; whereas transitional measures may prove necessary to facilitate this process; whereas, however, such measures should be limited to the period strictly necessary, to avoid disturbances of trade which might endanger the objectives of Article 39(2)(b) of the Treaty;

Whereas measures may also be taken in the form of aid granted to Community producers, in order to comply with the conditions set out in Article 43(3)(a) of the Treaty; whereas, however, it should be specified that such aid is to be granted for a period limited to that necessary for the adjustments possible and the specialization needed;

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1 OJ No L 172, 22.7.1968, p. 1

2 OJ No L 289, 14.11.1977, p. 1

Whereas expenditure incurred by the Member States in carrying out the obligations devolving in those pursuant to this Regulation, shall be borne by the Community in accordance with Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy<sup>1</sup>, as last amended by Regulation (EEC) No 2788/72<sup>2</sup>,

HAS ADOPTED THIS REGULATION:

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1 OJ No L 94,28. 4.1970, p. 13

2 OJ No L 295, 30.12.1972, p. 1

Article 1

The common organization of the market in sheepmeat shall comprise a price system and a trading system and cover the following products .:

CCT Heading No	Description
a) 01.04 B 02.01.A IV 02.06 C II a)	Live sheep and goats, other than pure-bred breeding animals, Meat of sheep and goats, fresh, chilled or frozen Meat of sheep and goats, salted, in brince, dried or smoked
b) 01.04 A 02.01 B II d)  02.06 C II b)  15.02 B II	Live sheep and goats, pure-bred breeding animals (a) Edible offals of sheep and goats , other than offals for the manufacture of pharmaceutical products, fresh, chilled or frozen Edible meat offals of sheep and goats, salted in brine, dried or smoked. Unrendered fats of sheep or goats; rendered or solvent- extracted fats (including "premier jus") obtained from those fats
c) 16.02 B III b) 2 aa)	Other prepared or preserved meat or meat offals containing meat or offals of sheep and goats other than/those containing meat or offals of swine or bovine animals.

(a) The inclusion of this subheading shall be subject ot the conditions of the determined by the competent authorities.

TITLE I

Price and intervention system

Article 2

In order to encourage action by trade and joint trade organizations to facilitate the adjustment of supply to market requirements, the following Community measures may be taken in respect of the products listed in Article 1:

- (a) Measures to re-direct breeding;
- (b) Measures to promote better organization of production, processing and marketing;
- (c) Measures to improve quality;
- (d) Measures to permit the establishment of short- and long-term forecasts on the basis of the means of production used;
- (e) Measures to facilitate the recording of market price trends.

General rules concerning these measures shall be adopted in accordance with the procedure laid down in Article 43(2) of the Treaty.

Article 3

1. A basic price for fresh and chilled sheep carcasses shall be fixed annually, in accordance with the procedure laid down in Article 43(2) of the Treaty, for the marketing year commencing the year following.
2. When the basic price is being fixed account shall be taken of:
  - (a) the situation on the sheepmeat market during the current year;
  - (b) the prospects for the production and consumption of sheepmeat;
  - (c) sheepmeat production costs;
  - (d) the market situation in the other livestock product sectors, particularly the beef and veal sector;
  - (e) past experience.
3. This price may be seasonally adjusted by the Council, acting by a qualified majority on a proposal from the Commission.

4. Save where a decision to the contrary is taken by the Council, acting by a qualified majority on a proposal from the Commission, the marketing year for all products listed in Article 1 shall begin on the first Monday in April and shall end on the day preceding that day in the following year.

Article 4

1. Intervention measures may be taken in the form of private storage aid fresh sheepmeat in the form of carcasses and half-carcasses.
2. The Council, acting by a qualified majority on a proposal from the Commission, may amend the list of products in paragraph 1.

Article 5

1. A price for fresh and chilled sheep carcasses on the representative Community markets shall be established on the basis of the prices recorded on the representative market or markets of each Member State for the various categories of fresh or chilled sheep carcasses, account being taken both of the relative importance of each category and of the relative size of the flock in each Member State.
2. If the price recorded on the representative Community markets is lower than 90% of the basic price and is likely to remain so, the intervention measures provided for in Article 4 may be applied.

The products for which private storage aid may be granted, the amount of such aid and other detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 21.

## TITLE II

### Trade with non-member countries

#### Article 6

1. The rates of duties of the Common Customs Tariff shall apply to the products listed in Article 1(b) and (c).
2. The rates of duty of the Common Customs Tariff shall not apply to the products listed in Article 1(a). An import levy shall be applicable to these products as provided for in this Regulation.

