

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 24 November 1993

**Commission report on the prospects for the beef and veal market
and the intervention system**

**COMMISSION REPORT
on the market situation for Sheepmeat**

Commission report on the prospects for the beef and veal market
and the intervention system

INTRODUCTION

When the proposals "Prices and related measures for the 1993/94 marketing year" were adopted in May 1993, the Council requested the Commission to examine the prospects for the market in beef and veal and the intervention system, and to submit a report by 30 November at the latest, where necessary accompanied by proposals. This report is in response to that request.

REPORT

I. SHORT- AND MEDIUM-TERM MARKET PROSPECTS

A. Production

Following the rise in production in 1990 and 1991, which reached 8.7 million tonnes, in 1992 and 1993 production fell to 8.4 million tonnes and approximately 8 million tonnes respectively. This fall is explained by the following factors:

Firstly by the cyclical nature of beef production which, having peaked in 1991, is now following a downward trend;

Secondly by the fact that animals were kept in the second part of 1992 in order to increase the reference numbers for premiums for that year.

This was due to 1992 being taken as one of the reference years for determining the quotas for the premiums;

Thirdly by the limiting of imports of calves into the Community for fattening to 425 000 head per year and by the substantial increase in 1993 of exports of live cattle ready for slaughter.

The latter two factors boosted the cyclical effect of production creating a dramatic improvement in the

market situation for beef, especially in the second half of 1993. Production is expected to stabilize in 1994 and even a further slight fall is thought possible.

b. Exports (see figures in Annex I)

In 1991 and 1992 exports amounted to around 1.25 million tonnes. The current forecasts for 1993 indicate that they should be about the same (1.2 million tonnes).

c. Imports (see figures in Annex II)

Most imports are either under various quotas at reduced or zero levy, or in the form of preserves (CN 1602) at 26% bound customs duty. Since 1990 most of the increase in these imports, from 400 000 t in 1990 to 480 000 t in 1992, has been accounted for by fresh meat (chilled) and preserves (cooked-frozen). By contrast, livestock imports are falling.

d. Consumption

Over the past few years beef and veal consumption has been between 21.5 and 22 kg/head. Seen over a ten-year period, consumption has fallen by 1 to 2 kg. Since the difference in price between beef/veal and other types of meat has not (yet) narrowed, there is hope that beef/veal consumption will remain stable at best.

e. Prices

Following the fall in market prices in 1990 and 1991, in 1992 they remained relatively stable as a result of massive intervention and the cutbacks in production which were started in 1992. The fall in production in 1993 led to an increase in prices during the first eight months of the year up to 82% of the intervention price for bull calves and steers (taking into account the 5% intervention price reduction introduced on 1 July 1993). Prices, above all for cows and steers, fell in autumn as a result of livestock being taken off grass at the end of the grazing season, although the fall was not as sharp this autumn as in the past. However, under the reform, the premiums applicable in this sector have been increased considerably.

f. Expenditure

EAGGF Guarantee Section expenditure on the beef sector rose from ECU 2 833 million in 1990 to ECU 4 295 million in 1991 and ECU 4 414 million in 1992. The provisional figures for 1993 indicate that it has fallen to around ECU 4 010 million as a result of the improvement in the market situation and above all of the drop in the quantity bought in.

II. INTERVENTION

The massive intervention buying-in in the calendar years 1991 and 1992 amounted to 1 027 000 t and 890 000 t respectively. In spite of the fact that 766 000 t and 684 000 t respectively were sold from intervention stocks (intended mainly for export), stocks continued to rise from 618 000 t at the end of 1990 to 1 090 000 t at the end of 1992.

Since the beginning of 1993, the cutbacks in production have made themselves felt more and more on the market, leading to somewhat firmer prices. This made it possible for the Commission to gradually reduce buying-in prices in the first half of 1993, without this affecting market prices. For example, the buying-in price was reduced from ECU 255/100 kg at the beginning of the year to ECU 240 in August 1993. Since market prices remained firm, the quantities offered for intervention have fallen gradually and around July/August there were practically no more tenders. Furthermore, "live" exports, which fell sharply over the last few years, have begun to pick up again and this has reinforced the trend.

It was not until September, at the end of the grazing period, that relatively small quantities began to be bought in, in particular steers. Thus 165 329 t were bought in up to mid-November. Over the same period in 1992 788 433 t were bought in. Given the firmness of the market and the modest use made of intervention, the restriction of the maximum weight of carcasses eligible for intervention to 380 kg had a direct effect on only a very small part of production. However, to the extent that this restriction induced some producers who had doubts as to whether they would be able to find market outlets to slaughter their animals before they reached an excessive weight, it has contributed to an improvement in the market.

As a result of the slowing down of export sales, in particular in the first half of 1993, and in spite of an active selling policy in particular for processing in the Community, this reduction in

buying-in did not lead to a corresponding reduction in stocks in the first half of 1993. However, sales have increased since August, making it possible to reduce stocks to 675 000 tonnes.

III. MEDIUM-AND LONG-TERM DEVELOPMENTS

Production can be expected to pick up again in 1995/96. This will be a cyclical increase in production boosted perhaps by some producers keeping female animals in 1992 in order to obtain a higher individual quota for the suckler cow premium.

