The meat sector is one of the most important in European Union (EU) agriculture. Together the four main meat types — beef and veal, pigmeat, poultrymeat, and sheepmeat/goatmeat — account for one quarter of the total value of agricultural production (1). Half of all EU farms have livestock. Some 90% of farmers with ruminant animals (cattle, sheep and goats) are specialist livestock producers. Meat is a major source of protein and constitutes an important part of the European diet. EU policies in the meat sector are designed to encourage the production of safe, nutritious and affordable meats. Recent changes to the common agricultural policy (CAP) underline these aims. Policies are geared increasingly towards meeting the needs of consumers, livestock producers and the environment in a balanced way.

1. Meat — the product

Primary protein source

Meat has long formed an important part of the European diet, providing a high quality source for European consumers’ protein requirements. Energy is also derived via the fat content of meat. Other constituents such as A and B vitamins, iron, phosphorus and zinc also contribute to good health. The so-called ‘red meats’ (beef/veal and sheepmeat/goatmeat) and ‘white meats’ (pigmeat and poultrymeat) offer a variety of positive properties and a choice of tastes and textures. In addition, meat is a very versatile culinary product and has become a vital element of European cuisine and culture.

Wide consumer choice

Due to a diversity of species, traditions of livestock production and terrain the EU has a wide variety of livestock types and meat products derived from them. Thus, in addition to contributing to the basic food needs of the population, livestock and meat producers have developed many renowned products, from (for example) Aberdeen Angus to Cordero Manchego, and Prosciutto di Parma to Volaille de Bresse, that add special and local flavour to the meal. Meats and meat products are major beneficiaries of the EU’s quality mark schemes and great efforts have been made by the meat production chain to improve the quality of products as well as their labelling and marketing.

2. Production, consumption and trade

The meat sector in the European Union (EU of 15 Member States before enlargement in 2004)

The sector consists of farmers, farmer cooperatives, abattoirs, and companies involved in various aspects of distribution and marketing of meat. There are many types of livestock farm and farmer. This diversity means that, while livestock farming is distributed across the whole EU, there are areas that specialise in one or more types of meat production. For example, Ireland produces nearly 7% of the EU’s beef (2), representing over 25% of Ireland’s gross agricultural output (3). Pig rearing is concentrated in regions of Belgium, France, Germany, the Netherlands and Spain, while the bulk (54%) of sheep rearing takes place in Spain and the United Kingdom (4). In other areas, such as Finland and Sweden and the mountainous terrain of Austria and Italy, livestock farming is a vital economic activity where few alternatives to animal husbandry exist.

Marketing methods also vary greatly across the EU. In some cases there is a tradition of selling livestock via live animal markets while in others selling is mostly direct to abattoirs. Animals often move more than once during their lives as rears sell on to other farmers who finish the animals ready for the meat market. Processing is in the hands of the farm cooperative sec-

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tor in some regions while in others private companies predominate. In the poultrymeat sector integrated production — ownership of feed, bird production and meat processing by single companies — is quite common.

Meat — facts and figures

In the year 2000 the total number of European livestock was 118 million livestock units (including 300 million poultry, equivalent to 15 million livestock units — 13 % of the total) (5). Grazing livestock, (ruminants and equidae), at 72 million, made up nearly two thirds (61 %). 59 million cattle alone accounted for half of the livestock. Pigs, at 30 million, represented a quarter. Beef and veal, pigmeat, poultrymeat, and sheepmeat/goatmeat are the major types of meat produced in the EU (though others such as horsemeat and rabbit are also important in some countries).

Consumption

EU consumers eat roughly 35 million tonnes each year of the various meat types. This amounts to around 92 kilogrammes per head per year on average (plus 5 kg per head of edible offals). Pigmeat accounts for 44 kg, beef and veal 20 kg and poultrymeat 23 kg per head, in round figures (7). Consumption of meat has generally been stable or increasing over recent years in overall terms. However, this masks significant sectoral variations. Beef sales were hard hit by the onset of the bovine spongiform encephalopathy (BSE) crisis from 1996 onwards but recovered after the second crisis in 2000–01.

Pigmeat and poultrymeat consumption benefited somewhat from the BSE-induced dip in beef demand, but have also made steady gains due to greater competitiveness with other meats, partly as a result of CAP reforms that have made cheaper cereals available for use in animal feed. Otherwise the white meats have followed a normal cyclical pattern of production, though on an increasing trend. Sheepmeat consumption was affected by dislocation of supply due to the foot-and-mouth disease outbreak in the United Kingdom (with cases also in France, Ireland and the Netherlands) in 2001.

