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on the future of the sheep/lamb and goat sector in Europe
(2007/2192(INI))

Committee on Agriculture and Rural Development

Rapporteur: Liam Aylward

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
EXPLANATORY STATEMENT	7

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the future of the sheep/lamb and goat sector in Europe (2007/2192(INI))

The European Parliament,

- having regard to the study 'The future of the sheepmeat and goatmeat sectors in Europe' commissioned by The European Parliament,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A6-0000/2008),
- A. whereas the sheep and goat sectors in the EU are important traditional farming enterprises that support the livelihood of thousands of producers, thereby serving to underline its socio-economic contribution in rural areas of the EU,
- B. whereas sheep and goat farming play a key environmental role that includes the natural upkeep of less fertile areas and the preservation of sensitive eco-systems,
- C. whereas the sheep and goat sectors in the EU, which are concentrated in less favoured areas, are witnessing a critical decline in production and an exodus of producers,
- D. whereas the sheep and goat sectors in the EU are characterised by low producer incomes, falling domestic production and declining consumption and are exposed to increasing international market competition,
- E. whereas the systems of sheep and goat production in Northern and Southern Europe are significantly different,
- F. whereas EU lamb does not have meaningful access to the EU agricultural promotion budget and is in need of a sustained promotional campaign to develop consumer preference,
- G. whereas the upcoming Common Agricultural Policy (CAP) 'Health Check' provides the opportunity to address the relevant policy instruments and CAP support for the sheep and goat sectors,
1. Acknowledges the urgent need for action to be taken by the Commission and the EU Council of Agriculture Ministers to halt the decline in sheep and goat production in Europe and advocates the maintenance of these traditional, eco-friendly farming enterprises and a Community supply base of EU lamb;
 2. Notes the Commission's intention to review policy instruments where it has been demonstrated that decoupling has had a negative impact; welcomes the further reference to this specific issue in the context of the recently published European Commission

communication – Preparing for the "Health Check" of the CAP reform¹;

3. Calls on the Commission and the EU Council of Agriculture Ministers to direct additional financial support as a matter of urgency to the EU sheep and goat producers in order to retain a critical mass of sheep and goat production in the EU; calls on the Commission and the EU Council of Agriculture Ministers to restructure the future financing of these sectors as part of the CAP Health Check through the implementation of a variety of measures, giving each Member State the flexibility of choosing from the following possible financing options:
 - Introduction of a new Environmental Sheep Maintenance Scheme per ewe to be either a) financed directly by National Government funding or b) co-financed by EU and National Governments to arrest the decline in production, linked to the positive environmental attributes associated with the maintenance of sheep production as well as achieving improvements in technical and quality areas of production,
 - Analysis of the availability and utilisation of unused funds under Pillar 2 of the Common Agricultural Policy with a view to redirecting this support to the sheep and goat sectors,
 - Amended Article 69 of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001² as proposed by the Commission CAP Health Check Communication, to provide flexibility for Member States,
 - The use of Modulation support as referenced under Regulation (EC) No 1782/2003 to sheep and goat producers;
4. Calls on the Commission to introduce an additional payment for traditional mountainous breeds in order to preserve sheep in sensitive areas, to be either a) financed directly by National Governments or b) co-financed by EU and National Governments;
5. As part of the simplification process in the review of the CAP Health Check, calls on the Commission to allow 14 days' notice to livestock farmers for on-farm cross-compliance inspections;
6. Notes that the return to the producer for sheepmeat products as a percentage of the retail price is insufficient;
7. Calls on the Commission and the EU Council of Agriculture Ministers to review the

¹ COM (2007)722

² OJ L 270, 21.10.2003, p. 1. Regulation as last amended by Commission Regulation (EC) No 1276/2007 (OJ L 284, 30.10.2007, p. 11.)

introduction of an electronic identification system for sheep intended for 31/12/2009 due to the difficulty in implementation, high costs and unproven benefits; asks that each Member State be allowed the discretion of introducing this system on a voluntary basis;