Medium- and long-term production will depend above all on the number of calves available for fattening into adult animals, the average weight of carcasses, and specific measures taken in the field of premiums and intervention.

A. Number of calves available for fattening into adult animals

As regards the number of calves available for fattening into adult animals, the following factors are of importance:

I. Factors leading to reduced availability

- a. A fall in dairy cow numbers and, as a result, in calf numbers following the gradual increase in dairy cow productivity, which is of the order of 2% per year. As a result, producers will eventually need fewer and fewer cows to use up their milk quota. This will entail a structural reduction in the number of calves available on the Community market, estimated on average at approximately 400 000 head per year.
- b. The restriction of calf and young cattle imports to 425 000 head. This restriction, which has been in force since 1991 and has effectively contributed to the fall in production over the last two years, must be maintained.

II. Factors leading to increased availability

- a. The increase in the number of suckler cows. The fall in the number of calves available referred to above will be more than offset by the 20% increase since 1990 in the number of suckler cows. Of course, the individual quota system has been in operation since 1993 and should stabilize

the number of calves available in the long term. However, the rapid rise in the number of suckler cows from 8 million in 1990 to 11 million in 1993 (ceiling) will have an effect on the number of animals born in 1993/94 and subsequent years that will be ready for slaughter from 1995/96. Furthermore, given the quantities of fodder available, it is difficult to predict to what extent producers will keep numbers of suckler cows in excess of their individual quota. By contrast with the milk sector, there is no additional levy to discourage this.

However, the reduction in the intervention price adopted for beef/veal should be a deterrent against any decision to commence beef production without being eligible for premiums.

It should also be borne in mind that, as from the 1995/96 marketing year, the buying-in price in the safety-net situation will be able to fall to ECU 175/100 kg, which represents a drop of more than 30% over the 1992 buying-in price.

b. The fall in the number of slaughter calves.

This number has been falling for the past few years. The level is approximately 6 million calves, and each calf which does not go to slaughter ends up as an adult animal. In this respect, this sector is of major importance for managing adult bovine production. The slaughter calf sector does not receive any specific assistance under the COM in beef/veal. The balance is determined by supply and demand. It is therefore essential to maintain this healthy situation and not introduce any support measures that could disorientate the sector.

B. Impact of the specific measures adopted concerning premiums and intervention

- a. The premium quota for suckler cows, for which the reference numbers allocated to individual producers will total 11 million cows (details in Annex III), will unquestionably have a stabilizing effect on the number of suckler cows, and hence on the number of calves available. This stabilizing effect is smaller and virtually non-existent, upon inspection of the figures available, in the case of the premium for the fattening of male animals.

The premium quota, for which the regional reference numbers - according to the figures now available but not yet verified - will reach 11.5 million animals (details in Annex IV), is not allocated on an individual basis but by region (although the Member States may make individual allocations to each producer). Because of this, the quota has little effect in terms of controlling production. Since the number of premiums granted in 1992, which in general has become the reference for the premium quota for future years, is around 30% more than the number of premiums granted in previous years, expenditure is not being stabilized either. Furthermore, in some Member States the number of premiums granted in 1992 is out of all proportion with the number granted in previous years (Annexes III and IV).

With regard to the premiums for suckler cows, the increase between 1991 and 1992 represents the speeding up a trend observed in recent years reflecting a structural change in the production basis together with the drop in milk quotas. The rise in the premium references for male animals between 1991 and 1992 nevertheless continues to be difficult to explain.

The Commission, after examining in depth the information notified by the Member States concerning the establishment of premium quotas, reserves the right to make appropriate proposals.

- b. The stocking density for the grant of premiums, introduced by the reform, of 3.5 LU/ha in 1993, is reduced for subsequent years, reaching 2 LU in 1996. While its effect is still very limited in 1993, it will have an increasing impact in future years and should encourage producers to opt for extensive production, clearly in so far as the structure of their holding allows. In addition to that, the ECU 30 increase in the premiums where the stocking density is less than 1.4 LU/ha, provided for in Article 4h of Regulation (EEC) No 805/68, should also foster extensive production.
- c. The reason for the introduction of the weight limit for carcasses eligible for intervention (380 kg from July 1993, 360 kg from January 1994 and 340 kg from July 1994) is the fact that there is only a limited market for heavy carcasses. The fact that these carcasses could be sold into intervention encouraged producers to orient rearing and fattening excessively in the direction of heavy carcasses,

a significant proportion of which could not be disposed of on the market and were then offered to intervention. The aim of this measure therefore is firstly to steer production towards the market (rather than predominantly towards intervention). The result should be smaller quantities being bought in. The more important aspect, however, is that this weight restriction will become an important means of controlling production in the medium and long term, a matter of fundamental importance in the years to come. It should be pointed out that in the past the annual increase in the slaughter weight of male bovines resulted in a steady increase in production of around 60 000 t annually. This measure is also a necessary addition to the mechanism for controlling production since the gradual increase in the average weight of carcasses would cancel out any attempt to control production based solely on the stabilization of the number of calves fattened.

