

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0340/2001

11 October 2001

REPORT

on the proposal for a Council regulation on the common organisation of the
market in sheepmeat and goatmeat
(COM(2001) 247 – C5-0214/2001 – 2001/0103(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Gordon J. Adam

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

CONTENTS

	Page
PROCEDURAL PAGE	4
LEGISLATIVE PROPOSAL	5
DRAFT LEGISLATIVE RESOLUTION.....	11
EXPLANATORY STATEMENT	12
OPINION OF THE COMMITTEE ON BUDGETS	18

PROCEDURAL PAGE

By letter of 29 May 2001 the Council consulted Parliament, pursuant to Article 36 and 37 of the EC Treaty , on the proposal for a Council regulation on the common organisation of the market in sheepmeat and goatmeat (COM(2001) 247 - 2001/0103 (CNS)).

At the sitting of 31 May 2001 the President of Parliament announced that she had referred this proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0214/2001).

The Committee on Agriculture and Rural Development had appointed Gordon J. Adam rapporteur at its meeting of 29 May 2001.

The committee considered the Commission proposal and draft report at its meetings of 9 July, 12 September and 10 October 2001.

At the last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Friedrich-Wilhelm Graefe zu Baringdorf, chairman; Joseph Daul, Vincenzo Lavarra, Encarnación Redondo Jiménez, (vice-chairmen); Gordon J. Adam, rapporteur; Danielle Auroi, María del Pilar Ayuso González, (for Francesco Fiori), Giorgio Celli, Alejandro Cercas, (for Bernard Poignant), Arlindo Cunha, Avril Doyle, (for Michl Ebner), Jonathan Evans, (for Neil Parish), Christel Fiebiger, Georges Garot, Lutz Goepel, Liam Hyland, (for Sergio Berlato), Elisabeth Jeggle, Salvador Jové Peres, Heinz Kindermann, Dimitrios Koulourianos, Astrid Lulling, (for Agnes Schierhuber), Xaver Mayer, Mikko Pesälä, Michel Raymond, María Rodríguez Ramos, Dominique F.C. Souchet, Struan Stevenson, Eurig Wyn, (for Carlos Bautista Ojeda), Marie-Arlette Carlotti (for Willi Görlach pursuant to Rule 153(2)), Paulo Casaca (for António Campos pursuant to Rule 153(2)).

The opinion of the Committee on Budgets is attached.

The report was tabled on 11 October 2001.

The deadline for tabling amendments is 12 noon on Thursday, 18 October 2001.

LEGISLATIVE PROPOSAL

Proposal for a Council regulation on the common organisation of the market in sheepmeat and goatmeat (COM(2001) 247 – C5-0214/2001 – 2001/0103(CNS))

The proposal is amended as follows:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1

Considérant 1bis (nouveau)

(1a) The Community is far from self-sufficient in sheepmeat, and the extremely unfavourable structure of the age pyramid of producers shows that there will be an inevitable fall in the rate of self-sufficiency in the next few years, which will bring with it a significant reduction in the budgetary cost of the COM.

Justification

In the major sheepmeat and goatmeat producing Member States, the proportion of producers aged over 60, or aged over 50 with no successors, is extremely high. When these producers retire, only a very small part of their flocks will be taken over, and we therefore need to anticipate a significant fall in the Union's domestic production and the corresponding budgetary costs.

Amendment 2

Considérant 3bis (nouveau)

(3a) Measures are required to guarantee and improve the production of quality sheepmeat and goatmeat. This quality production should be based on environmentally friendly production methods, traceability allowing efficient identification of the movement of sheep and goats, and labelling providing consumers with adequate information.

¹ OJ C 213 of 31.7.2001, p. 275

Justification

Self-explanatory.

Amendment 3

Considérant 8

(8) In order to avoid ***encouraging*** production and increased expenditure it is appropriate to ***maintain*** individual ceilings for producers. The total number of premium rights of each Member State should be fixed on the basis of levels already established.

(8) In order to avoid ***discouraging*** production and increased expenditure it is appropriate to ***allow Member States the greatest possible freedom in managing*** individual ceilings for producers. The total number of premium rights of each Member State should be fixed on the basis of levels already established.

Justification

In the terms of Article 33 of the Treaty, when there is a production deficit in the Community, it is not a question of avoiding encouraging production, but of supporting it.

Amendment 4

Considérant 13bis (nouveau)

(13a) Following the adoption of Regulation EC No 1257/99, the regulation of producers' organisations should be achieved by specific regulations for each production sector, and it is therefore logical to regulate sheepmeat and goatmeat.

Justification

In the interests of concentrating supply and organising the industry.

Amendment 5

Considérant 14

(14) Trade arrangements, in combination with price arrangements, premiums and intervention arrangements and containing a system of import duties, should serve to stabilise the Community market.

(14) Trade arrangements, ***including Community control and management of imports and in particular ‘chilled products’***, in combination with price arrangements, premiums and intervention arrangements and containing a system of import duties, should serve to stabilise the Community market.

Justification

To restore parity with other sectors, in particular suckler cows, as requested by the Commission’s own Consultants’ Report.

Amendment 6

Considérant 14a (nouveau)

(14a) The Commission will formulate and finance an active promotion campaign for sheepmeat.

Justification

To promote market development and increase consumption.

Amendment 7

Considérant 16

(16) In order to prevent or counteract adverse effects on the market in the Community due to the importation of certain agricultural products, the importation of one or more of these products must be subject to additional import duties if certain conditions are fulfilled.

(16) In order to prevent or counteract adverse effects on the market in the Community due to the importation of certain agricultural products, the importation of one or more of these products, ***and in particular ‘chilled products’***, must be subject to additional import duties if certain conditions are fulfilled, ***not least the timing of such imports.***

Justification

To prevent serious market disruption for EU producers during sensitive production periods.