#### Article 7

1. The import levies shall be fixed each month by the Commission.  
If necessary, the Commission may alter the levies in the intervening periods.

#### Article 8

1. The levy on fresh or chilled carcasses falling within subheading 02.01 A IV (a) 1 listed in Section (a) of Annex I shall be equal to the difference between the basic price and the free-at-Community-frontier offer price.
2. The free-at-Community-frontier offer price referred to in paragraph 1 shall be established on the basis of the purchasing possibilities which are most representative, as regards quality and quantity, recorded during a period to be determined prior to the fixing of the levy, account being taken of:
  - (a) The supply and demand situation for fresh or chilled sheepmeat.

- (b) the world prices for frozen sheepmeat of a category competitive with the fresh or chilled sheepmeat, and
- (c) past experience.

If necessary, the free-at-frontier offer price shall be established on the basis of the most representative purchasing possibilities recorded for live sheep.

3. The levy on live sheep, and on the other meat listed in Sections (a) and (b) of Annex I, shall be equal to the levy on the product referred to in paragraph 1, multiplied by a standard coefficient fixed for each of the products in question.
4. The levy chargeable shall be that applicable on the day of import.
5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 21.

#### Article 9

1. The levy on the frozen meat falling within subheading 02.01 A IV(b) 1 listed in Section (c) of Annex I shall be equal to the difference between:
  - (a) the basic price multiplied by a coefficient representing the relationship existing in the Community between the price of fresh meat of a category competitive with the frozen meat in question, presented in the same form, and the average price of fresh and chilled sheep carcasses, and
  - (b) the free-at-Community-frontier offer price for the said frozen meat,

2. The Community free at-frontier offer price referred to in paragraph 2 (b) shall be established on the basis of the purchasing possibilities for the frozen meat which are most representative, as regards quality and quantity, recorded during a period to be determined prior to the fixing of the levy, account being taken of:
  - (a) the foreseeable trend of the market in frozen meat;
  - (b) the most representative prices on non-member countries' markets for fresh or chilled meat of a category competitive with the frozen meat, and
  - (c) past experience.
3. For the other frozen meat listed in Section (c) of Annex I the levy shall be equal to the levy fixed for the product referred to in paragraph 1, multiplied by a standard coefficient fixed for each of the products in question.
4. The levy chargeable shall be that applicable on the day of import.
5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 21.

#### Article 10

1. A special levy may be fixed for products originating in or coming from one or more non-member countries if such exports are effected at abnormally low prices.
2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 21.

#### Article 11

By way of derogation from the provisions of Articles 8, 9 and 10, for products falling within subheading 02.01 A IV of the Common Customs Tariff in respect of which the rate of duty has been bound under the GATT, the levies shall be limited to the amount resulting from such binding.



Article 12

1. The importation into the Community or exportation therefrom of any of the products listed in Article 1 (1) (a) and (c) shall be subject to the submission of an import or export licence which issued by the Member States to any applicant irrespective of the place of his establishment in the Community.

Such import or export licence shall be valid throughout the Community.

The issue of such licences shall be conditional on the provision of security as a guarantee that import or export will be effected during the period of validity of the licence. The security shall be wholly or partially forfeit if the operation is not carried out, or is only partially carried out, within that period.

2. The detailed rules for the application of this Article which may in particular lay down a time limit of the issue of the licences, shall be adopted in accordance with the procedure laid down in Article 20.

Article 13

The provisions of this Regulation shall be applied with due regard to the Community's obligations under international agreements.

Article 14

To the extent necessary for the proper working of the common organization of the market in sheepmeat, 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 listed in Article 1.

Article 15

1. The general rules for the interpretation of the Common Customs Tariff and the special rules for its application shall apply to the tariff classification of products covered by this Regulation; the tariff nomenclature resulting from the application of this Regulation shall form part of the Common Customs Tariff.

The Council, acting by a qualified majority on a proposal from the Commission, shall adopt detailed rules for the application of this paragraph and define the cases in which and the limits within which Member States may take protective measures.

2. Save as otherwise provided in this Regulation or where derogation therefrom is decided by the Council acting by a qualified majority on a proposal from the Commission, the following shall be prohibited in trade with non-member countries:
  - The levying of any charges having effect equivalent to a customs duty,
  - The application of any quantitative restriction or measure having equivalent effect.