Lastly, and this is of extreme importance to the sector, there is the trend of consumption which is stagnant and in danger of slow decline. The first factor affecting this trend is the level of prices and especially the price gap with other types of meat. The gap should not widen otherwise consumption is in serious danger of being affected. It should be noted also however that there is a certain lack of trust on the part of the consumer. In this connection the Commission has taken a number of recent steps including:

- proposals to ban and control the use of certain substances having a hormonal action;
- the implementation of promotional measures adopted by the Council covering high quality products offering quality guarantees. Promotional measures have been undertaken under the 1993 budget costing a total of ECU 10 million.

C. Outlook

Production, which has been falling since 1992 and has been estimated at 8.0 million tonnes for 1993, could stabilize at this level in 1994 (103% self-sufficiency). However, for the period 1995 to 1997 a cyclical recovery of production is forecast which could result in production of 8.2 to 8.3 million tonnes, stabilizing at around 8.1 million tonnes towards the end of the millenium. It has not yet been possible, however, to include in these forecasts the effect of

the measures for controlling production, in particular the introduction of a stocking density provision in connection with premiums and the limiting of the maximum weight of carcasses eligible for intervention. The effect of these measures is difficult to gauge at present but could be considerable and will depend on the individual decisions taken by a hundred thousand producers.

IV. POSSIBLE PROPOSALS

1. The reform was adopted by the Council in June 1992. The implementing provisions were adopted in December 1992 and the new premium scheme was launched at the beginning of this year. Since it is a scheme with new components such as the premium quota and the stocking density provision designed mainly to control production, its introduction has not been without difficulties for the authorities and the producers concerned.

The forecasts predict in the longer term a certain trend towards controlling production. For the reasons set out in III.C above, they nevertheless continue to be tainted with a certain amount of uncertainty and it seems premature at the moment, barely a few months after the start of the reform, to put forward new proposals for changing the system.

None the less, when the reform was implemented, a number of complications came to light which, as far as possible, have been resolved by means of simplifications. If others can be made without affecting the substance of the system, the Commission will not fail to introduce or suggest them.

2. On the adoption of the agricultural prices and related measures for 1993/94 the Council asked the Commission to consider the possibility of financing, on the same basis as provided for in the last subparagraph of Article 4d(7) of Regulation (EEC) No 805/68, the national share supplementing the suckler cow premium in the case of Member States with a large, highly specialized breeding herd whose products are ineligible, on account of their high grading, for intervention support.

It should be noted in this connection that the Member States were first given the option of granting this additional national premium at the beginning of the eighties. In 1989 a further provision was added whereby the EAGGF financed the first ECU 20 where this premium was granted in Greece, Ireland or Northern Ireland, the aim being to assist producers in naturally disadvantaged areas. In 1992 this additional national premium stood at ECU 35 with ECU 28 being funded

by the EAGGF in the Member States/regions referred to. Under the reform the premium was fixed at ECU 25. The EAGGF contribution was reduced to ECU 20 for the Objective 1 regions (which implied an extension of the naturally disadvantaged areas as compared with the earlier situation - see Annex V).

At present this premium with a ECU 20 EAGGF contribution is granted generally in the Objective 1 regions (whose development is lagging behind). The premium is granted without EAGGF financing in France (in relation to the number of animals), Luxembourg and Italy only.

A highly specialized breeding herd can produce carcasses which are graded S or E, exceeding in terms of quality and frequently of weight the eligibility criteria for intervention. This is a form of production for which there is a specific demand on the market and for which prices are generally above those recorded for average grades. Even if these high grades do not qualify directly for intervention, they benefit indirectly since the withdrawal of a certain quantity of meat from the market supports the whole beef market.

For these high grades market outlets seem to be limited however. The Commission is of the opinion that support should not be increased (and production stimulated) using Community funds for those grades over and above that available for average grades. If consumption calls for additional high grade carcasses the market and the production sector will react. An increase in support for the animals providing these carcasses would threaten to upset the balance of this form of production and destabilize this market segment.

Accordingly, the Commission cannot support the economic arguments put forward and is unable to make any proposal to that effect.

BEEF AND VEAL

TRADE WITH THIRD COUNTRIES
Exports to third countries

Q : tonnes carcase weight

Year	Live animals										Fresh meat (in tonnes carcase weight) of :		Frozen meat in tonnes carcase weight	Meat, salted or in brine, dried or smoked, in tonnes carcase weight	Preparations and preserves, cooked and uncooked	Total (6+7+8+9+10+11)
	Number of head				Totals		Fresh meat (in tonnes carcase weight) of :		Calves	Adult Cattle						
	Calves	Adult cattle	Pure-bred breeding animals	Number of head (2+3+4)	Meat in tonnes carcase weight	Calves	Adult Cattle									
1	2	3	4	5	6	7	8	9	10	11	12					
1981		7591	380596	32972	401259	100282	7731	175623	340052	763	37725	662186				
1982		5846	296760	36113	341741	68379	6138	109440	235539	839	37873	480268				
1983		4039	335611	53854	397504	102884	9893	134727	316004	829	38328	602762				
1984		4121	295707	66920	366748	96058	7597	176387	453154	1064	44171	790426				
1985		4613	145362	124789	274764	72030	9978	147991	532759	1013	40841	804650				
1986		4056	115731	87206	187038	49479	8367	180612	503845	1328	42662	1166552				
1987		3309	77527	87119	167955	43498	8399	127028	594165	1142	38341	909057				
1988		4018	70437	50347	124802	30314	7295	72927	643172	1375	30352	785445				
1989		3162	56864	52790	114816	30596	5852	75495	650808	1833	29238	1023610				
1990		2216	73744	49843	126803	34106	3568	87322	656997	4645	29383	816019				
1991		3194	157395	165629	327218	80942	2805	141022	1029712	1442	68943	1324866				
1992		3244	207472	115791	325507	84724	2367	102695	1013700	1818	118090	1323384				
1993					01							01				
1994					01							01				
1995					01							01				
1996					01							01				
1997					01							01				
1998					01							01				
1999					01							01				

