

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM (75) 446 final

Brussels, 10 September 1975

Proposal for a REGULATION (EEC) OF THE COUNCIL on the  
transitional common organization of the market in sheepmeat

(presented by the Commission to the Council)

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I. ADVISABILITY OF MARKET ORGANIZATION

Sheep production in the Community as originally constituted represents only 0.7-0.8% of the 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 the overall agricultural revenue.

For these reasons it is necessary to set up a common organization of the markets in this sector, particularly as the existing national measures are very divergent.

II. PROTECTION MEASURES WHICH EXIST AT PRESENT IN THE VARIOUS MEMBER STATES

1. In the Federal Republic of Germany, protection was ensured by quotas until November 1972, when imports were freed experimentally; in France, there is a national market organization. Under this organization, the importation of frozen sheepmeat originating in non-member countries is authorized only for short periods, and imports of live sheep and of meat other than frozen meat are authorized only if the price prevailing on the internal market is above a certain threshold. In addition, a countervailing charge, the level of which varies according to the price on the French domestic market, is levied on imports. France also authorizes, subject to a quota, the importation into its territory of lean sheep for fattening. As part of a plan to boost sheep production, it also grants certain types of production aid to breeders belonging to recognized producer groups.

In the other Member States of the Community as originally constituted, there is no quantitative restriction on imports.

Since 1 January 1970, intra-Community customs duties have been abolished and the Common Customs Tariff has been fully applied (20% for meat and 15% for live animals).

2. There is no restriction on imports in the new Member States. In the United Kingdom, however, national production is protected by fixing a guaranteed price: as soon as the market price falls below this price, producers receive the difference in the form of a deficiency payment<sup>1</sup>. In the United Kingdom, direct subsidies are also paid to breeders in certain less favoured areas (hill sheep subsidy) to an amount of about 20 million u.a./year (40 million u.a./year from the 1975/76 marketing year).

In the new Member States, the levels of the Common Customs Tariff are being progressively introduced in accordance with Articles 39(1) and 59(2) of the Act concerning the Conditions of Accession. Similarly, the intra-Community customs duties are being progressively abolished in accordance with Articles 32(1) and 59(1) of the Act. On 1 July 1977, therefore, the intra-Community customs duties will be abolished and the Common Customs Tariff will be fully applied in the enlarged Community.

### III. ESSENTIAL COMPONENTS OF THE COMMUNITY MARKET IN SHEEPMEAT

#### (a) Production and consumption:

In 1974, the production of sheepmeat in the Community of Nine was about 470 000 metric tons, i.e., slightly higher than in 1970-73 (445 000 metric tons). This production is very unevenly distributed among the various Member States. The United Kingdom is by far the main producer country, since it provides 50% of Community production. There follow, in descending order, France (27%), Ireland (10%), Italy (5.5%), Germany (3%), the Netherlands (2%), Denmark and the BLEU.

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<sup>1</sup>During the 1974/75 marketing year, deficiency payments were granted from July to November 1974, to an amount representing, on average, about 15% of the market price recorded during the months in question.

The consumption of sheepmeat in the Community of Nine remained relatively stable during the period 1962-69, around an average level of 830 000 metric tons, and then decreased steadily to 700 000 metric tons in 1974. This second figure disguises two contrasting trends, however: on the one hand, a very marked and regular drop in consumption in the United Kingdom and, on the other, a fairly significant increase in France, and, to a lesser degree, in Germany. In the period 1969-73, consumption dropped from 583 000 to 472 000 metric tons in the United Kingdom and rose from 147 000 to 172 000 metric tons in France.

(b) External trade

Since consumption is much greater than production, the Community of Nine is largely dependent on other countries for its supplies, an average of 45% of which were for a long period covered by imports; the production/consumption balance reached 370 000 - 380 000 metric tons during the years 1970-71-72, and then dropped considerably, to 315 000 metric tons in 1973 and 230 000 metric tons in 1974 (estimates).

Imports have thus decreased: 373 000 metric tons in 1972, 314 000 metric tons in 1973 and 270 000 metric tons in 1974 (estimates), and the rate of self-sufficiency has therefore increased: 59% in 1973 and 67% in 1974 (estimates).

The main suppliers of the Community are New Zealand, Australia, Hungary, Argentina and Bulgaria. In 1973, these countries supplied 80%, 8%, 3%, 3% and 2% respectively of the total imports.