The European Union and the world market

The EU is a major meat producer in global terms, accounting for over 16 % of world meat production and is a big player in meat trading. The EU’s net share of world trade in meats is 12.8 %, the figure being 39 % for pigmeat. In some cases the balance of trade is more in favour of the EU than others. Many EU imports come under preferential access arrangements with third country suppliers such as Argentina, Botswana and Brazil.

("EU-9 means the Europe of Nine [BE, CK, DE, FR, IE, IT, LU, NL, UK], EU-12 means [EU-9, ES, EL, PT], and EU-15 means [EU-12, AT, FI, SE].")
Market prospects

Box 1. Prospects for agricultural markets 2003–10

Each year the European Commission publishes estimates of the likely development of agricultural markets. The latest full report, published in June 2003, was entitled ‘Prospects for agricultural markets 2003–10’. It was updated in December 2003 (‘Medium-term prospects for agricultural markets and income in the European Union 2003–10’). The meat sector is covered in detail. These reports can be found at:

http://europa.eu.int/comm/agriculture/publi/index_en.htm

Key points regarding the meat sector in the EU of 25 Member States, following the 2004 enlargement (EU-25) include:

Total EU-25 beef production should be approximately 8 million tonnes in 2010. In spite of a modest decline of beef consumption linked to higher producer prices, beef markets are projected to remain relatively balanced until 2010.

The EU-25 could produce approximately 21.3 million tonnes of pork on enlargement, and expand its production to 23 million tonnes in 2010, with about 15% of production taking place in the new Member States. Poultry production should also expand, from 10.9 million tonnes in 2004 to 11.9 million tonnes in 2010.

Figure 2: Total meat — balance sheet 1999 (1 000 t)

<table>
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<tr>
<th></th>
<th>Usable production</th>
<th>Imports (1)</th>
<th>Exports (1)</th>
<th>Human consumption</th>
<th>Self-sufficiency level (%)</th>
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<td>1 340</td>
<td>558</td>
<td>4 487</td>
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</tr>
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</table>

(1) Only for EU = imports and exports from third countries.

NB: Total meat includes beef and veal, pigs, poultry, sheep and goats.

Source: Eurostat, Agriculture DG.
3. The CAP in the meat sector — the background

CAP policies relating to meat have evolved over many years and are increasingly focused on improving the quality of the product, on giving farmers confidence in their future income prospects and on encouraging more environmentally-sustainable farming practices. A number of market support and other mechanisms are used. The budget for all meat market policies combined is approximately EUR 10 billion (2004 budget).

Changing the nature of support

Until the CAP reform of 1992 (for beef and veal) and 2001 (for sheepmeat/goatmeat), support systems for cattle and sheep farmers were geared towards either sustaining a high price for the animals/their meat or making support payments direct to farmers based on the number of animals they kept on their farms. This link to prices and/or production levels has been gradually reduced and farmers are now offered direct aid payments instead to sustain their incomes. Beef and sheepmeat/goatmeat production tends to be based on grazing or grass feeding, though there are examples of more ‘intensive’ feeding systems with the animals being kept indoors and/or being fed with prepared feeds (e.g. grain). There is no single ‘typical’ beef production system. EU support measures are being simplified gradually and all types of producer will be catered for in a more uniform way than in the past.

The white meats tend to be produced away from the land (i.e. in a number of types of barn or enclosed systems), though outdoor husbandry is increasing gradually. Feeds are prepared from home-grown or purchased ingredients, often grain-based, or bought in as prepared ‘compound’ feedingstuffs. The EU has never operated direct financial support for such ‘intensive’ farming systems. Assistance to the sector has been limited to export refund (i.e. one form of export subsidy used by the EU) and border protection, and limited use of aid for private storage (for pigmeat mainly), which help to stabilise the internal EU market price. These trade-related measures are subject to World Trade Organisation (WTO) disciplines.
Recent developments

In 1999, the beef support ‘regime’ was altered significantly, as part of the ‘Agenda 2000’ CAP reform process, with the practice of EU-subsidised buying of surplus beef from the market (‘intervention’ buying) being reduced to a minimal ‘safety net’. In return for this reduction in market price support, farmers received direct aid in the form of premiums based on the number of cattle they held in a reference period. The separate section of the fact sheet on beef explains this more fully.