1992

Annex II

BEEF AND VEAL

TRADE WITH THIRD COUNTRIES
 Imports from third countries

Q : tonnes carcase weight

Year	Live animals				Totals	Fresh meat (in tonnes carcase weight) of :		Frozen meat in tonnes carcase weight	meat, salted and preparations or in brine, dried or smoked, in tonnes carcase weight		Total (6+7+8+9+10+11)
	Calves	Adult cattle	Pure-bred breeding animals	Number of head		Meat in tonnes carcase weight	Calves		Adult Cattle	meat, salted and preparations or in brine, dried or smoked, in tonnes carcase weight	
1	2	3	4	5	6	7	8	9	10	11	12
1981	7591	360695	32972	401259	100282	7731	175693	340052	763	37725	662186
1982	5848	299780	36113	341741	88379	8198	109440	235539	839	37873	480268
1983	4039	339611	53854	397504	102884	9893	134727	316004	829	38326	602762
1984	4121	295707	66920	366748	96058	7597	178392	453154	1064	44171	790426
1985	4613	145362	124789	274764	72030	9676	147591	532759	1013	40841	804650
1986	4056	115731	87208	187038	49479	8367	150812	903451	1388	42662	1166553
1987	3309	77527	87119	167955	43498	6859	127028	654169	1142	38341	909057
1988	4018	70437	50347	124802	30314	7295	72937	643172	1375	30352	785445
1989	3162	56864	52790	114816	30598	5852	75485	550608	1833	29236	1023610
1990	3216	73744	49843	126803	34106	3566	87322	656997	4645	29383	816019
1991	3194	157395	166629	327218	80642	2805	141022	1029712	1442	68943	1324866
1992	3244	207472	115791	326507	64724	2367	102656	1013760	1818	118090	1323394
1993				0							0
1994				0							0
1995				0							0
1996				0							0
1997				0							0
1998				0							0
1999				0							0

- Nombre des vaches ayant bénéficié de la prime (R. (CEE) n°. 1357/80 et 805/68)
 - Anzahl der Kühe, für welche die Prämie gewährt wurde - Number of cows having received the premium

	1988/89	1989/90	1990/91	1991/92	92 census	1992*	Mixed herds(+)	Ceiling (1)
Belgique/België	147.428	192.768	237.072	267.504	389.000	396.254	36.080	432.334
Danmark	30.407	59.000	73.932	84.110	112.000	126.407	13.320	139.727
Deutschland	35.237	80.964	163.684	205.746	302.000(2)	401.110	111.240	692.350 (3)
Ellas(ref. 90)	166.557	151.695	137.755	131.471	108.000	122.619	10.520	148.275
España	800.200	1.001.131	1.215.967	1.312.878	1.239.000	1.412.346	84.320	1.497.666 (4)
France	2.662.547	2.906.000	3.162.240	3.260.759	3.911.000	3.670.216	242.480	3.912.696
Irland	481.583	602.279	748.416	783.636	886.000	1.036.600	63.400	1.100.000
Italia	641.552	542.390	709.279	700.943	667.000	784.200	90.160	874.360
Luxembourg	6.684	7.366	8.736	8.880	26.000	11.648	760	14.648 (5)
Nederland	9.224	9.310	37.885	41.483	85.000	65.169	30.560	95.729
United Kingdom	1.155.317	1.148.014	1.444.453	1.488.043	1.696.000	1.682.175	119.320	1.800.495
Portugal	non	non	non	204.752	229.000	263.213	17.760	280.973
TOTAL 11	6.147.766	6.700.917	7.939.419					
TOTAL 12				8.490.205	9.650.000	9.971.957	818.920	10.988.253

* Provisoire /Vorläufig / Provisional

- (1) Provisional on the basis of Member States' notifications (not including IRL) (not taking into account the reserve for less-favoured areas) (+/-40.000 drovts)
 (2) Only original (3) Including the rights of the new Lander separately. (180.000)
 (4) Including the Canary islands' right (up to 8.000 = +/- 1.000 93) for
 (5) Including the rights in COM(93)418 final (+2240)

PRIME SPECIALE BOVINE MALES
SONDERPRÄMIE MÄNNLICHE RINDER
SPECIAL PREMIUM MALE BOVINE ANIMALS

- Nombre des bovins ayant bénéficié de la prime (R. (EEC) N° 468/87 et 805/68).
- Anzahl der Rinder, für welche die Prämie gewährt wurde (V. (EWG) Nr. 468/87 und 805/68).
- Number of animals having received the premium (R. (EEC) No 468/87 and 805/68).