Article 16

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1 experiences or is threatened with serious disturbance which may endanger the objectives set out in Article 39 of the Treaty, appropriate measures may be applied in trade with non-member countries until such disturbance or threat of disturbance has ceased.

2. If the situation mentioned in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, adopt the necessary measures, which shall be communicated to the Member States and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within twenty-four hours following receipt of the request.
3. Measures adopted by the Commission may be referred to the Council by any Member State within three working days following the day on which they were communicated. The Council shall meet without delay. It may, by a qualified majority, amend or repeal the measures in question.

### TITLE III

#### General provisions

##### Article 17

In order to take account of any restrictions on free circulation imposed in consequence of measures to prevent the spread of animal diseases, exceptional measures may be taken under the procedure laid down in Article 21 to support any market taken only to the extent that, and for such period as, is strictly necessary for the support of that market.

##### Article 18

Save as otherwise provided in this Regulation, Articles 92, 93 and 94 of the Treaty shall apply to the production of and trade in the products listed in Article 1.

##### Article 19

Member States and the Commission shall communicate to each other the information necessary for implementing this Regulation.

Rules for the communication and distribution of such information shall be adopted in accordance with the procedure laid down in Article 21.

Article 20

1. There is hereby set up a Management Committee for Sheepmeat (hereinafter called "the Committee"), consisting of representatives of the Member States with a representative of the Commission as Chairman.
2. Within the Committee the votes of Member States shall be weighted in accordance with Article 148(2) of the Treaty. The Chairman shall not vote.

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.
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.
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 22

The Committee may consider any other question referred to it by its Chairman either on his own initiative or at the request of the representative of a Member State.

Article 23

This Regulation shall be so applied that account is taken, in appropriate manner and at the same time, of the objectives set out in Articles 39 and 110 of the Treaty.

Article 24

The annexes may be amended by the Council, acting by a qualified majority on a proposal from the Commission.

Article 25

1. In Annex I to Council Regulation (EEC) N° 827/68 of 28 June 1968 on the common organisation of the market in certain products in Annex II of the Treaty<sup>(1)</sup> as last amended by the Regulation (EEC) N° 2560/77 (2),

(a) delete the following heading or subheadings and the references thereto :

1. CCT heading No 01.04
2. CCT subheading ex 02.01 A IV
3. CCT subheading ex 02.01 B II d)

(b) amende subheading 02.06 C as follows :

delete "ex II. Other, except meat of and offals of sheep of domestic species" and insert

"III other"

2. The Annex to Regulation (EEC) N° 950/68 entitled "Common Customs Tariff" is amended in accordance with Annex II.

TITLE IV

Other measures

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 prodcedure laid down in Article 13 of Regulations (EEC) N° 950/68

(1) JO No L 151, 30.06.1968, p. 16

(2) JO No L 303, 28.11.1977, p. 1

Article 27

1. The Council may, as required, authorize the granting of a premium of sheepmeat producers.
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.
3. Expenditure incurred in applying paragraph 2 within the system provided for by this Article shall be considered as forming part of the measures designed to stabilize agricultural markets.
4. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt rules for the application of this Article.
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 28

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

The system provided for by this Regulation shall apply from excepte the measures set out in Articles 6 to 11 the application of which, the Commission shall decide in accordance with the procedure laid down in Article 21, as soon as the recorded free-at-frontier offer price, referred in Article 9 (1) (b), has exceeded and is liable to remain above 60 % of the basic price.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

4

for the Council

ANNEX I

Section a)

02.01 A IV a) Meat of sheep and goats, fresh and chilled.

1. Carcasses or half-carcasses;
2. Shoulders, neck and breast;
3. Loin and/or saddle;
4. Legs;
5. other :
  - aa. Unboned (bone-in);
  - bb. Boned or boneless.

Section b)

02.06 CII a) Meat of sheep and goats salted, in brine, dried or smoked.

1. unboned (bone-in)
2. boned or boneless.

Section c)

02.01 A IV b) Meat of sheep and goats, frozen.

1. Carcasses or half-carcasses;
2. Shoulders, neck and breast;
3. Loin and/or saddle;
4. Legs;
5. other :
  - aa. Unboned (bone-in);
  - bb. Boned or boneless.