The support system for sheepmeat/goatmeat was reformed in 2001. The previous system of premiums paid to farmers on the basis of the market price was replaced by a single premium fixed for several years ahead. The section on sheepmeat and goatmeat goes into this in more detail.

The white meats have been relatively unaffected by the CAP reform process given their historical lack of direct support systems. However, producers of pigmeat and poultrymeat have benefited from the reduction in cereals prices resulting from CAP reforms in 1993 and 1999 as this has lowered feed costs.

4. Future of the CAP in the meat sector

The CAP is undergoing a process of further change. On 26 June 2003, EU farm ministers adopted a fundamental reform of the CAP. The reform will completely change the way the EU supports its farm sector, including for beef and for sheepmeat.

All livestock and other direct aid payments under the current CAP should be converted, over time, into a ‘single farm payment’. Farmers will receive this as long as they manage their land in an environmentally-correct way. In the case of livestock they will also have to meet minimum welfare standards in rearing their animals. Aid payments will no longer be linked to what farmers actually produce (i.e. they will be ‘decoupled’ from production). Direct support to farmers by the EU is thus increasingly aimed at offering a predictable level of aid to supplement their income from the meat markets. The certainty of aid payments over a period of years should allow farmers to concentrate on improving their production methods, product quality and marketing. As part of this drive, aid payments will be linked more closely to farmers’ delivery of environmental and welfare benefits (the ‘cross-compliance’ concept). Assistance will also be made available via the rural development measures co-funded by the EU and Member States.

The new CAP arrangements are explained more fully in the separate section of the fact sheet on beef and veal. The implementation of the ‘decoupling’ concept proposed by the Commission, should have a significant impact on the animal sector, according to studies published by the Commission in February 2003 (8), notably in the beef and sheep sectors as it will favour the ‘extensification’ of production systems. Further analysis is contained in the latest market prospects update (see Box 1).

5. EU enlargement and the meat sector

Enlargement will make a profound difference to farming in general, and to the livestock sector in particular. The impact of enlargement on the meat sector varies according to the livestock and meat type examined. The meat sector represents a major share of food industry output in all the accession countries.

Pigmeat producers in the EU are likely to benefit from enlargement and are expected to produce approximately 1 million tonnes more pigmeat as a result. Poultry production in the central and eastern European accession States (CEECs) might enjoy an increase on accession mainly because market prices will tend to increase. The major factor determining beef production in the CEECs after accession is the level of the milk quota, because the majority of calves are born in the dairy herds and specialised beef production is of minor importance.

In the period before enlargement, indeed throughout the pre-accession negotiation years, the EU and the candidate countries reached agreements (known latterly


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as ‘double profit’ agreements) reducing the barriers to trade between them, including the gradual removal of export subsidies and import tariffs.

6. Trade issues

Trade disciplines put in place following the Marrakesh Agreement of 1994, that brought an end to the GATT Uruguay Round and created the WTO, apply to the EU’s meat sector. The impact is felt most strongly in the beef sector as it has brought about reduced expenditure on domestic market support (for example intervention buying), put downward pressure on export refunds and lowered border protection via tariff cuts and increased access to EU markets.

In the pigmeat sector the lack of domestic market support means that the impact of the agreement has been felt most in the reduction of export refund. For poultrymeat the pressure has come via increased competition on the EU market from imported products.

In concrete terms the period 1995–2002 has seen the following changes in the EU’s external trade in meats:

In the case of beef and veal, and of sheepmeat and goatmeat, most imports come in under preferential trade arrangements including tariff rate quotas. On the export side all the meat types are vulnerable to the introduction of trade measures by third country trading partners, as recent experiences in the wake of the BSE and foot-and-mouth disease crises have demonstrated.

In the future the EU wants ‘non-trade concerns’ such as food safety and animal welfare be given a more prominent role in trade agreements, especially within the WTO multilateral framework. It is important to ensure that trade does not undermine the EU’s efforts to improve the protection of the welfare of animals for example.

7. Improving the quality and attractiveness of meat

In a competitive food market it is essential that farmers and the rest of the meat production chain aim to sell the best quality products and to inform consumers of the value of those products.

Marketing standards

The meat sector has long used marketing standards to encourage producers to improve their products, particularly in the poultrymeat sector where the CAP’s role has been less evident. Marketing standards have been the main means by which producers have been
persuaded to improve the quality and safety of their products, and the information that is provided to consumers.