(ref. year)	1988	1989	1990	1991	1992*	Ceiling (1)
Belgique/België	269.155	276.868	254.610	254.935	332.843	332.843
Danmark	396.192	202.000	303.016	313.810	335.517	335.517
Deutschland (90)	2.132.000	2.292.500	2.873.183	1.914.152	2.760.767	3.653.183(2)
Ellas	139.444	121.190	129.599	136.716	143.310	143.310
España	203.116	197.752	437.846	448.417	526.552	551.552(3)
France	1.500.428	1.593.026	1.446.192	1.565.674	2.246.124	2.246.124
Ireland	841.300	967.329	939.884	1.033.042	1.540.000	1.540.000
Italia (91)	-	435.000	813.650	824.885	794.000	824.885
Luxembourg	15.264	16.519	14.780	17.007	21.593	21.593
Nederland (91)	73.000	85.329	172.254	264.659	281.797	264.659
United Kingdom(91)	-	1.283.852	1.412.852	1.419.811	1.331.838	1.419.811
Portugal	-	-	-	93.102	141.930	141.930
TOTAL 11	5.624.899	7.471.275	8.797.866			
TOTAL 12				8.286.210	10.456.271	11.475.407

(*) Provisoire
Verläufig
Provisional

(1) Provisional on the basis of regional ceilings (not taking the second age band into account : +/- 30%)
(underlined = confirmed)

(2) Including the rights of the new Länder separately.

(3) Including the Canary Islands' rights.

ANNEX V

Regions concerned by Objective 1

BELGIUM:	Hainaut
GERMANY:	Brandenburg, Mecklenburg-Western Pomerania, east-Berlin, Saxony, Saxony-Anhalt, Thuringia
GREECE:	the entire country
SPAIN:	Andalucía, Asturias, Cantabria, Castilla y León, Castilla-La Mancha, Ceuta y Melilla, Comunidad Valenciana, Extremadura, Galicia, Canary Islands, Murcia
FRANCE:	French overseas departments, Corsica, the 'arrondissements' of Avesnes, Douai and Valenciennes
IRELAND:	the entire country
ITALY:	Abruzzi (1994 to 1996), Basilicata, Calabria, Campania, Molise, Apulia, Sardinia, Sicily
NETHERLANDS:	Flevoland
PORTUGAL:	the entire country
UNITED KINGDOM:	Highlands and Islands Enterprise area, Merseyside, Northern Ireland

~~ANNEX II~~~~Commitment appropriations for the period 1994 to 1999~~~~(ECU million at 1992 prices)~~

	1994	1995	1996	1997	1998	1999	1994 to 1999
Structural Funds and FIG	20 135	21 480	22 740	24 026	25 690	27 400	141 471
of which: Objective 1 regions	13 220	14 300	15 330	16 396	17 820	19 280	96 346

[REDACTED] COMMISSION REPORT
on the market situation for Sheepmeat

Introduction

When adopting proposals on prices and connected measures for the 1994 marketing year, the Council requested the Commission to submit, by 30 November 1993, a report on the market situation for sheepmeat accompanied, if appropriate, by proposals. This report is presented in response to that request.

REPORT

I. SHORT and MEDIUM TERM MARKET PROSPECTS

A. PRODUCTION

Community sheepmeat and goatmeat production, following several years of expansion, peaked in 1991 at the level of 1.23 million tonnes. In 1992, it declined to 1.18 million tonnes and is forecast to remain stable at the same level in 1993. The peak in 1991 coincided with the ending of a long period of flock expansion in several member States and with the ending of the variable slaughter premium in Great Britain. The reduction in 1992 was the result, principally, of lower production in Great Britain, where producers had advanced production into 1991 to take advantage of the variable premium, the ending of the destocking period in the new Länder following the unification of Germany and a sharp decrease in French production. In 1993, a marginal recovery in British production together with a limited rise in Irish production will balance slight declines elsewhere in the Community and production is set to remain stable or rise marginally to 1.19 million tonnes in 1994.

The stabilizer mechanism, since its introduction in 1988, has contributed considerably to the ending of the period of rapid expansion in ewe numbers and production. The level of the stabilizer fixed at 7% for 1992 and future years has dampened significantly producers' expectations in terms of premia returns thus slowing expansion.

In addition, the introduction of individual premium rights with effect from 1993, based on historical data, has reduced the possibility for a build up in ewe and she goat numbers in the future and thus will contribute to future stabilization of production.

The extent of the slowdown in the growth of ewe and goat numbers can be seen in Annex I where ewe and goat numbers for premium since 1982 are listed together with current information regarding total individual premium limits at Member State level(1).

B. INTERNAL TRADE

Internal Community trade has grown consistently in recent years boosted by the ending of the clawback on British exports with the demise of the variable slaughter premium at the end of 1991. The level of intra Community trade rose from 214,000t in 1990 to 228,000t in 1991 and 265,000t in 1992. It is expected to reach over 300,000t in 1993. Although France is the principal destination for this trade, consistently accounting for over 60% of the total, the four southern Member States increasingly are gaining importance as destinations and now account for 20% of it. As exporters, the UK and Ireland continue to dominate trade accounting for 49% and 26% of trade respectively. In 1992, UK exports totalled 129,000t up 37% on 1991 while the forecast total for 1993, stimulated by currency movements, is 168,000t up a further 30%. A feature of the trade in recent years has been the emergence of live exports notably from the UK to France.