8. Calls on the negotiating team for the European Union at the World Trade Organization talks to reduce the scale of the proposed tariff cuts on sheepmeat and to ensure that the option of sensitive product status for certain sheepmeat lines be available to the EU;
9. Calls on the Commission to review existing import quota management regimes to ensure that domestically produced lamb is not exposed to unfair competition;
10. Calls on the Commission to introduce a mandatory EU labelling regulation system for sheepmeat products, which would have an EU wide logo to allow consumers to distinguish between EU products and those from third countries, which would be underwritten by a number of criteria including a farm assurance scheme and a country of origin indication, ensuring that consumers are fully aware as to the point of origin of the product;
11. Calls on the Commission to increase the current annual EU Food Promotion Budget, which is valued at €45 million for 2008 and to ring fence funding for EU lamb and to change, simplify and streamline the practical rules governing the operation of the budget so that lamb products can be given meaningful access to the budget;
12. Calls on the Commission to co-ordinate promotional campaigns for PGI (Protected Geographical Indication) and PDO (Protected Designation of Origin) sheepmeat and goatmeat products and target the relevant Member States in order to maximise consumption;
13. Calls on the Commission to provide assistance in opening export markets for EU sheepmeat and offals in countries where unnecessary restrictions currently apply;
14. Calls on the Commission to include lamb in the "second programme of Community action in the field of health (2008-13)"¹ in order to promote the health and protein benefits of lamb to consumers, particularly to young people who are low consumers of lamb products;
15. Calls on the Commission to support innovation in the 'small ruminant' industry, concentrating on both technical innovation for farms and product innovation with regard to lamb, cheese and by-products such as wool and pelts, known as the fifth quarter, where the financial return is almost negligible at present;
16. Stresses the need to improve the availability of medicinal and veterinary products for the sheep and goat sectors at a European level through the simplification of marketing authorisations;
17. Calls on the Commission to publish a price series on retail, wholesale, processor and producer prices for each Member State on the internet every three months to ensure more

¹ OJ L 301, 20.11.2007, p. 3.

price transparency within the European sheep sector;

18. Calls on the Commission and the Presidency of the Council to set up an implementation task force to oversee the practical reform of the sheep and goat sectors in the EU and to ensure that this implementation task force reports to the European Parliament Agriculture Committee and the EU Council of Agriculture Ministers every six months for the next two years on the policy changes that it is enacting; notes that this implementation task force should be comprised of key officials from the European Commission and from the countries representing the four forthcoming Presidencies of the EU;
19. Instructs its President to forward this resolution to the Council and Commission and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

Introduction

The sheep and goat sectors in Europe are at a critical stage. Urgent measures need to be taken at EU level to preserve sheep and goat farming on an economically sustainable basis. The structural decline in the production of sheep and goats has significantly accelerated since the 2003 CAP reform. Sheep and goat farming is a labour intensive activity that requires specific skills. Unfortunately, there is a lack of technical services and training in the sectors. Incomes are very low compared to other farm enterprises and depend to a large extent on public support.

These sectors are experiencing increasing costs, particularly as regards fuel, electricity and feed, which will be further increased with the proposed introduction of electronic identification in 2010. The age profile of sheep and goat farmers is much older than in other agricultural sectors and it is increasingly difficult to attract young farmers to the business. There is high competition for land, particularly in the context of high prices for cereals. Processing enterprises are especially challenged, with difficulties as regards investment and the lack of a qualified workforce. The competitive pressure from third country imports has increased.

It is estimated that a lack of action will result in a decrease in the production of sheepmeat and goatmeat of at least 8% to 10% by the year 2015. Against the backdrop of rising food prices we cannot allow such a decline to occur and we must maintain a security of supply within the EU. The imminent 'Health Check' of the CAP provides a timely opportunity to review the sheep and goat sectors and implement proposals before it is too late.

Main issues raised by Rapporteur

Environment

Sheep and goat farming play a key environmental role that includes the natural upkeep of less fertile areas, the maintenance of biodiversity, sensitive ecosystems and water quality, the fight against erosion, floods, avalanches and fires. Typically, sheep and goat farming take place in less favoured areas, where such farming is very often the only agricultural option and which therefore makes a crucial contribution to the economy in rural areas within the EU.