The main aims of EU marketing standards are to establish minimum harmonised standards to facilitate trade, within the EU and in trade with third countries, and to ensure EU consumers are provided with good quality fresh and frozen meat produced to a common, high standard. A variety of EU rules are in place. These are kept under constant review.

Carcass classification

Carcass classification has played an important role in the gradual improvement of meat carcass quality by promoting leaner meat production to meet consumer demand. The EU has encouraged the meat industry to use carcass classification grid systems whereby carcasses are graded by their conformation (i.e. shape) and their lean meat content. In addition, where the EU has operated subsidised storage of meats (‘intervention’) — in practice only for beef — it has insisted that the meat offered for sale into storage meets minimum quality standards, using the grid as the benchmark. All pigs slaughtered in the EU are graded according to quality and producers are paid in accordance with quality standards laid down in EU legislation (*)

Labelling and traceability

Improving carcass and meat quality, and ensuring that hygiene is of the highest standard, must be accompanied by information to consumers so that they can know exactly what meat they are purchasing. In some cases consumers wish to know more about the origins of the product. This can offer the chance for value to be added to the product and for the producer to obtain a better price from the market. Informative labelling and guarantees that the meat can be traced back through the food chain to the farm are therefore essential. Identification of animals is linked to this and is also a key element of the EU’s strategy to control animal diseases.

For these reasons the EU had introduced a series of measures to improve meat labelling, to guarantee quality and to allow traceability. This has occurred at a dif-


Source: Comtrade.
ferent pace depending on the meat type. EU legislation is most extensive for beef (see section on beef and veal for further details). A directive amending current EU labelling legislation (10) to tighten up the definition of the term ‘meat’ for the labelling of meat-based products entered into force on 1 January 2003. Affected products include sausages, pâté, cooked meats, prepared dishes and canned meat. Improving labelling is an ongoing process, for example the EU adopted new rules on the identification of sheep in 2003.

The EU offers a further opportunity for producers to add value to their meats products, via the quality marks available under its system for developing and protecting foodstuffs. The aims of the system are: to encourage diverse agricultural production; to protect product names from misuse and imitation; and, to help consumers by giving them information concerning the specific character of products. A full list of over 60 registered meat products can be found on the Commission’s website at: http://europa.eu.int/comm/agriculture/qual/en/pgi_03en.htm

8. The meat sector and public goods

The image of meat production is of increasing importance to the well-being of the sector. Consumers and the public want reassurance that meat is produced in ways that are compatible with generally-held values.

The meat sector and the environment

In environmental terms the sector can show that it is meeting the public’s requirements. Farms with grazed livestock (mainly cattle, sheep and goats) have shaped the environment in many regions of the EU. In order that potential environmental damage, for example from over-grazing, can be avoided farmers are being encouraged to farm more ‘extensively’ (i.e. by reducing the number of animals per hectare of land). Making compliance with environmental standards a condition of eligibility for CAP direct aids (‘cross-compliance’) is a central element of recent CAP reforms.

Where production involves high concentrations of animals in housed conditions, as in the white meats sector (but also in some beef and veal and sheep production systems) the challenges are different. Here animal waste disposal is a problem due to the environmental threat posed by run-off into water courses for example. In some EU regions the problem of manure and slurry disposal has grown and measures have had to be taken to reduce the numbers of animals farmers may keep. In many areas there are strict national or regional laws on the storing of manure and on spreading it. There is an EU regulatory framework for the minimisation of pollution from farming activities.

Animal welfare

Animal welfare, among both housed and grazed animals, is a major issue for farmers and the public. The EU has a number of animal welfare laws and codes, enforced by national authorities. The June 2003 CAP reform includes the linking payment of EU direct aids to farmers to their performance in meeting animal welfare goals.

The EU is responding in other ways to calls from civil society and the European Parliament for animal welfare to be given priority. For example export refunds paid on live cattle are to be scaled down. A new regulation (11) significantly reduces the number of cases where such subsidies can be claimed. The aim is to discourage unnecessary transport of live animals over long distances, in the interests of welfare. Tighter rules on veterinary controls in third countries to ensure that welfare standards are respected, including sanctions for non-compliance, will follow.