Amendment 8
Considérant 26bis (nouveau)

(26a) With a view to quality production, conservation, and protection and management of ovine and caprine livestock, the Member States should, where appropriate, set up a national training structure specialising in goat and sheep rearing.

Justification

In the interests of food safety and quality production, specialised training for producers is essential.

Amendment 9
Article 2, paragraphe 1 lettre (c)

(c) measures to improve quality;

(c) measures to guarantee and improve the production of quality sheepmeat and goatmeat;

Justification

Community provisions must aim at quality production.

Amendment 10
Article 2, paragraphe 1 lettre (c)bis (nouveau)

(ca) measures to ensure action to promote quality sheepmeat and goatmeat, and provide consumers with the relevant information, pursuant to the provisions of Council Regulation No 2826/2000.

Justification

Measures are required to promote quality sheepmeat and goatmeat at European level, so as to enhance nutritional value, food safety and quality.

Amendment 11

Article 3

(a) producer shall mean an individual farmer, whether a natural or a legal person or group of natural or legal persons, irrespective of the legal status conferred by national law on such a group or its members, whose holding is located in Community territory and who is engaged in rearing ovine or caprine animals,

(b) holding shall mean all production units managed by the producer and located within the territory of a single Member State,

(a) *ewe* shall mean any female of the ovine species which has lambed at least once or is aged at least one year,

(c) *ewe* shall mean any female of the ovine species having lambed at least once or aged at least one year,

(b) *she-goat* shall mean any female of the caprine species which has kidded at least once or is aged at least one year

(d) *she-goat* shall mean any female of the caprine species having kidded at least once or aged at least one year.

Justification

It is important to define better what is meant by “producer” and “holding”, linking these definitions with the main IACS definitions.

Amendment 12

Article 4, point 4

4. Per ewe, the amount of the premium shall be EUR **21**. **However** for producers marketing sheep's milk or products based on sheep's milk the ***premium per ewe shall be EUR 16,8.***

4. Per ewe, the amount of the premium shall be EUR **30**. For producers marketing sheep's milk or products based on sheep's milk the ***same amount shall apply.***

Justification

Producers marketing sheep's milk receive a premium equivalent to 80% of the full premium.

This should be 100% for three main reasons. Firstly, sheep milk producers as a rule have higher production costs, particularly during the lactation period. Secondly, the income generated by selling the meat of the ewes is considerably less than that from normal sheep, since they are smaller. Thirdly, the equalisation of the premiums enormously simplifies their

application and control.

As for the EUR 30 premium, the intention is to correct an unjustifiable disparity between the treatment of cows and sheep. This amount is still below what it should be if it were calculated proportionally against the premium granted for dairy cows.

Amendment 13

Article 4, point 5

5. Per she-goat the amount of the premium shall be EUR **16,8**.

5. Per she-goat the amount of the premium shall be EUR **30**.

Justification

Goat premiums are currently 80% of sheep premium, making them equivalent to suckler sheep.

This amendment seeks to keep the goat premium at the same level as the suckler sheep premium, which it is proposed to keep identical for all types of animals. The justifications are basically the same, with the further factor that goat production is concentrated in particularly poor regions and numbers are falling.

Amendment 14

Article 5, point 1

1. ***In areas where there are practically no alternatives to sheep or goat production a supplementary premium shall be paid.*** Member States shall define these areas. In any event the supplementary premium shall only be granted to a producer whose holding has at least 50% of its area used for agriculture situated in less-favoured areas defined pursuant to Regulation (EC) No 1257/1999.

1. ***A supplementary premium shall be paid to producers in areas where there are practically no alternatives to sheep or goat production or where it is a traditional activity or makes a significant contribution to the rural economy.*** Member States shall define these areas. In any event the supplementary premium shall only be granted to a producer whose holding has at least 50% of its area used for agriculture situated in less-favoured areas defined pursuant to Regulation (EC) No 1257/1999.

Justification

The condition introduced by the Commission on the granting of this aid only in areas where there are practically no alternatives to sheep or goat production is unworkable and should be modified.

Amendment 15

Article 5, point 3

3. The amount of the supplementary premium shall be set at EUR 7 per ewe and per she-goat. The supplementary premium shall be granted under the same conditions as those laid down for the grant of the ewe and goat premium.

3. The amount of the supplementary premium shall be set at EUR 9 per ewe and per she-goat. The supplementary premium shall be granted under the same conditions as those laid down for the grant of the ewe and goat premium.

Justification

In order to improve cohesion with less-favoured regions, the increase in the supplementary premium should be somewhat higher than that in the premium for ewes and she-goats.

Amendment 16

Article 6

Premiums shall be paid to recipient producers on the basis of the number of ewes and/or she-goats kept on their holding over a minimum period to be determined in accordance with the procedure referred to in Article 24(2).

Payments shall be made as soon as the inspections provided for in Council Regulation (EEC) No 3508/92 establishing an integrated administration and control system for certain Community aid schemes are carried out but not earlier than 16 October of the calendar year in respect of which they are applied for, and not later than **30 June** of the following calendar year.

Premiums shall be paid to recipient producers on the basis of the number of ewes and/or she-goats kept on their holding over a minimum period to be determined in accordance with the procedure referred to in Article 24(2).

Payments shall be made as soon as the inspections provided for in Council Regulation (EEC) No 3508/92 establishing an integrated administration and control system for certain Community aid schemes are carried out but not earlier than 16 October of the calendar year in respect of which they are applied for, and not later than **31 March** of the following calendar year.