Unlike imports, the level of Community exports is very low and stable: 3 000 metric tons. On the other hand, intra-Community trade is fairly brisk, and on the increase: 37 000 metric tons in 1971, 50 000 metric tons in 1972, 60 000 metric tons in 1973. Two-thirds of this intra-Community trade consists of a flow to France, mainly from the United Kingdom, the Netherlands and Ireland (26 000, 8 500 and 5 000 tons respectively in 1973). In 1974, trade with the

Netherlands increased by 50%; trade with the United Kingdom and Ireland decreased by 8% and 42% respectively, in particular under the influence of the trade restrictions to which the new Member States are still subject under their national market organizations (the reduction is greater for Ireland than for the United Kingdom because Irish exporters to the United Kingdom receive a subsidy proportional to the amount of the deficiency payment awarded in 1974 in the United Kingdom).

(c) Market prices

There is still a very wide price margin between France and the United Kingdom. The price level on the United Kingdom market is about 50% of that on the French market.

IV. TRANSITIONAL MEASURES TO BE TAKEN IN ORDER TO ESTABLISH A COMMON ORGANIZATION OF MARKETS

In view of the disparities in the 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 Treaty of Rome and Article 60 of the Act concerning the Treaty of Accession, 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 Judgement of the Court of Justice in Case 48/74 - Charmasson v. French State).

In order to avoid considerable disturbance of intra-Community trade on 1 January 1978, the date on which the French national system can no longer be accepted by the new Member States, the Commission therefore proposes to introduce on 1 January 1976 a transitional common organization of the market in sheepmeat.

The main features of this system, which would apply from 1 January 1976 to 31 December 1977, are as follows:

A. Intra-Community trade arrangements

1. Compensatory amounts will be levied in respect of the following products: live sheep, fresh, chilled and frozen sheepmeat, originating in Ireland or the United Kingdom and exported to France, either directly or through another Member State. The level of these amounts will be progressively reduced.

The Council will have to lay down the general rules for the progressive reduction of the ceilings.

2. Removal of quantitative restrictions:

The protection at present applied by France under its national market organization to sheepmeat products originating in the new Member States would be abolished, and collection of the compensatory amount referred to under 1) would be sufficient to ensure the harmonious development of intra-Community trade.

In these circumstances, the only quantitative restrictions which could be maintained in intra-Community trade would be the possible application of health measures and of measures adopted pursuant to Article 115 of the Treaty in order to prevent deflections of trade from disturbing the proper functioning of the national market organization, which will be retained in France in respect of imports from non-member countries.

B. Harmonization of systems of production aid

1. Direct aid

It is at present compulsory for Member States to forward to the Commission a list of both existing and proposed aid measures. The Commission can, however, only submit to Member States its observations on these two types of measure. Articles 92-94 of the Treaty are therefore to be applied in full to the market in sheepmeat. The Commission will therefore have, in particular, the power of decision attributed to it by Article 93(2).

2. Deficiency payments

The United Kingdom is authorized to maintain this system of aid insofar as a considerable gap remains between the United Kingdom market price and that of the original Member States. The amount of this aid must gradually be reduced, however, in step with the improvement in the United Kingdom market which will result from the application of the measures described under A. The proposed measures are in accordance with Article 54 of the Treaty of Accession.

3. Community systems of aid

If the market situation requires, Community measures may be taken independently of the measures provided for in the Directive on mountain and hill farming and farming in certain less favoured areas in order to re-direct Community production along the required lines, provided that account is taken of the speculation on the sheepmeat market which may result from the progressive alignment of the market prices of the island Member States with those of the continental Member States.

C. Trade arrangements with non-member countries

The present trade arrangements with non-member countries are based on the obligations entered into by the Community under the GATT. During the tariff negotiations of 1962, the Community bound against increase heading No 02.01 A IV in the sheepmeat sector (fresh, chilled, frozen sheepmeat: level bound at: 20%).



The following countries benefit from the binding of this heading:

- New Zealand and Australia, in respect of frozen and chilled meat,
- Uruguay, in respect of the entire heading No 02.01 A IV.

The following headings were also bound against increase in the 1967 tariff negotiations:

- Sheep offals (6%),
- Sheep fats intended for industrial uses (exempt),
- Other sheep fats (7%),
- Preserved sheepmeat (20%).

It is recalled that the duty on live sheep has not been bound and that the level of the Common Customs Tariff is 15%.

On the basis of Article XXIV-6 of the GATT Treaty, the Community has negotiated with its trading partners the extension to the Nine of all the headings bound by the Six (meat, offals, sheep fats and preserves).