Diseases and zoonoses

Animal diseases are a constant threat in livestock and poultry farming. Diseases such as foot and mouth (FMD) can damage farmers’ businesses, and rural areas more widely. The EU has strict control systems in place to deal with outbreaks. These were successful in managing the FMD outbreak in 2001 so that the spread of the disease was contained mainly within the United Kingdom (with limited occurrences in France,


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Ireland and the Netherlands). However, other animal diseases such as zoonoses (those which can be transmitted from animals to humans under natural conditions) pose a further set of problems as the transmission agent can be food, and notably meat. The meat sector has had to face a series of disease-related crises (such as over salmonella and BSE) where consumer confidence in the health of meat has been lost, with serious consequences for demand for meat and hence meat markets and livestock farmers’ livelihoods. The EU’s regulatory and disease control mechanisms have been updated to take account of this. These can be applied also to imported meats.

Animal feed

A number of food safety problems have been linked to the quality of prepared animal feeds purchased by farmers. Again the EU has acted to tighten the regulations on animal feed in order to reduce the risk of feed being the catalyst for disease outbreaks. These regulatory efforts continue.

Existing EU legislation on animal feed includes: rules on the marketing and labelling of feed materials, of compound feedingstuffs, of feedingstuffs intended for particular nutritional purposes, of bioproteins and of genetically modified feed; rules on authorisation, marketing and labelling of feed additives; rules on undesirable substances in feedingstuffs (mycotoxins, heavy metals etc.); rules on approval and registration of animal feed producing establishments; and rules on official inspections in animal nutrition.

BEEF AND VEAL

European Union (EU) beef markets have been in a recovery phase, in consumption, production and exports, since the bovine spongiform encephalopathy (BSE) and foot-and-mouth disease crises that occurred in 2000 and 2001. Measures have been taken to reduce surplus production over demand and to reassure consumers about the standard of EU beef meat. These priorities, together with a need to give beef producers some security for the future, are driving changes to the EU’s support system for beef.

BEEF AND VEAL — the EU-15 facts and figures

Beef remains the EU’s primary meat production sector and the second largest overall, accounting for 10% of the total value of agricultural production in the EU-15 (second only to dairy with a share of 14% in 2002) (12). In the EU-15 as a whole about two thirds of beef originates, directly or indirectly, from dairy herds. Evolution of the EU’s dairy support regime could therefore influence the beef sector. The other third comes from calves born to ‘suckler cows’, mothers from hardy breeds that give all their milk to their calf. The fathers of these calves are usually from meat breeds because beef production is the primary objective.


The meat sector in the European Union > 9
The EU normally produces between 6.5 and 7 million tonnes of beef per year (depending on the point of the production cycle) and accounts for about 13% of total world production of beef and veal. All Member States are producers, as illustrated in Figure 6.

Pasture-based, or so-called ‘extensive’ systems of production, are commonly found in the pastoral regions of Europe where cereals are hard to grow, notably the western fringes of the continent (in Ireland, Great Britain and the Atlantic arc) and mountainous areas throughout Europe. Characteristically, cattle reared in such regions grow more slowly, usually to higher weights, and produce meat that is more mature and stronger tasting. Calves from suckler cows tend to be reared in such extensive systems.

Cereal-based systems are common in the southern regions of Europe, where the hotter climate hails grass growth in the summer, and also in areas where cereals grow abundantly (e.g. central Europe). Beef animals reared on cereals grow much faster than animals fed forage-based diets and reach their slaughter weight quicker (often being slaughtered at lower weights). Such systems are sometimes described as ‘intensive’. There tend to be more calves derived from dairy breed mothers in such systems. This younger, cereal-fed beef is characterised by a lighter taste and colour.

Within each of these systems there is a wide range of regional variations, involving different husbandry techniques and breeds of cattle. Thanks to this, and to an impressive diversity of culinary traditions, European consumers have a broad choice of beef types. Most beef sold in Europe comes from animals reared under the systems described above, but about 10% is veal which is produced from calves reared on a mostly liquid diet of milk to produce a typically white or light coloured meat.

With the disease situation under control beef and veal consumption has recovered relatively quickly in all Member States (11). The EU played a major role in this recovery, taking tough action to ensure the control of feed quality as well as introducing animal identification and meat labelling requirements designed to give consumers more confidence in their meat purchases. Policy instruments were devised to support the market, if necessary, but did not need to be fully utilised.

The role of EU policy instruments

The beef and veal support ‘regime’ (in place since 1968) has evolved considerably, partly as a result of the problems faced by the sector over recent years. Originally the regime took a ‘classical’ CAP form with domestic prices supported in times of surplus by EU-financed purchases of beef off the market into ‘intervention’ stores, to be released onto the market again when the beef cycle allowed, and border protection via tariffs preventing the internal EU price from being undermined. In addition, part of any surplus could be exported with the aid of export refund. There was also a system of private storage aid (PSA) under which private traders were encouraged, by means of a partial subsidy, to store beef temporarily at times of oversupply.