Justification

As an advance is no longer to be paid, the payment should be brought forward.

Amendment 17

Article 6, paragraphe 2bis (nouveau)

2a. Compensation for extensification will be calculated on the same basis (livestock units) as other livestock enterprises.

Justification

To restore parity with other sectors.

Amendment 18

Article 6, paragraphe 2bis (nouveau)

2a. Member States may decide, in the case of a producer who has reduced the stocking density of his holding to comply with the conditions of an extensification programme, to pay the amounts of the payments referred to in Articles 4 and 5, on the basis of the individual rights held by the producer, where they exceed the number of eligible animals. Member States shall establish objective criteria for making use of this provision. These should include a minimum stocking level relevant to the holding and prevent additional cattle holdings or grain production.

Justification

This provision would encourage producers to focus on market-related issues and the agreed environmental objectives. (This replaces the previous Amendment 5 by the rapporteur).

Amendment 19

Article 6, paragraphe 2bis (nouveau)

2a. Member States should have the right, where the necessary controls and traceability measures are in place, to allow an application period for the payments referred to in Articles 4 and 5 of 50 days. The applicant must retain the number of animals applied for on his holding for 100 days, commencing on the date of receipt of their application.

Justification

This measure is proposed to prevent the adverse effect on markets that is caused by large volumes of ewes, particularly year-old ewes (hoggets), emerging for sale at the end of the single retention period. The effect on the early lamb market, which is often severe, impacts right through the season.

Amendment 20

Article 6, paragraphe 2 bis (nouveau)

2a. For the purposes of calculation for the cattle extensification premium, the first 15 livestock units of ewe/she-goat should be excluded from consideration.

Justification

This measure is necessary to restore a degree of balance and equity between the various livestock sectors. It will also aim to prevent a further exodus from sheep production on mixed farms.

Amendment 21

Article 9 paragraph 2a (new)

Member States may acquire premium rights from producers who agree on a voluntary basis to surrender their rights in whole or part. Compensatory payments may be made to such producers. Premium rights transferred under this provision shall be placed in the national reserve of each Member State.

Justification

This provision would help producers who wish to retire from farming and provide an additional means of encouraging producers to reduce the size of their breeding flocks where this would be appropriate.

Amendment 22

Article 6, paragraphe 2ter (new)

2b. Member States may make payments in advance of 16 October from their national resources in agreement with the Commission. This would subsequently be reimbursed from European Union funds.

Justification

A new (3d) paragraph. Self-explanatory.

Amendment 23
Article 7

The amounts of the premia may be changed in the light of developments in production, productivity and the markets, in accordance with the procedure laid down in Article 37(2) of the Treaty.

The amounts of the premia may be changed in the light of developments in production, productivity and the markets, in accordance with the procedure laid down in Article 37(2) of the Treaty. ***In that case, the Commission shall submit a new proposal to the budgetary authority, which shall consider its financial consequences and its compatibility with the current ceiling of the Financial Perspective.***

Justification

The amount proposed for the new CMO should be compatible with the ceiling and other activities financed under subheading 1a of the Financial Perspective. If other amounts were to be proposed by the legislative authority, the budgetary authority would need to be consulted again. In this case, the Committee on Budgets would consider the impact on the ceiling of the current Financial Perspective.

Amendment 24
Section 4 article 10 paragraph 3

Member States shall use their national reserves for allocating, within the limits of those reserves, premium rights in particular to newcomers, young farmers and other priority producers.

Member States shall use their national reserves for allocating, within the limits of those reserves, premium rights in particular to newcomers, young farmers and other priority producers. ***Once the demands of priority producers have been met, Member States may retain premium rights in their national reserves.***

Justification

See amendment 6

Amendment 25

Article 10bis (nouveau)

1. Member States shall, on a yearly basis, make additional payments to producers in their territory). Such payments shall be made according to objective criteria including, in particular, the relevant production structures and conditions, and in such a way as to ensure equal treatment between producers and to avoid market and competition distortions. Moreover, such payments shall not be linked to fluctuations of market prices.

2. Additional payments may be made in the form of headage payments (Article 10b) and/or area payments (Article 10c) and should not exceed 5 € per head.

Justification

Within the Union, the average incomes of sheep and goat farmers are, as a whole, the weakest in the entire agricultural world. However, sheep and goat farming is essential to a large number of stockbreeders and of regions located in frequently difficult terrain. It is therefore essential to increase the total level of support to the sector. A supplementary payment, added to the current premiums (premium for ewes and she-goats, supplementary premium), in the form of a flexibility (or national) fund, shared out on the basis of headage and/or area, as currently practised within the COM in beef and veal, would enable the Member States to improve their producers' incomes in terms of their production guidelines and specific problems. At Community level, the allocation of these payments would be decided on the basis of exact and specific criteria. The maintenance of a maximum number of highly diversified stockbreeding production units throughout Europe is in perfect accord with the European model of multipurpose farming based on sustainable development.

The wording is taken from Article 14 of the beef and veal regulation No 1254/1999.

() Note on layout*

Amendments 25 to 30 will need to go into a new section (as in the beef and veal regulation), namely Section 2 Supplementary Payments.

This means that in Chapter 1, Direct Payments, we need to have a Section 1: Premiums, and then turn the present Sections into subsections, namely Subsection 1: ewe and she-goat

premium; Subsection 2: Supplementary premium; Subsection 3: Common provisions; Subsection 4: Individual limits.

Amendment 26

Article 10ter (nouveau)

1. Headage payments may be granted for:

(a) suckler sheep

(b) dairy sheep

(c) she-goats

2. Headage payments may be granted as supplementary amounts per premium unit for maintaining sheep flocks, unit premium for maintaining herds of goats, or supplementary unit premium.