At present, therefore, at Community level, there is only the levy of a customs duty at the Community frontiers. In addition, as stated above, France levies a countervailing charge under its national market organization and authorizes imports of frozen meat only within the limits of a very low quota.

All these provisions would remain in force until the establishment of the definitive organization of the markets in sheepmeat.

#### D. Safeguard clause

A safeguard clause of the "beef and veal" type is proposed.

The main aim of this provision would be to enable the Commission to rectify in good time disturbances in, or deflections of, trade caused by the application of this proposed transitional organization of the markets.

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Proposal for  
 REGULATION (EEC) No                      OF THE COUNCIL  
 on the transitional common organization of the  
 market in sheepmeat

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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;

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 sheepmeat production is of particular importance in the agricultural economy of certain regions of the Community, and in particular in France, Ireland and the United Kingdom; whereas such production represents a major part of the incomes of the farmers of these regions;

Whereas the common organization of the market must ensure the free movement of goods within the Community, and must also take account of the need to avoid difficulties in the transition from the present system to a single market;

Whereas, at present, trade in sheepmeat products between Member States is governed by the provisions of the Act of Accession and by those of the national market organizations, particularly in France; whereas those arrangements include restrictions on intra-Community trade; whereas, in addition, the production subsidies awarded in the United Kingdom result in market prices similar to those on the world market, whilst prices on the Irish market depend to a great extent on prices in the United Kingdom;

Whereas special transitional provisions should therefore be laid down for the Member States concerned;

Whereas, to this end, a compensatory amount should be levied on imports of certain products into France in order to attenuate the considerable price difference and replace the protective system applied at present by France with respect to the products of the new Member States concerned; whereas, furthermore, pending the definitive common organization of markets, the national arrangements concerning imports from non-member countries should be allowed to continue;

Whereas provision should be made for a progressive reduction of the subsidies given by the United Kingdom in such a way as to take account of the development of the market, which may be favourably affected by the system set up by this regulation;

Whereas in order not to leave the Community market unprotected against exceptional disturbances arising from imports or exports, it should be possible for the Community to take all necessary decisions without delay;

Whereas the establishment of the common organization of the market in sheepmeat implies the absence at the internal frontiers of the Community of all other obstacles to the free movement of the products in question; whereas, however, the provisions of the Act of Accession governing the progressive removal of customs duties within the Community must be observed;

Whereas restrictions on the free movement resulting from the application of health protection measures may give rise to difficulties on the market of one or more Member States and may require measures by way of derogation;

Whereas the establishment of a single market 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 aid which is incompatible with the common market should be made to apply to sheepmeat;

Whereas the financial consequences of the system laid down in this Regulation should be included in the financing of the common agricultural policy set out in Council Regulation (EEC) No 729/70 of 21 April 1970<sup>1</sup>, as last amended by Regulation (EEC) No 2788/72<sup>2</sup>;

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<sup>1</sup>OJ No L94, 28 April 1970, p. 13.

<sup>2</sup>OJ No L295, 30 December 1972, p. 1.

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

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

HAS ADOPTED THIS REGULATION:

Article 1

The transitional common organization of the market in sheepmeat shall cover the following products:

CCT heading No.	Description
a) 01.04 A I b)	Live domestic sheep other than pure-bred breeding animals
ex 02.01 A IV	Edible sheepmeat, fresh chilled or frozen
b) ex 02.01 B II d)	Edible sheep offals, other than those for the manufacture of pharmaceutical products, fresh, chilled or frozen
ex 02.06 C II	Edible sheepmeat and offals salted or in brine, dried or smoked
ex 15.02 B II	Fats of sheep, unrendered; rendered or solvent-extracted fats (including "premier jus") obtained from those unrendered fats
16.02 B III b) 2 aa)	Other prepared or preserved meat or meat offal containing ovine meat or offal, with the exception of such preparations or preserves containing bovine meat or offal or meat or offals of swine

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 intended to provide better guidance for sheep rearing;
- (b) measures intended to promote better organization of production, processing and marketing;
- (c) measures intended 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

The marketing year shall begin on 1 January and end on 31 December.