Veal production has not been subsidised directly by the EU because it is a by-product.

The CAP reforms of 1992 and 1999 (14) reduced the role played by intervention storage. The EU now buys beef into intervention stores only when prices fall to EUR 1 560/tonne in a Member State or region. Intervention has thus become an income ‘safety net’ rather than a market management tool and PSA is the preferred option to deal with temporary oversupply. The GATT (now World Trade Organisation — WTO) Uruguay Round trade agreement brought about lower tariffs and less expenditure on export refund. This left the EU beef sector more reliant on market returns and meeting market demands, though the European Commission monitors the beef market closely in case additional measures are needed. EU support is now more focused on direct aids to sustain farmers’ incomes.

References:
**Direct aids to farmers**

The 1999 CAP reform changed the way in which farmers could receive direct aids. Taking account of the variety of different livestock holdings within the EU, direct payments include various types of direct farmer support measures (15). They are designed to:

- compensate for the reductions in the intervention price (slaughtering premium and the special beef premium);
- support incomes of producers who are specialised in beef production (suckler cow premium);
- encourage producers towards extensive farming (extensification payment);
- assist producers in less favoured areas, or in Member States highly specialised in beef production (additional suckler cow premium);
- balance the market throughout the year (deseasonalisation premium);
- permit Member States to support specific production systems (national expenditure envelopes).

National authorities were given greater room for manoeuvre in implementing the beef regime. Part of the direct payments can be allocated according to Member States’ national criteria thus allowing them to meet the expectations of their citizens as well as of their farmers. Member States can also choose to make payments conditional on farmers meeting environmentally-friendly production methods (the concept of ‘cross-compliance”).

**The new EU policy in the beef and veal sector**

On 26 June 2003, EU farm ministers adopted a fundamental reform of the CAP. The reform changes the way the EU supports its farm sector. The new CAP will be geared towards consumers and taxpayers, while giving EU farmers the freedom to produce what the market wants. In future, the vast majority of subsidies will be paid independently from the volume of production. To avoid abandonment of production, Member States may choose to maintain a limited link between subsidy and production under well defined conditions and within clear limits.

A single payment scheme will replace most of the direct aid payments to farmers currently offered. The new single payment scheme will no longer be linked to what a farmer produces (in other words it will be ‘decoupled’). The amount of the payment will be calculated on the basis of the direct aids a farmer received in a reference period (2000–02). The single payment scheme comes into operation on 1 January 2005. Member States may delay implementation up to 2007. But, by 2007 at the latest, all Member States should introduce the single payment scheme. Full decoupling is the general principle from 2005 onwards. However, Member States may decide to partially implement the single payment scheme and grant additional payment to the beef producers by way of choosing from the options for partial decoupling of direct payments.

Under partial decoupling of direct payments, Member States may opt for keeping up to 100 % of the slaughter premium for calves. However, Member States may opt for keeping up to 100 % of the suckler cow premium and up to 40 % of the slaughter premium for calves coupled. Alternatively, they could keep up to 100 % of the slaughter premium coupled or, instead, up to 75 % of the special male premium.

The reformed CAP puts greater emphasis on ‘cross-compliance’. Hitherto cross-compliance was voluntary for Member States and applied to environmental standards only. Cross-compliance is now compulsory. All farmers receiving direct payments will be subject to cross-compliance. A ‘priority list’ of 18 statutory European standards in the fields of environment, food safety, and animal health and welfare has been established and farmers will be sanctioned for non-respect of these standards, in addition to the sanctions generally applied, through cuts in direct payments.

Full details can be found at the following website: http://europa.eu.int/comm/agriculture/capreform/index_en.htm

The Commission’s assessments of the potential impact of further CAP reform, published in January 2003 (and updated in December 2003), suggest that production would be reduced by the possible effects of restricting eligibility for aid payments (e.g. by encouraging more extensive production) but that this could be offset by better market prices.

The EU will also keep its carcass classification rules under constant review in order that beef producers are encouraged to improve the quality of their animals and carcasses, so that higher quality beef is supported.

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Building consumer confidence

The shift in emphasis of EU support to beef farmers is in part a response to a loss of confidence among the public in how beef is produced. Farmers are being encouraged to respond better to consumer demands. In order to build consumer confidence the EU has brought in several measures, for example:

- beef labelling (obliging retailers to label where beef is sourced from) (16);
- animal identification (to provide proof that beef comes from particular farms);
- improved feed ingredient rules, and controls on them (17);
- tougher controls on imported beef;
- EU co-funded beef promotion measures.