Producer income support

Farm incomes in the sheep and goat sectors are amongst the lowest in the agricultural industry and the financial support received falls well behind that of other more profitable agricultural sectors.

The Common Agricultural Policy has failed the sheep and goat sectors and this has led to a substantial fall in production. The 'decoupling' package introduced in the CAP Reform 2003 has contributed to this decline in production. The forthcoming CAP Health Check must direct additional financial support to sheepmeat and goatmeat production taking into account the different models that exist in Member States. It must be noted that a 'no-one-fits-all' solution in terms of the future financing of the sheep and goat sectors can apply in an equal way in each Member State in the EU.

Electronic tagging

The European Commission intends to introduce compulsory implementation of an electronic identification system for sheep on 31/12/2009. This is a huge issue for the entire sheep sector. At a time when the sector is in an economic crisis, this proposal will burden producers with additional costs. Furthermore, the benefits of electronic tagging have yet to be proven.

The Rapporteur therefore proposes allowing each Member State the flexibility of introducing this identification system on a voluntary basis, given the fact that in most countries in the EU there are already adequate identification systems in place to deliver the requirements for traceability and animal health.

Sheepmeat imports

Imports in excess of 20% of EU lamb consumption have a significant bearing within the EU market place. It is acknowledged that third country lamb imports play an adjusting role, given the current EU deficit. However, given that lamb imports will continue to contribute a major part of overall EU supply, efforts must be made to ensure that lamb imports supplement the EU supply without inhibiting the ability of the EU supply to develop. It is clear that the higher costs of production carried by EU lamb put the domestic product at a competitive disadvantage compared to the imported product. This imbalance is all the more obvious given that imports are concentrated mainly in two sensitive periods in the European calendar i.e. Easter and Christmas.

Decrease in the consumption of sheepmeat

Consumption has dropped as a result of lower availability and the relatively high price of sheepmeat. Consumers of sheepmeat essentially belong to higher age groups, with above-average income. In contrast, the penetration rate of the product and the number of consumers below 35 years of age are considerably smaller. Factors such as consumer age profile, consumer perception and price relative to other proteins significantly affect potential levels of lamb consumption. The key to securing a sustainable future for the sheepmeat sector will be strategies aimed at recovering consumption levels across the Community.

Marketing of lamb

In order to generate lamb consumption, a number of measures need to be adopted. It is recognised that there is a need for innovation in the communication of the message to consumers. Younger customers, who are low consumers of lamb, need to be targeted emphasizing the convenience, quality and health aspects of the product, with the core

objective of increasing consumption but also adding value to EU lamb. The French, Irish and British food promotion agencies are currently conducting a joint generic promotional campaign to increase lamb consumption in France. This may lay the basis for future marketing campaigns in other EU Member States.

Domestically produced lamb must have access to the EU fund for the promotion of agricultural products, which is valued at €45 million for the year 2008, but in the majority of EU countries, the sheep and goat sectors are not utilising European Promotion programmes under EU Regulation 1257/1999 (superior quality products labelled at a national level) and EU Regulation 1171/2005 (products bearing European official quality marks). The reason for this is that the rules governing these regulations are too restrictive and must have a national quality label or a European quality mark, such as PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed).

The Rapporteur calls on the European Commission to simplify these regulations giving the sheep and goat sectors real access to this budget. The existing EU fund for the promotion of agricultural products needs to be increased and a proportion of this fund allocated to the sheepmeat sector. He also recommends that PGI/PDO campaigns be co-ordinated for sheep and goat products to target certain EU countries so as to increase consumption.

Labelling

At present there is no EU legislation dealing with the issue of origin labelling for the sheepmeat sector. As a result there are many different labelling techniques in operation within the EU for sheep products. In order to promote EU preference amongst consumers and also to justify supporting the promotion/marketing of sheepmeat, consumers would need to be convinced on the basis of food security, indigenous EU production and traditional methods of production.