The grant of headage payments shall be subject to specific requirements taking particular account of the environmental impact of the type of production concerned, the environmental sensitivity of the land used for breeding sheep and goats and the measures which have been implemented with a view to stabilising or improving the environmental situation of this land.

Payments may be allocated to holdings which change over to extensification. They may also go to areas suffering from environmental restrictions (predators such as wolves or bears; fragile ecosystems; sheep and goat rearing requiring flocks and herds to be moved for transhumance purposes), or to holdings which subscribed to agri-environmental programmes.

Payments may, finally, be granted to farms committed to quality production (organic farming, certificates of compliance, registered designations of origin, etc.), and farms committed to organising production and markets by setting up producers' groups.

Justification

See justification to amendment 25.

For area payments, the maximum subsidy ceiling equivalent to that in the COM in beef and veal would be appropriate, namely EUR 350.

Part of the wording is taken from Article 15 of the COM in beef and veal regulation No 1254/1999.

Amendment 27

Article 10quater (nouveau)

1. Area payments shall be granted per hectare of permanent pasture:

(a) which is available to a producer during the calendar year concerned,

(b) in respect of which no payments under the support system laid down for producers of certain arable crops, under the aid system for dried fodder and under Community aid schemes for other permanent or horticultural crops are claimed in the same year.

2. The area of permanent pasture for which area payments may be granted shall not exceed the relevant regional base area.

Regional base areas shall be established by Member States as the average number of hectares of permanent pasture available for rearing sheep and goats during the years 1998, 1999 and 2000.

3. The maximum area payment per hectare which may be granted, including the payments pursuant to Article 17 of Regulation 1254/1999 and Article 19 of Regulation 1255/1999 shall not exceed euro 350 for the calendar year.

Justification

See justification to Amendment 25.

Wording taken from the COM in beef and veal Regulation 1254/1999, Article 17.

Amendment 28

Article 10quinquies (nouveau)

Before 1 October 2002, Member States shall provide the Commission with detailed information on their national arrangements concerning the granting of additional payments. Any changes to these arrangements shall be communicated to the Commission not later than one month after their adoption.

Justification

Member States are under an obligation to inform the Commission when implementing additional payments.

Wording taken from Article 18 of the COM in beef and veal Regulation 1254/1999.

Amendment 29

Article 10sextius (nouveau)

Before 30 June 2006, Member States shall submit to the Commission detailed reports on the implementation of this section.

Before 31 December 2006, the Commission shall evaluate the implementation of this section and examine the distribution of Community funds between Member States as provided for in Annex 3, taking account of, in particular, the development of the Member States' shares in Community production. If necessary, the Commission shall make appropriate proposals to the Council.

Justification

See Amendment 25.

So as to assess the effects of additional payments, an assessment report needs to be drawn up after several years of implementation. The deadline corresponds to the end of Agenda 2000.

Wording taken from Article 19 of the COM in beef and veal Regulation 1254/1999.

Amendment 30
Article 10septies (nouveau)

Detailed rules of application of this section shall be adopted by the Commission in accordance with the procedure laid down in Article 24(2).

Justification

See Amendment 25.

The setting-up of additional payments shall be carried out using the traditional management committee procedure.

Wording taken from Article 20 of the COM in beef and veal Regulation 1254/1999.

Amendment 31
Article 11bis (nouveau)

11a. A safety net shall be set up to deal with price crises within the EU, with income compensation automatically coming into effect for the stockbreeders affected.

Justification

This provision is essential in the current BSE crisis. The sheep and goat sector could not survive a similar situation, given the current precarious situation of these producers' incomes.

Amendment 32
Article 12bis (nouveau)

12a. The Commission shall, within this COM, encourage the setting-up and development of producer groups within the sheepmeat sector.

Justification

Producer groups can have a positive effect on implementing product quality and safety policies, traceability, care for the environment and animal health. The COM should therefore

strengthen the role of such groups.

Amendment 33

Article 14, paragraphe 1bis (nouveau)

1a. Import quotas on imports into the Community should be divided on a monthly basis. Consideration must also be given to the volume of each type of product.

Justification

This amendment aims to prevent markets being depressed due to massive volumes of imports which are strategically targeted at critical periods for Community producers such as Easter.

Amendment 34

Article 20, paragraphe 1

1. When a substantial rise or fall in prices is recorded on the Community market and this situation is likely to continue, thereby disturbing or threatening to disturb the market, the necessary measures ***may*** be taken in accordance with the procedure referred to in Article 24(2).

1. When a substantial rise or fall in prices is recorded on the Community market and this situation is likely to continue, thereby disturbing or threatening to disturb the market, the necessary measures ***must*** be taken in accordance with the procedure referred to in Article 24(2).

Justification

There is very little intervention in the sheepmeat sector. Authorised, but little used and ineffective, is aid to private stocking only. Stockbreeders may therefore find themselves in extremely weak position when faced with market tensions. Having specific Community level action available whenever crises appear would therefore be useful to help producers overcome such crises at any time.

Amendment 35

Article 20, paragraphe 1bis et ter

1a. Safety-net arrangements shall be made so that compensation for loss of revenue suffered by producers will be

automatically paid should a crisis render the sector even more vulnerable

1b. The Council shall adopt the implementing arrangements for these Articles.

Justification

Recent experience has shown that serious crises affecting either demand or supply can destabilise markets and place stockbreeders in a tragic situation; the safety-net or insurance system allows a solution to be found which fully respects our international commitments.

Amendment 36

Article 20, paragraphe 2bis (nouveau)

2a. The Commission shall, within a reasonable timescale, study the income situation of rearers of ovine and caprine animals, compared with the average income for other sectors, in order to increase the premiums, should this be necessary.