C. IMPORTS and EXPORTS

Imports from supplier countries have remained relatively stable at 257,000t in 1991 and 262,000t in 1992. Based on import certificates, imports should reach similar or slightly reduced levels in 1993. New Zealand, Australia and Eastern European countries have tended to utilize fully the quantities agreed within the voluntary restraint agreements in recent years. However, the destination of imports is changing, particularly from New Zealand. The UK share of imports from New Zealand fell from 64% in 1990 to 55% in 1991 and 53% in 1993. Imports into France, on the other hand, rose from 3% of total imports from New Zealand in 1990 to 9% in both 1991 and 1992 following the ending of France's sensitive zones status at the end of 1990.

With regard to chilled meats imports from New Zealand in recent years have been as follows :

	Limit(t)	Actual imports (t)
1989	6,000	2,830
1990	7,500	3,100
1991	9,000	6,100
1992	10,500	7,900
to Sept 1993(*)	12,000	6,100

(*) Based on import certificates.

Exports from the Community reached the level of 5,000t in 1992. A similar figure is forecast this year.

(1) Figures for Italy are not a coherent series due to the change in the ewe premium eligibility criterion in 1991.

D. CONSUMPTION

In recent years, Community consumption per head has reached approximately 4.2 kg per head. There are no domestic stocks of sheepmeat in the Community except extremely limited quantities in private storage and supplier countries have held no significant stocks at year end in the Community. In effect, the market clears itself with total consumption in the region of 1.44 million tonnes. While at Community level total consumption appears rather static, consumption is continuing to rise in several Member States, and, in particular, in France. There an overall level of 333,000t is forecast for 1993 up significantly on 1992, while consumption in the UK has fallen sharply as a consequence of the price effects of the ending of the variable slaughter premium and clawback. The level of 334,000t in 1993 in the UK is 94,000 tonnes down on 1991. France, in future, will takeover the UK's role as the largest consumer of sheepmeat in the Community.

E. PRICES

(1) Domestic Prices

Price reporting, based on the Community standard quality of sheep carcasses, has been in operation throughout the Community since 1991 with the exception of Greece where it has applied since 1992. The Community market price, free of the influence of the variable slaughter premium, rose by 3.3% in 1992 to 277 ECU per 100 kg but in 1993 is forecast currently to fall by 6.8 % to 258 ECU. The major influence on prices over the last year has been the devaluation of currencies in most of the major producing Member States with resultant market disturbances in the form of price and consumption changes.

Prices in national currency are forecast to rise by 20% in the United Kingdom in 1993 and by 12% in Ireland where they had fallen by 10% in 1992. In ECUS terms, however, prices in these two Member States will be virtually unchanged in 1993.

In southern Member States, prices in national currency are forecast to rise 5% in Greece, to be stable in Spain and Portugal but to fall 5% in Italy. However, in ECU terms prices will fall by approximately 15% in Italy, Spain and Greece while falling by 6% in Portugal.

In Member States where no significant devaluation has taken place and, in particular, in the important French, Dutch and German markets prices are forecast to fall in both national currency and ECU by 3 to 6%.

Two other factors have had an important influence on prices this year. These were the veterinary restriction on imports from Eastern Europe in Spring which led to very firm prices in Italy and elsewhere at the time and the extra marketing of ewe lambs for slaughter in Autumn as producers reacted to the introduction of individual premium limits. These factors have had the effect of accentuating the shape of the seasonal price curve in the Community this year.

While prices still vary considerably between Member States, it is noteworthy that the difference between the highest and lowest reported prices using the Community standard quality quotation has narrowed from 156 ECU per 100 kg in 1991⁽¹⁾ and 168 ECU in 1992 to a forecast 109 ECU in 1993 (see Annex II). The Commission expects this trend to continue in coming years.

(II) Import prices

The import prices for frozen lamb from New Zealand has remained relatively stable throughout 1993 at approximately 180 ECU / 100 kg except in the United Kingdom where they rose by up to 40 ECU per 100 kg to approximately 220 ECU in Mid summer. The export of domestic lamb from the UK aided the firming of import prices.

F. Ewe Premium

The Community ewe premium was fixed in respect of the 1992 marketing year at the level of 18.616 ECU per ewe. Due to the effects of the currency crisis on the Irish market towards the end of 1992, the Council raised this amount for the island of Ireland to 23.13 ECU. It also raised the level of the Community rural world premium by 1.5 ECU to 7 ECU.

For 1993, based on Community price forecasts of 250 ECU per 100 kg, two advances on the ewe premium have been fixed already, each at the level of 6.683 ECU per ewe. As the average Community market price is now forecast to reach 258 ECU, it is likely that the definitive premium will be 20.9 ECU per ewe. The level of the rural world premium has been fixed at 5.5 ECU per ewe.

G. Expenditure

EAGGF Guarantee section expenditure in the sheepmeat and goatmeat sector (chapter 22) increased from 1 452 Mio ECU in 1990 to reach 1 790 Mio ECU in 1991 and 1 749 ECU in 1992. Expenditure for 1993 is provisionally put at just over 1 800 Mio ECU but the increase compared to the previous year is entirely due to the acceleration in the payment of advances on the 1993 marketing year.