Beef producers, by responding to consumer demand for better quality beef, should achieve a higher price for their produce, provided consumers are properly informed. All cattle must be earmarked and have a bovine ‘passport’ showing their origin and movements between farms and to the market. The beef labelling and cattle identification rules together provide full traceability of cattle, and the meat they produce, from stable to table. Rules cover individual cuts of meat and even minced beef. Retailers may add further information about the product, to be displayed on the label, on a voluntary basis.

In a further move to build consumer confidence in beef the EU has reduced the number of cases where export refund can be claimed for live cattle. Responding to calls from animal welfare activists and the European Parliament, a new regulation was introduced in February 2003 that will discourage the unnecessary transport of live animals over long distances. Under the new regulation, subsidies are no longer paid on cattle destined for slaughter. An exemption is made for the export of male animals to third countries such as Egypt and Lebanon. They traditionally import substantial numbers of such animals for cultural and religious reasons. Export of pure-bred females for breeding purposes may also continue to be subsidised under strict conditions. Future moves by the Commission in this area will include tighter rules on veterinary controls in third countries to ensure that welfare standards are being respected, including sanctions for non-compliance.

Beef and veal benefit from measures to raise product visibility and consumer awareness. The EU works with Member States and the meat industry to co-fund information and promotion campaigns within the EU and in third countries (19).

Will enlargement make a difference? (19)

Beef meat is the sector that experienced the largest decrease in production during the transition period leading to EU membership for the accession countries. From 1989 to 2001 production decreased by more than 40 % to less than 1 million tonnes (in central and eastern European countries — the CEECs). The production of beef and veal in the CEECs is mainly linked to the dairy herd, since only limited suckler cow herds and specialised beef production are present in the CEECs. Due to the long production cycle, the build up of suckler cow and specialised beef production is slow.

Per capita consumption of beef continued to decline in 2001 and 2002. However, declining domestic prices, rising incomes and increasing prices for pork and poultry should stabilise domestic consumption at 9.3 to 9.5 kg/head in the coming years. According to Commission estimates made in 2002 total internal use in the CEECs should be relatively stable at levels of approximately 1 million tonnes through to 2009. As a consequence of stable use and declining domestic production net imports are expected to increase to 214 000 tonnes by 2009. The main importers would be Poland, Romania and Bulgaria. Slovenia and Slovakia would continue to export small quantities.

The ability of the EU accession countries to market their beef in the EU will depend on the health and hygiene standards achieved by their abattoirs. Slow improvement in those standards would mean the accession countries remaining net importers of beef for some years.

The importance of trade

The GATT/WTO Uruguay Round agreement imposed tough disciplines on the use of export subsidies by the EU. As a result of this, and of disease-related restrictions, EU beef exports have declined from an average 910,000 tonnes per year in the period 1995–2001 to under 550,000 tonnes in the most recent year (2002). The WTO agreement limits exports of beef with export refund to 822,000 tonnes. Most beef imports to the EU come in under preferential arrangements including tariff rate quotas. Imports have shown a steady average of about 405,000 tonnes per year — this fulfils the EU’s commitment under the WTO agreement for minimum access to markets. Total imports of beef and veal in 2002 were 475,000 tonnes (20).

The lowering of intervention support prices should allow the gap between the EU internal market price for beef and world prices to narrow, thus reducing the need for high export subsidies to make EU beef more competitive.

The pigmeat sector

The EU produces 17.8 million tonnes of pigmeat per year (21) and is the second largest producer in the world after China. Higher production in the second half of the 1990s brought about low prices. Since then production has been curtailed and stabilised, with prices responding more favourably. The major producing countries in 2002 were: Germany (23.1% of production), Spain (17.5%), France (13.2%), the Netherlands (7.7%) and Denmark (9.9%).

Annual consumption per head on average in the EU is approximately 43 kg. This varies considerably between Member States.

The pigmeat market, like the entire EU livestock sector, has faced extraordinary circumstances that have had major short-term consequences and are expected to continue to influence the medium-term evolution of the sector. The bovine spongiform encephalopathy (BSE) scare in the beef sector, which caused a switch in demand towards other kinds of meat (mainly poultry), also benefited the pigmeat sector and contributed to better prices over the 2000–02 period. In some Member States, there were signs of renewed investments and an increase of the breeding herd. However, among the measures that were immediately put in place to deal with BSE, the temporary ban on the use of animal proteins in pig and poultry feed affected prices of feedingstuffs and producers’ margins.