Justification

These producers' incomes are lower than those in other stockbreeding sectors. Moreover, account needs to be taken of the fact that in this sector, there has been no increase in productivity which would allow it to compensate for rising costs. This amendment would allow the current disparity with other sectors to be reduced.

Amendment 37

Article 27bis (nouveau)

Considering the fall in consumption and production of sheep and goat meat, the Commission should draw up proposals for additional marketing promotion. The Commission should do this by July 2002.

Justification

Self-explanatory.

Amendment 38

Article 29

By 31 December 2005, the Commission shall report the Council and Parliament on the environmental consequences of sheep and goat farming in particular with regard to less-favoured areas and the impact of the premium regime. If appropriate the report shall be accompanied by proposals. The report shall take account in particular of reports made by Member States on the implementation of measures provided for under Article 3 Regulation (EC) No. 1259/1999.

By 31 December 2005, the Commission shall report the Council and Parliament on the environmental consequences of sheep and goat farming in particular with regard to less-favoured areas and the impact of the premium regime. If appropriate the report shall be accompanied by proposals. The report shall take account in particular of reports made by Member States on the implementation of measures provided for under Article 3 Regulation (EC) No. 1259/1999. ***The report should also examine the issues of traceability and the various systems of stockbreeding and pasturing. The proposals should be viewed as contributing to a wider reform of the organisation of the market in sheepmeat, which should be envisaged as part of the Agenda 2000 mid-term review.***

Justification

Based on the rapporteur's amendment, the present wording takes better account of systems of extensive stockbreeding and transhumance pasturing, circumventing the risk of the limitation of sheep movement endangering traditional practices in certain Member States.

Amendment 39

Article 29bis (nouveau)

Without prejudice to the provisions of the foregoing Article, the Report shall take account of the information provided by the Member States on the traceability of the movement of sheep and goats. Such information should take account of the various forms of extensive stockbreeding

*and pasturing which existing in the
Member States.*

Justification

The report referred to in Article 29 should refer to traceability, taking account of the various systems of extensive stock breeding and transhumance pasturing as an ecological way of caring for the environment which respects both the consumer and the animals.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the proposal for a Council regulation on the common organisation of the market in sheepmeat and goatmeat (COM(2001) 247 – C5-0214/2001 – 2001/0103(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2001) 247¹),
 - having been consulted by the Council pursuant to Articles 36 and 37 of the EC Treaty (C5-0214/2001),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Budgets (A5-0340/2001),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
 3. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 4. Asks to be consulted again if the Council intends to amend the Commission proposal substantially;
 5. Instructs its President to forward its position to the Council and Commission.

¹ OJ C 213 of 31.7.2001, p. 275

EXPLANATORY STATEMENT

1. INTRODUCTION

- 1.1. Whilst in terms of production it may be the least important of the meat sectors the sheep and goat sector¹ is sensitive for certain regions of Europe. It is particularly important for less-favoured areas (LFA).

However, the rearing of sheep and goats is significant for certain regions of the Community, particularly for less-favoured areas where alternative forms of agriculture are not possible. The survival of communities in some of these areas is dependent on the health of the sector.

On the whole sheep and goat production is an extensive form of farming, which can play an important role in the management of the environment. In many respects sheep farming is a model of multifunctionality, helping to preserve the special landscape in certain regions and contributing through traditional farming methods to the maintenance of the biodiversity of flora and fauna.

- 1.2. The Community average income of sheep and goat producers is generally amongst the lowest of all sectors. This is the particularly the case in Northern Europe, although some South European countries are exceptions to this rule. In Southern Europe sheep are widely used for milk production, which can account for a significant part of the income of the farmer whereas in the North lambs are reared in systems purely devoted to meat production.

Production and consumption patterns also differ from those of other meats. Spain, France, and the UK account for almost 70% of production. Compared to other sectors the consumption of sheepmeat is also not evenly distributed. The highest per capita consumption is in Greece where about 14kgs of sheepmeat per head is eaten each year, compared with about 700 grams in Finland at the other extreme and an average of 4kgs in the EU as a whole.

Production methods differ greatly across Europe. These can range from grain-based feeding systems in some of the most barren areas of Europe in Spain and Greece to the grazing of animals on pastureland in Northern Europe. The type of lamb meat that is produced also varies as a result of the differences in production systems but also as a consequence of consumer preferences.

- 1.3 The regime covers all products of sheep and goats but the trade in the sector, unlike for pigmeat for example, is concentrated on live animals or unprepared meat, fresh, chilled or frozen. Compared to other meats it is not so versatile. This is an important constraint for the sector, given the increasing trend for processed or prepared food.

Another important characteristic of the sheep sector, which differentiates it from most other sectors, is that the Community has a deficit of this product. About 80% of consumption is met by domestic production with the shortfall being filled by imports. A number of third countries have the possibility to import sheep meat into the Community but the most important player is New Zealand.

¹ Production is less than 10% of pigmeat production or around 12% of beef and veal production

- 1.4. The principal support for the sector is the premium granted to sheep and goat producers, which takes the form of a deficiency payment, calculated on the difference between the basic price and the average Community market price.

The methodology for the calculation of the premium is rather complicated. The difference between the basic price, which is fixed by the Council, and the market price is multiplied by a technical coefficient, which expresses the quantity of lamb meat produced on average per ewe.

The basic price, which has remained at the same level since 1994, is not a world price or threshold price but a hypothetical price, the main purpose of which is to provide a basis for the calculation of the premium. Before 1993 a stabiliser was applied to the basic price in cases of an overshoot of the maximum guaranteed level of premiums. When individual quotas were introduced the basic price was reduced by a stabiliser of 7%.