The Common Customs Tariff is amended as follows:

1. Heading No 01.04 is amended to read as follows:

Heading number	Description	Rate of duty	
		Autonomous % or levy (L)	Conventional %
1	2	3	4
01.04	Live sheep and goats :		
	A. Pure-bred breeding animals (a) :		
	I. Sheep	Free	Free
	II. Goats	5	-
	B. Other	15 (L)	-

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

2. The following Additional Note is inserted in Chapter 2 :

"A. For the purposes of heading No 02.01, the following expressions shall have the meanings hereunder assigned to them :

- (a) "Carcases of sheep", for the purposes of subheading A IV: whole carcasses of the slaughtered animals after having been bled, eviscerated and skinned, imported with or without the heads, with or without the feet and with or without the other offals attached. Where carcasses are imported without the heads, the latter must have been separated from the carcase at the atloido-occipital joint. When imported without the feet, the latter must have been cut off at the carpo-metacarpal or tarso-metatarsal joints;
- (b) "Half-carcases of sheep", for the purposes of subheading A IV: the product resulting from the symmetrical division of the whole carcase through the centre of each cervical, dorsal, lumbar and sacral vertebra and through the centre of the sternum and of the ischio-pubic symphysis;

.../...

- (c) "Shoulders", for the purposes of subheading A IV: the front part of the carcase comprising all the bones and the neck and breast, and cut at right angles to the backbone, with a minimum of five and a maximum of seven whole or cut ribs;
- (d) "Saddle", for the purposes of subheading A IV: the remaining part of the carcase after the legs and shoulders have been removed, with or without kidneys; the saddle must have a minimum of five lumbar vertebrae and a minimum of five whole or cut ribs;
- (e) "Legs", for the purposes of subheading A IV: the rear part of the carcase comprising all the bones and the legs, and cut at right angles to the backbone at the sixth lumbar vertebra just under the ilium.

B. In determining the number of whole or cut ribs referred to in paragraph A, only those attached to the backbone shall be taken into consideration."

3. - Additional Notes 2 and 3 become 3 and 4.

4. - Subheadings 02.01 A IV, 02.06 C II and 15.02 B II and III are amended to read as follows :

Heading number	Description	Rate of duty	
		Autonomous % or Levy (L)	Conventional %
1	2	3	4
02.01	Meat and edible offals of the animals falling within heading No 01.01, 01.02, 01.03 or 01.04 fresh, chilled or frozen :		
	A. Meat:		
	IV. Other:		
	(a) Fresh or chilled:		
	1. Carcasses or half-carcasses	20 (L)	20
	2. Shoulders	20 (L)	20
	3. Saddle	20 (L)	20
	4. Legs	20 (L)	20

Heading number	Description	Rate of duty	
		Autonomous	Conventional
		%	%
		or levy	
		(L)	
1	2	3	4
02.01	5. Other:		
	aa) Unboned (bone-in)	20(L)	20
	bb) Boned or boneless	20(L) L	
	b) Frozen:		20
	1. Carcasses or half-carcasses	20(L)	20
	2. Shoulders	20(L)	20
	3. Saddle	20(L)	20
	4. Legs	20(L)	20
	5. Other:		
	aa) Unboned (bone-in)	20(L)	20
	bb) Boned or boneless	20(L)	20
02.06	Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked:		
	C. Other:		
	II. Of sheep and goats:		
	1. Unboned (bone-in)	24(L)	
	2. Boned or boneless	24(L)	
	b) Offals	24	
	III. Other	24	
15.02	Fats of bovine animals, sheept or goats, unrendered; rendered or solvent-extracted fats (including "premier jus") obtained from those unrendered fats:		

Heading number	Description	Rate of duty	
		Autonomous % or Levy (L)	Conventional %
1	2	3	4
	B. Other:		
	II. Unrendered fats of sheep; rendered or solvent-extracted fats (including "premier jus") obtained from those fats	10	7

# FINANCIAL STATEMENT

DATE : 22.3.1978

1. Number of relevant budget heading : Art. 736 (EAGF) Art. 460 Dual rate  
 Chap. 10 & 12 (own resources) Appropriations : token entry (Art. 736)