II AID TO PRIVATE STORAGE

In the 1989 reform of the sheep sector, the Council introduced a tendering procedure which is triggered automatically if the market price in a quotation area (Member State, Great Britain and Northern Ireland) is less than 70% of the seasonalised basic price for two consecutive weeks.

(1) Excluding both Greece, which did not apply standard quality, and Great Britain which applied the variable slaughter premium in 1991.

Since the start of the 1990 marketing year, this system of tendering has been in continuous use as the condition attached to its opening has been fulfilled always in at least one quotation area. The following figures indicate the use of the measure since the beginning of 1990.

	Quantity offered (t)	Quantity aided (t)	Upper Monthly Levels of Aid: range, (ECU)	End of Year stock (t)
1990	4620.6	2193.6	1340-1500	600
1991	7979.9	2062.4	810-1358	1,100
1992	8330.5	3290.5	1050-1200	2,100
1993 to-date	6535	1948.0	750	2,000(f)

In general, traders in Member States have shown only limited interest in private storage. Lamb aided for private storage must be kept in store for at least three months and the maximum period for which aid is granted is seven months. Member States, with the exception of France at the beginning of 1993, have not notified the Commission's services of any difficulties associated with the return of lamb aided for private storage onto the market.

III MEDIUM and LONGTERM OUTLOOK

Current forecasts with regard to the important parameters indicate a period of stability in the medium to longterm. Community sheep numbers are forecast to remain at the level of 99 million head in the period 1994-98 and ewe numbers to remain at approximately 72 million head.

The stability in numbers will be reflected in production which is forecast to remain at just under 1.2 million tonnes in coming years. As consumption in the sector is essentially the summation of production and imports (as exports are very small) it too is likely to remain stable at 1.43 million tonnes effectively.

The overall expectation is that producers will not maintain significant ewe numbers above the levels fixed in individual premium limits so that the scope for expansion is limited.

However, the upward trend in trade in sheepmeat between the Member States of the Community, set to reach 25% of total production this year, is likely to continue albeit at a lower rate with France and southern Member States the main recipients.

CONCLUSIONS

The measures introduced by the Council in 1989 for the unification of the sheep regime took full effect for the first time in 1992 although due to currency difficulties that year, the Council did extend certain transitional arrangements for the calculation of the ewe premium to all the island of Ireland for that year.

In essence, therefore, the Community market has been unified for just two years and is now ending the process of adapting to the changes unification has brought. Thus, internal community trade is growing in response to the ending of the drawback on British lamb exports and Community market prices are tending, given the quality requirements of individual markets, to converge slowly.

In addition, the introduction of the stabilizer mechanism in 1988 has already contributed and the introduction of the quota on individual premium rights in 1992 has begun to contribute to greater stability in the Community breeding flock and hence in production. Certainly, increases in the fertility of ewes leading to greater lamb numbers and also the potential for heavier lamb weights could give rise to increased production in the future. However, the scope for increasing lamb numbers per ewe is limited in hill and mountain areas where a large proportion of the Community flock is situated. The possibility of a movement to heavier carcass weights per lamb is restricted by the fact that consumer demand in the important southern markets is for light carcasses.

As the effects of both the 1989 reform and the 1992 introduction of premium quotas are absorbed by the market it seems likely that trading patterns and production will settle down. This in turn should provide for a stabilizing of market prices at a reasonable level.

In these circumstances, the Commission does not intend to make any proposals accompanying this Report.

ANNEXE I

WORKING DOCUMENT

JM/
22.11.93

I . EWES ENTITLED TO ANNUAL EWE PREMIUM (000 HEADS)

COUNTRY OR MARKET REGION	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 (1)	1993 (1)	Indiv. limits (2)
ITALY	530	310	784	2224	3259	3758	4399	5283	6721	8150 (2)	9179		
GREECE	3710	2482	4000	2224	4676	6007	6032	6456	6686 (1)	6549	7157		9500 (4)
FRANCE	6869	-	7368	7848	7681	7938	7728	7584	7451	7409	7215		7067 (4)
DENMARK	32	36	25	35	48	59	81	84	104 (1)	103	110	93	
NETHERLANDS	214	294	311	365	456	611	734	824	840	860	873		839
LUXEMBOURG	1	1	2	2	2	3	3	3	4	4	4		
BELGIUM	31	37	49	58	51	59	63	65	73 (1)	69	72		71
GERMANY	471	675	738	872	945	1090	1159	1267	2027 (3)	2047 (3)	1914	1752	1344 (5)
IRELAND	1794	1947	2158	2300	2709	3316	3943	4622	4622	4834	5157	5338	4742
GREAT BRITAIN	13347	13671	13969	14933	15400	16431	17066	17824	18480	18235			
NORTH. IRELAND	639	697	739	848	914	1028	1138	1308	1347	1392			
UNITED KINGDOM								19132	19827	19627	19648	21215	18688
SPAIN					13649	16056	17034	16869	16930	17134	17387		
PORTUGAL					1378	2028	2151	2230	2146	2146	2238		2541 (4)
TOTAL EEC - 12	27638	20150	30143	31709	51168	58384	61531	64419	67431	68932	70954		

(1) Claimed (2) Provisional (3) ex GDR included (4) including goats (5) ~~without former GDR~~ *NEW*