The Rapporteur believes that consumers should be given maximum information about the origin of the product which they purchase so that they can make informed purchases. In this regard he proposes that an EU logo be developed for sheepmeat products, which would be underwritten by a number of criteria including a farm assurance scheme and a country of origin indication, thus ensuring that consumers are fully aware as to the point of origin of the product.

Support for innovation

Innovation in product development has the potential to be the key to making sheepmeat more attractive to younger generations of consumers. Such innovation should focus on the imbalance between the cuts currently demanded by the consumer and the cuts arising from the whole carcass. There has to date been some success in attracting the younger consumers through offering a versatile range of cuts, a wider range of portion sizes, packaging and a consistent quality product, indicating that lamb should not be abandoned as a lost cause as far as the market is concerned but rather could flourish with support in developing innovation on products, packaging and processes.

At present, the amount of financial return on wool and pelts (the so called fifth quarter) is

insignificant. The value could be increased by developing new uses such as highly efficient and ecological thermal insulating material.

Market access

At the moment, there are restrictions governing EU exports of sheepmeat products into countries such as South Africa, Algeria, Saudi Arabia, China, and Mexico. It would be of positive significance to the industry if the European Commission were to provide assistance in opening non EU export markets for sheepmeat products in countries where unnecessary restrictions apply at present.

Consultation

Ernst and Young Government services together with the French Livestock Institute, carried out a study entitled 'The future of the sheepmeat and goatmeat sectors in Europe', which was commissioned by The European Parliament. This study analysed the characteristics of these sectors and made a series of recommendations. Ernst and Young presented their findings to a meeting of the European Parliament Agriculture Committee on February 26th 2008.

The Rapporteur carried out widespread consultation in the preparation of this report including meetings with the EU Commissioner for Agriculture and Rural Development, the Slovenian Minister for Agriculture, the French Minister for Agriculture together with Agriculture Ministers from Poland, Lithuania, Ireland and Council representatives from the UK, Spain, Italy, France, Latvia, Romania, Bulgaria and Germany. He consulted extensively with EU farming groups, EU business groups, EU consumer groups and with representatives from the EU lamb processing sector as well as with representatives of the sheepmeat sector in Australia and New Zealand. He also consulted with the relevant officials from the Directorates of the European Commission, who deal with Agriculture and Rural Development and Public Health matters.

The Rapporteur hosted a lamb promotion evening in the European Parliament on December 4th 2007 sponsored by Eblex (English Beef and Lamb Executive), Bord Bia (Irish Food Agency) and Interbev (French Livestock Association) which brought together 200 representatives from EU farming groups, EU lamb processors, consumer representatives from the 27 EU Member States, the EU Agriculture Commissioner, the President of the European Parliament, the Chairman of the Agriculture Committee of the European Parliament, MEPs and representatives from Agriculture policy units of the European Commission and from the European Permanent Representations.

Conclusion

The long-term sustainability of sheep and goat production in the EU on a professional scale is more under threat than ever. Despite a production deficit of sheepmeat in the EU, the sheep flock continues to fall and the demand is weak. The last CAP Reform 2003, introducing the decoupling of direct payments has accelerated the contraction of the sheep and goat sectors. Sheep and goats are located primarily in less favoured areas and play a critical environmental

role in the natural upkeep of these areas as well as making a huge socio-economic contribution to disadvantaged areas.

Many producers are exiting the sheep and goat sectors due to economic difficulties, high labour requirements and an older age profile. There is increased pressure from third country imports. This is on top of unnecessary restrictions which apply to EU sheepmeat exports into certain third countries.

The Rapporteur asks for urgent action to be taken at EU level to safeguard the sheep and goat sectors, including producer income support, electronic identification to be brought in on a voluntary basis, marketing measures to generate consumption, EU labelling scheme to give EU consumers maximum information about the origin of their purchases and support for innovation. He has called for the setting up of an EU implementation task force to ensure that the specific measures recommended in this report are enacted over the next two years, thereby securing the future of the sheep and goat sectors in Europe.