Article 4

1. A compensatory amount shall be levied on imports into France of the products listed in Article 1(a) originating in Ireland or the United Kingdom.
2. For a basic period, the following shall be laid down for fresh or chilled carcasses and half-carcasses of sheep, hereinafter referred to as "mutton and lamb":
  - (a) a price ruling in representative markets in Ireland and in the United Kingdom,
  - (b) a price ruling in the representative markets in France.
3. The compensatory amount shall not exceed the difference between the prices laid down in paragraph 2 above, the price under 2(a) above being reduced by the amount of customs duty applied by France on imports from the new Member States. The compensatory amount, which shall be fixed at regular intervals, particular account being taken of marketing costs and any differences in quality, shall be progressively reduced.
4. The compensatory amounts for products other than those listed in paragraph 2 shall be equal to that determined for mutton and lamb, weighted by a coefficient expressing the value relationship between those products.
5. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt the general rules for this Article.
6. Detailed rules for the application of this Article, and in particular the coefficients referred to in paragraph 4, which may be laid down for a list of products comprising subdivisions of subheadings of the Common Customs Tariff, shall be adopted in accordance with the procedure laid down in Article 12.

The compensatory amounts shall be fixed in accordance with the same procedure.

Article 5

1. The United Kingdom shall progressively reduce the production subsidies paid under the national system of guaranteed prices in a way which reflects the development of its market and which takes into account the trend of the compensatory amount referred to in Article 4(1).
2. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules for the application of this Article.

Article 6

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 disturbances 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 disturbances or threats of disturbance have ceased.

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. If the situation mentioned in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures; the measures 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. Any Member State may refer the measure decided upon by the Commission to the Council within the three working days following the date of the communication. The Council shall meet immediately and may, by a qualified majority, amend or cancel the measure in question.

#### Article 7

1. Save as otherwise provided in this Regulation, or except in the case of a derogation introduced by the Council, acting by a qualified majority on a proposal from the Commission, the following shall be prohibited:
  - the levying of any tax with an effect equivalent to that of a customs duty,
  - any quantitative restriction or measure having equivalent effect.
2. This Regulation shall not affect the application of Article 59 of the Treaty of Accession in respect of the products listed in Article 1.
3. Pending the setting up of a Community system for imports of the products listed in Article 1, Member States may maintain the national systems in force on 1 August 1975 in respect of non-member countries.

#### Article 8

In order to take account of the restrictions on free circulation which could result from the application of measures to prevent the spread of animal diseases, exceptional measures may be taken in accordance with the procedure laid down in Article 12 in order to support a market affected by such restrictions. Such measures may be taken only to the extent and for the period strictly necessary for the support of that market.

#### Article 9

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 10

Member States and the Commission shall communicate to each other the information necessary for implementing this Regulation. The information to be supplied shall be determined in accordance with the procedure laid down in Article 12. Rules for the

communication and distribution of such information shall be adopted in accordance with the same procedure.

Article 11

1. A Management Committee for Sheepmeat (hereinafter called the 'Committee') shall be established, consisting of representatives of the Member States and presided over by a representative of the Commission.
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 12

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 questions under consideration. An Opinion shall be adopted by a majority of forty-one votes.
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 defer application of the measures which it has adopted for not more than one month from the date of such communication. The Council, acting by qualified majority, may take a different decision within one month.

Article 13

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. <sup>1</sup>

Article 14

The compensatory amounts levied pursuant to Article 4 shall, for the purposes of the financing of the common agricultural policy, be considered as being part of the intervention system for the stabilization of agricultural markets.

Should the need arise, detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

Article 15

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

Article 16

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities. The system established by this Regulation shall apply from 1 January 1976 until 31 December 1977.

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

Done at Brussels,

For the Council

The President

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FINANCIAL RECORD SHEET

VI/3269/75-E

Date 18 July 1975

1. Number of relevant budget heading: Yet to be specified

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

3. Legal basis: Articles 42 and 43 of the Treaty.

4. Aims of the project: Liberalization of intra-Community trade in sheepmeat by means of trade arrangements under which compensatory amounts are levied on imports into France of live sheep or sheepmeat originating in the UK or Ireland.

5.0 Cost of the project (Revenue) to be borne by the EEC Budget <sup>1</sup>	during the marketing year	current financial year	following financial year
	20-40 million u.a.	-	20-40 million u.a.

5.1 Multiannual timetable	Year 1976 20-40 million u.a.	Year 1977 20-40 million u.a.	Year 1978 measure ended 31 December 1977
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5.2 Method of calculation (12 months)

The quantities will total 40 000 metric tons (35 000 metric tons UK; 5 000 Ireland). The average rate of the compensatory amount will depend on market price trends and could be 0.5-1.0 u.a./metric ton, resulting in a foreseeable maximum revenue of 20 to 40 million u.a.

6.1

6.2

6.3

6.4

Remarks: <sup>1</sup> This is revenue from the compensatory amounts to be deducted from the intervention expenditure.