II . GOATS ENTITLED TO ANNUAL PREMIUM (000 HEADS)

COUNTRY OR MARKET REGION	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 (1)
ITALY					141	763	705	919	933	1080 (2)	1254
GREECE					2533	3207	3451	3648	3798 (1)	3726	4023
FRANCE					138	161	174	174	179	183	185
SPAIN					1749	2302	2582	2468	2464	2320	2223
PORTUGAL					274	451	478	476	413	413	414
TOTAL EEC - 12					4835	6884	7390	7685	7787	7722	8099

(1) Claimed (2) Provisional

ANNEX II

Market prices

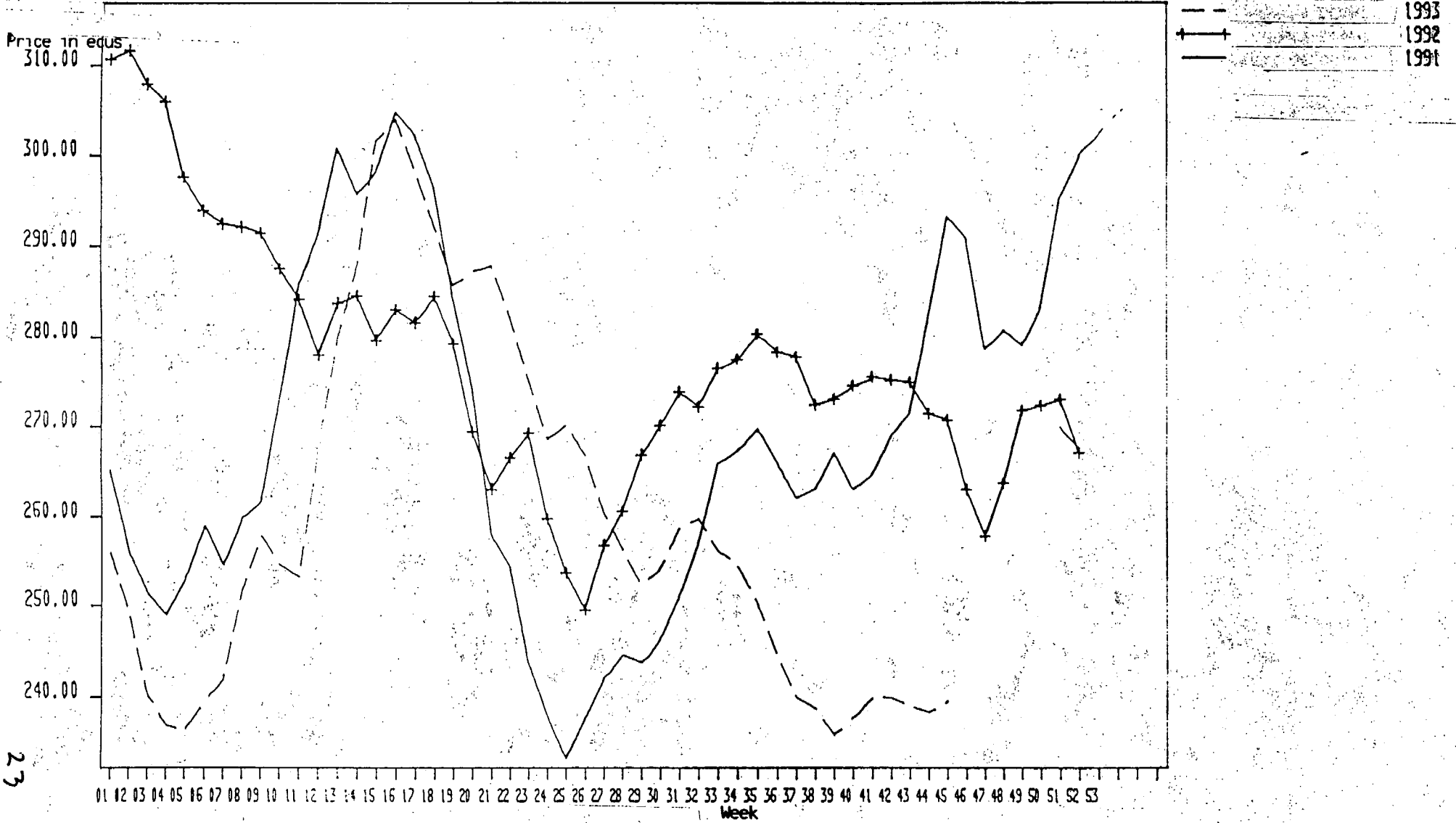
(ECU/100 kg)

in the Member States from 1991 to 1993

	1991	1992	1993 (forecast)
Belgique/België	339,770	340,221	286,5
Danmark	238,819	219,588	204,1
Deutschland	259,765	272,900	258,8
Ellas	387,217	172,677	313,4
Espana	305,298	329,169	284,5
France	293,738	284,911	276,6
Ireland	226,881	204,679	204,9
Italia	383,129	339,908	291,0
Nederland	297,694	290,712	278,3
Portugal	306,028	325,071	306,3
United Kingdom	192,676	224,487	227,9
E.C.	268,634	277,383	258,4

Community average market prices
ovins abattus - geschlachtete laemmer - slaughtered lambs

(ECU/100Kg)



(01 = 1st week in January)

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