- 1.5. A supplement per ewe and she-goats is also payable to producers in LFA ('Rural World Premium'). Producers of sheep's milk and goat producers receive 80% of the premium and 90% of the Rural World Premium. About 80% of all ewes and she-goats claimed for the premium are in LFA. Claims are limited by individual quotas. In addition to direct payments to producers aid to private storage is also available as a tool for market management.
- 1.6. An evaluation study, which was completed in September 2000, was carried out on behalf of the Commission by independent consultants. The study examined the effect of the regime on the sector in terms of maintaining farmers' incomes, and its impact on production as well as on disadvantaged areas and the environment.

The study concentrated on the premium including its method of calculation (deficiency payment) and the limitations to individual payments to producers (the so-called "quota").

It was concluded that generally speaking the premium has allowed sheep/goat producers to maintain their relative position (with the possible exception of France) but it has not been sufficient to reduce the gap between sheep farms and other farms.

The report also concluded that given the complex mechanism the report concluded that the constituent components used in the calculation are correct but in general the system for arriving at the deficiency payment was considered to be inefficient. The procedures concerning the reporting and collection of prices and the calculation of the technical coefficient came in for particular criticism.

The evaluation study concluded that the Rural World Premium was set at an adequate level to maintain farmers in LFA. However, as LFA farmers also receive other compensatory payments and in some cases structural support, it was difficult to assess the precise impact of the Rural World Premium.

The report identified certain options, which can be summarised as follows:

1. Maintain status quo
2. Improve the accuracy of the present system
3. Simplify the current system.

The evaluation report highlighted the variation in income levels within and between

Member States depending upon system and location. Consequently, it concluded that, when considering ways of simplifying the existing system it may be appropriate to consider retaining some flexibility so as to make differentiated payments possible.

- 1.7. The Commission considered that given the criticisms of the present regime maintaining the status quo was not a realistic possibility and that improving the accuracy of the present system would make a complicated regime even more complicated. It was therefore concluded that the best approach would be to choose the third option and simplify the regime.

2. COMMISSION PROPOSAL

- 2.1. The main modification to the regime contained in the Commission's proposal concerns the ewe premium. In particular it is proposed to replace the deficiency payment by a flat-rate payment.

The level of the premium that is proposed is € 21 with a reduced amount of € 16,8 for sheep farmers who produce sheep's milk and goat farmers. This proposal is based on an average of the levels of premium in recent years and aims to maintain budgetary neutrality. It is proposed to set the supplementary premium for producers in less-favoured areas at € 7 for all producers.

It is proposed that the premium shall be paid in one lump sum rather than in instalments, as at present.

- 2.2. A number of simplifications are also proposed and the Commission envisages that the number of regulations will be reduced and the detailed rules codified and streamlined.

No modification are proposed for some aspects of the regime such as the provisions on individual limits, which would be retained in the same form as at present. However, in the interests of simplification and transparency it is proposed to publish the sum of individual limits per Member State in the regulation.

- 2.3. The Commission also proposes to maintain a lower level of premium for goats and for producers who sell sheep's milk or products made from sheep's milk. The reason put forward by the Commission is that such producers have an additional source of revenue from the dairy side of the enterprise, which sometimes represents a very significant proportion of their income.

It is proposed however, to abolish the provision whereby sheep's milk producers who fatten their lambs may obtain the full premium. The Commission considers that the fattening of stock, whether by a milk producer or by a farmer who only produces animals for meat, should be a commercial matter.

- 2.4. The Commission has proposed that the supplement for producers in less-favoured areas, where sheep farming plays an important role in the local economy, should be fixed at a single rate for all producers. Compared to the present regime, the granting of this supplement is conditional on there being no practical alternative available other than

sheep or goat production.

The proposal also takes account of concerns, which are present in some Member States, on the impact on the environment of the sheep sector. This subject was only briefly examined in the evaluation study and the Commission has therefore undertaken to prepare a report by 31 December 2005 on the matter. In particular it will take account of the experiences of the Member States in the implementation of the horizontal rules on cross-compliance and agri-environmental measures.

Finally, it is proposed that the modification of the sheep and goatmeat regime should be applicable from 1 January 2002.

3. RAPPORTEUR'S COMMENTS

- 3.1 In general terms the proposal is to be welcomed. It is clear and concise and represents a significant simplification compared to the present regime. The increased transparency of the text makes it easier to read and understand. Any temptation to complicate such a straightforward proposal should be resisted.

The replacement of the deficiency payment by a fixed premium is a welcome development. From the budgetary point of view it will result in a greater degree of certainty, as the fluctuations in the premium seen in the past would disappear. This element of certainty will not only be felt as much at the level of the Community budget but also on the farm as producers will know in advance how much premium they can expect to receive. This will allow them to plan more effectively and will simplify the management of their farms.

The proposal will allow the administration of the premium regime to be simplified and avoid the need for burdensome price reporting procedures and complex calculations. From the taxpayers point of view this is to be welcomed. The proposal is also more adapted to the objectives of WTO because it removes the link between the premium and prices and productivity.

- 3.2 However, despite the fact that there is much that is positive in the proposal there is also room for improvement. The text could be made clearer by introducing definitions of the producer and the holding to bring it into line with provisions applicable in the Integrated Control System or the suckler cow regime.

The most important improvement, which must be made to the proposal, concerns the amount of the premium, which is insufficient. Sheep and goat farming is generally the poorest of all agricultural sectors. The production is concentrated in the most disadvantaged areas of the Community where profitability is the lowest and the viability of holdings is at its most fragile.