2. Title of project : Proposal for Council Regulation on the common organization of the market in sheepmeat.

3. LEGAL BASIS : Article 42 and 43 of the Treaty

4. Aims of project : The creation of a common organization of the market in this sector.

5. FINANCIAL CONSEQUENCE	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (78)	FOLLOWING FINANCIAL YEAR (79)
5.0 EXPENDITURE			
-CHARGED TO THE EC BUDGET (1) <del>(EXPENDITURE/INTERVENTIONS)</del>	66 to 96 Mu.a	33 to 48 Mu.a	66 to 96 Mu.a.
- <del>CHARGED TO NATIONAL ADMINISTR.</del> (2)	81 to 118 MEUA	41 to 59 MEUA	81 to 118 MEUA
- <del>CHARGED TO NATIONAL GROUPS</del>			
5.1 RECEIPTS			
-OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	[ 60 MEUA ]	[ 35 MEUA ]	[ 60 MEUA ]
- <del>NATIONAL</del>			

	YEAR ..... 1979	YEAR ..... 1980	YEAR ..... 1981
5.0.1 PLURIANNUAL PATTERN OF EXPENDITURE	66 to 96 Mu.a. or 81 to 118 MEUA		
5.1.1 PLURIANNUAL PATTERN OF RECEIPTS	[ 60 MEUA ]		

5.2 METHOD OF CALCULATION

- expenditure : see Annex attached
- receipts from levies and customs duties : in view of being bound under the GATT, receipts from imports (- 60 MEUA) will remain roughly at the present level

- 6.0 Can the project be financed from appropriations entered in the relevant chapter of current budget? YES/NO
- 6.1 Can the project be financed by transfer between chapters of the current budget? YES/NO
- 6.2 Will a supplementary budget be necessary? YES/NO
- 6.3 Will future budget appropriations be necessary? YES/NO

COMMENTS :

- (1) Where the Member States in question apply the provisions of Directive 75/268 (Mountain areas) to the maximum, expenditure by the EAGF, Guidance Section, will increase by 5 million u.a. (period of 12 months).
- (2) For the Commission services the supplementary work resulting from the setting up of the C.M.O. for sheep meat will necessitate an increase in the existing establishment of 1A5/4, 1A7/6, and 1B for the management of the market and of 1B for the management of the expenditure (credits and verifications).

Annex to the Financial Memorandum

Method of calculation of expenditure

I - Aid for private storage (Art. 4)

- a) Expenditure for a twelve month period : 40 000 t at 400 u.a./t = 16 Mu.a  
Effect of dual rate : 22%; consequently expenditure for twelve-month period including the effect of the dual rate : 16 Mu.a. x 1.22 = 19.5 MEUA (or a round sum of 20 MEUA) (1)
- b) Expenditure under the 1978 Budget : taking into account the time required for payment, there are six months in the 1978 financial year.  
= 8 Mu.a. (without dual rate)  
= 10 MEUA (with dual rate)

II - Transitional measures

- 1. Art. 26 : (during the transition from the existing system to the common organization of the market) : measures still to be defined but they should not incur high expenditure.
- 2. Art. 27 : The granting of a premium to producers. The calculation is made on the basis that this premium will be granted to the producers in the different regions where the return will be appreciably affected by the introduction of the common market organisation proposed, and in so far as the full application of the Directive on mountain areas (75/268) does not allow to compensate the fall in income.

Average loss of income to be compensated : 500 u.a./t

Production in these regions : 140 000 to 200 000t

Consequently the "total" premium (difference in prices x production) = 70 to 100 Mu.a.

By the full application of the Directive on mountain areas (75/268) to the maximum, the producer would receive an additional 20 Mu.a. (of which 25%, or 5 Mu.a. would be paid by the EAGF, Guidance Section).

- a) For a twelve-month period, financing by means by the premium provided for in Article 27 would be 70 to 100 Mu.a. - 20 Mu.a. = 50 to 80 Mu.a.  
Effect of dual rate : 22%; consequently expenditure for a twelve month period, including the effect of the dual rate, would be 50 to 80 Mu.a. x 1.22 = 61 to 98 MEUA (1).
- b) Expenditure under the 1978 Budget : taking into account the period required for payment, there are six months in the 1978 financial year.  
25 to 40 Mu.a. (without dual rate)  
31 to 49 MEUA (with dual rate)

To sum up :

	<u>1978</u>		<u>12 Months</u>	
	Mu.a.	MEUA	Mu.a.	MEUA
Aid for private storage	8	10	16	20
Transitional measure	<u>25 to 40</u>	<u>31 to 49</u>	<u>50 to 80</u>	<u>61 to 98</u>
Total	33 to 48	41 to 59	66 to 96	81 to 118

- (1) Since it will be proposed that stable market rates can be used instead of the representative rates for this common organization of the market, this gives rise to another dual rate effect.

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