Furthermore, sheep and goat farming play an important role in maintaining the rural fabric in these more marginal areas. It is in many places the only economic activity that is possible. If the decline in the population of these regions is to be halted there needs to be a firm commitment shown to this sector.

Similarly, sheep and goat farming play an important role in preserving the traditional landscape. This should also be acknowledged.

It must also be borne in mind that over recent years the relative position of sheep farmers has declined. The basic price has not been increased since 1993, which means that the

basis for calculating the premium has effectively been frozen. By taking an average of former years as a starting point for its proposal the Commission has just carried over this unfortunate state of affairs.

It is understood that the Commission is restricted by budgetary constraints but there always seems to be a way of finding extra resources to fund measures in other sectors, such as beef for example. If savings are to be found the last place to look is in the sheep and goat sector.

- 3.3 With regard to the supplementary premium, the condition introduced into the proposal by the Commission, on the granting of this aid only in areas where there are practically no alternatives to sheep or goat production is unworkable. This condition should be modified and broadened. The supplementary premium should be increased *pro rata* with the ewe and goat premium.
- 3.4 The evaluation report mentions that consideration should be given to having some flexibility in making differentiated payments. It would be appropriate to permit Member States to make additional payments to producers, on the basis of objective criteria. Such payments could be directed towards particular types of production, or to encourage the protection of the environment.
- 3.5 Recent events have revealed important shortcomings in the traceability of movements of sheep. The Commission acknowledges this in the explanatory memorandum to the proposal. It is also mentioned that it is the Commission's intention to carry out a thorough review of the means to ensuring that these shortcomings are fully addressed. This is to be welcomed. It is essential that this been done as a matter of urgency. It would be appropriate for this review to be linked with the environmental issues which the Commission propose to examine under Article 29.

Furthermore, sheep are not the only livestock supported by a combination of headage payments and quotas. Similar arrangements apply for suckler cows producing beef calves for extensive beef production. Many farmers keep both sheep and cattle. Hence, it would be difficult to reform the sheepmeat market in isolation and therefore the mid-term review of the Agenda 2000 reform offers the best opportunity for major reform of the sheepmeat market. The adoption of these proposals should not prejudice this review.

17 September 2001

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Agriculture and Rural development

on the proposal for a Council regulation on the common organisation of the market in sheepmeat and goatmeat
(COM(2001) 247 – C5-0214/2001 – 2001/0103(CNS))

Draftsman: John Joseph McCartin

PROCEDURE

The Committee on Budgets appointed John Joseph McCartin draftsman at its meeting of 26 June 2001.

It considered the draft opinion at its meeting of 13 September 2001.

At the last meeting it adopted the following amendments unanimously with 2 abstentions.

The following were present for the vote: Terence Wynn, chairman; Reimer Böge, vice-chairman; John Joseph McCartin, draftsman; Gordon J. Adam (for Joan Colom i Naval, pursuant to Rule 153(2)), Ioannis Averoff, Jean-Louis Bourlanges, Kathalijne Maria Buitenweg, Paulo Casaca, Carlos Costa Neves, Den Dover, James E.M. Elles, Göran Färm, Markus Ferber, Salvador Garriga Polledo, Neena Gill, Catherine Guy-Quint, Jan Mulder, Juan Andrés Naranjo Escobar, Giovanni Pittella, Elly Plooi-j-van Gorsel (for Anne Elisabet Jensen), Bartho Pronk (for Armin Laschet), Encarnación Redondo Jiménez (for Alain Madelin), Esko Olavi Seppänen (for Chantal Cauquil), Per Stenmarck, Francesco Turchi, Kyösti Tapio Virrankoski and Ralf Walter.

SHORT JUSTIFICATION

1. Background

The Commission has presented a proposal to revise the common market organisation for sheep meat and goat meat. The proposal is based on an external evaluation prepared for DG AGRI, which recommended the simplification of the current market organisation and the introduction of a fixed headage premium for ewes and she-goats.¹ According to the evaluation, this would result in greater transparency and increase budgetary certainty as the fluctuations in the level of premium would disappear.

The Commission proposes to maintain the current differentiation in the premium paid to meat production and the marketing of milk and milk products. On the other hand, it proposes to remove the link between the level of premium and production by establishing a single rate for the supplementary premium payable to producers in less-favoured areas.

According to the proposal, the level of premium would be set to € 21 per head (compared to an average of € 20.6 per head in 1993-2000). In addition, the Commission proposes to set the support for sheep milk producers and she-goat breeders to € 16.8 per head. Finally, a supplementary premium of € 7 per head would be provided to all sheep and goat producers operating in less-favoured areas (LFA).

The proposal would entail a one-off saving of € 560 million in 2002 due to the abolition of the advance deficiency payment, and an increase of € 27 million per year from 2003 onwards if compared to the current level of appropriations under B1-22 (€ 1,620 million in 2001).

2. General assessment

The rapporteur considers that the Commission's proposal would streamline the common market organisation for sheep and goat meat, which at the moment seems utterly cumbersome and complicated. A revision of the CMO would seem all the more necessary considering that the current system has maintained a gap between sheep farms and other farms, whereby the average income of sheep and goat producers is one of the lowest among Community farmers.

The rapporteur reminds that the rearing of sheep and goats is particularly sensitive for the less-favoured areas of the Community: about 80% of all ewes and she-goats claimed for the current premium are in LFA regions. Therefore, any reform of the CMO should make sure that the income of sheep and goat breeders in the LFA regions is not put into question.

The rapporteur supports the Commission's proposal to introduce a supplementary premium of € 7 per head for sheep and goat breeders operating in less-favoured areas. From a budgetary perspective, this seems a better solution than a general increase of the basic premium from € 21 to € 25 per head suggested by some Member States. The rapporteur reminds that there are an estimated 57 million ewes in the Community, whereby a € 4 general increase in the basic premium would entail an additional bill of € 228 million compared to the current premium. Such an increase would seem exaggerated, especially as it would make no difference between "normal" and LFA regions. The rapporteur prefers the approach taken by the Commission, which maintains the basic premium at the existing level but provides additional support to LFA

¹ See option 3 in executive summary of the external evaluation report published in September 2000.

producers.

Furthermore, the rapporteur believes that the replacement of the deficiency payment by a flat-rate payment should provide a more stable and predictable instrument, which will simplify planning and investments at the farm level. It will also result in a greater degree of budgetary certainty as the fluctuations in the premium levels would disappear.

The rapporteur considers that there is an urgent need to simplify the existing market organisation, which is based on a total of six Council regulations. The Commission's proposal provides an answer to this problem by replacing the existing regulations by a single regulation. In addition, it clarifies its basic provisions.

The only element which seems to be missing concerns the traceability of sheep. Following the latest FMD outbreak, the rapporteur proposes to include a separate paragraph, which would introduce the permanent identification of sheep either through individual ear-tags or electronic identification. Such measures would offer the advantage of improved information and controls on premia, protection against fraud and the capacity to trace sheep back to their farms of origin in case of a sudden outbreak of animal diseases.

3. Conclusions

The rapporteur supports the Commission's proposal as it provides a stable basis for sheep and goat breeding while taking into account the specific needs of the LFA regions. The budgetary implications of the proposal are relatively small compared to the overall financial envelope of the ovine sector (€ 1,620 million in 2001): after the one-off saving of € 560 million, the proposal would lead to additional costs of € 26.7 million per year compared to 2001 (see table in annex).

The rapporteur proposes to introduce a new paragraph to identify sheep. Such an element would seem more than appropriate at a time of crisis in the farming sector as it would improve traceability in case of animal diseases and strengthen control on premia, thereby reducing the risk of fraud.

As regards the compatibility of the new regulation with the current ceiling and other activities financed under heading 1, the rapporteur suggests to incorporate a reference in the legislative text to indicate the need for prior consultation of the budgetary authority should significant changes be made to the CMO for sheep meat and goat meat.

Financial impact of proposed regime (in € million)

	2002	2003	2004	2005	2006	2007
<i>Basic premium</i>						
Ewes	-282.6	0	0	0	0	0
Milking ewes (fattening system)	-6.9	-5.9	-5.9	-5.9	-5.9	-5.9
Milking ewes	-19.1	0	0	0	0	0
Goats	-11.5	0	0	0	0	0
Subtotal	-320.1	-5.9	-5.9	-5.9	-5.9	-5.9
<i>Supplementary premium</i>						
Ewes	-204.3	-12.6	-12.6	-12.6	-12.6	-12.6
Milking ewes (fattening system)	-6	0.5	0.5	0.5	0.5	0.5
Milking ewes	-18.9	13.3	13.3	13.3	13.3	13.3
Goats	-10.7	6.2	6.2	6.2	6.2	6.2
Subtotal	-239.9	32.6	32.6	32.6	32.6	32.6
Total impact	-560.0	26.7	26.7	26.7	26.7	26.7
- of which flat rate premium		0	0	0	0	0
- of which abolition of fattening system		-5.9	-5.9	-5.9	-5.9	-5.9
- of which suppl. LFA premium (€ 7/head)		32.6	32.6	32.6	32.6	32.6
- of which abolition of advance	-560.0					

AMENDMENTS

The Committee on Budgets calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1

Article 6

Premiums shall be paid to recipient producers on the basis of the number of ewes and/or she-goats kept on their holding over a minimum period to be determined in accordance with the procedure referred to in Article 24(2).

Payments shall be made as soon as the inspections provided for in Council Regulation (EEC) No 3508/92 establishing an integrated administration and control system for certain Community aid schemes are carried out but not earlier than 16 October of the calendar year in respect of which they are applied for, and not later than 30 June of the following calendar year.

Premiums shall be paid to recipient producers on the basis of the number of ewes and/or she-goats kept on their holding over a minimum period to be determined in accordance with the procedure referred to in Article 24(2).

Payments shall be made as soon as the inspections provided for in Council Regulation (EEC) No 3508/92 establishing an integrated administration and control system for certain Community aid schemes are carried out but not earlier than 16 October of the calendar year in respect of which they are applied for, and not later than 30 June of the following calendar year.

Payments shall depend on the identification of sheep and goat either through individual ear-tags or through electronic identification.

Justification

The rapporteur considers that Community should use this opportunity to introduce a new system of identification, whereby sheep and goats can be easily identified and traced in case of an outbreak of animal disease. This would improve control on premia, reduce the risk of fraud and strengthen the Community's capacity to trace sheep back to their farms of origin.

¹ OJ C (not yet published).

Amendment 2

Article 7

The amounts of the premia may be changed in the light of developments in production, productivity and the markets, in accordance with the procedure laid down in Article 37(2) of the Treaty.

The amounts of the premia may be changed in the light of developments in production, productivity and the markets, in accordance with the procedure laid down in Article 37(2) of the Treaty. ***In that case, the Commission shall submit a new proposal to the budgetary authority, which shall consider its financial consequences and its compatibility with the current ceiling of the Financial Perspective.***

Justification

The amount proposed for the new CMO should be compatible with the ceiling and other activities financed under subheading 1a of the Financial Perspective. If other amounts were to be proposed by the legislative authority, the budgetary authority would need to be consulted again. In this case, the Committee on Budgets would consider the impact on the ceiling of the current Financial Perspective.