The outbreak of foot-and-mouth disease (FMD) in the United Kingdom and then in Ireland, France and the Netherlands in 2001 also disturbed the pigmeat sector. Following this outbreak, livestock movement restrictions, plus several export bans imposed by third countries, created major disruptions in slaughterings and sales. The important role of exports for the European pig sector makes it extremely sensitive to such disease-related problems. There were outbreaks of classical swine fever in the 1990s (for example in Germany, the Netherlands and Spain).

The medium- and long-term outlook (22) for pigmeat consumption is in general positive since pigmeat is likely to continue to be favoured by consumers in the EU-25. After the increase in consumption in 2001 and 2002 in the EU-15, in connection with the BSE crisis, the growth rates for per capita consumption are anticipated to slow down in coming years, given the expected recovery of beef meat consumption.

Limited EU assistance for pigmeat production

EU assistance to pig producers and to the pigmeat market is limited to the occasional operation of private

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(20) European Commission Agriculture Directorate-General.
storage aid when market circumstances demand it (pigmeat is temporarily withdrawn from the market by private operators, with the aid of an EU subsidy). Import tariffs are fixed under World Trade Organisation (WTO) agreements at a level allowing reasonable access to the EU market, and export refunds are made available on some pigmeat products to remove surplus product from the market, if necessary. There are otherwise no measures to maintain the EU pigmeat market at a particular level. Nor do pig producers qualify for direct aids payments from the EU. Producers are thus reliant on the market price alone for their income.

Pigmeat production does benefit from measures that reduce the price of cereals and other feed ingredients. Hence the CAP reforms of 1992 and 1999 have contributed to improvements in the competitiveness of pigmeat production. This improvement can be expected to continue under further reforms that reduce the price of feedingstuffs. It should be noted that such forecasts are valid under normal market conditions. Due to the severe drought experienced in 2003 in many Member States, prices of feedingstuffs increased considerably, consequently the actual situation can vary from expectations.

**Addressing environmental issues**

Pigmeat production is concentrated not only in certain Member States, but in particular regions within those countries (e.g. West Flanders in Belgium, Brittany in France). Given the concentration of production in such regions and the limited amount of land available for disposal of animal wastes, for example as fertiliser, significant environmental problems have arisen. In some cases water courses are threatened with pollution.

Pig producers are required by both EU and national legislation to comply with ever tougher environmental standards. These environmental challenges have a direct limiting effect on pig production. In some regions/countries (e.g. Flanders/Belgium and the Netherlands) pig numbers and production are being limited and producers are being encouraged to cease production. In others (Spain, for example) some expansion is still possible.

**Consumers have requirements too**

Another influence on pig production is the requirements of consumers. The move to production of leaner pigmeat has taken place over the last two decades.

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**Box 2. Pig welfare concerns**


- ban the use of individual stalls for pregnant sows and gilts and the use of tethers;
- improve the quality of the flooring surfaces;
- increase the living space available for sows and gilts;
- allow the sows and gilts to have permanent access to materials for rooting;
- introduce higher level of training and competence on welfare issues for the stockmen and the personnel in charge of the animals;
- request new scientific advice in relation to certain issues of pig farming.

From 1 January 2003 these requirements have applied to all holdings newly built or rebuilt. From 1 January 2013 these provisions shall apply to all holdings. Further measures apply to:

- light requirements and maximum noise levels;
- permanent access to materials for rooting and playing;
- permanent access to fresh water;
- additional restrictive conditions to carry out mutilations on pigs;
- minimum weaning age of four weeks.
Now other needs must be met also, for example in the United Kingdom consumers demanded improved animal welfare conditions in pigmeat production. This can result in a reduction in production as housing conditions are more restrictive and production costs rise.

Quality improvements made in response to consumer demand have taken place steadily over many years. The pigmeat industry has operated carcass grading standards with the principal aim of improving the meat quality and establishing market prices since 1984 (23).

**EU enlargement — an important challenge**

Enlargement will be an important step for the EU’s pig industry as well as that of the accession countries. Accession is predicted to stimulate an increase in production in the new Member States. Pigmeat is the most important meat produced and consumed in the CEECs. For the CEECs as a whole production of pork is expected to increase. The biggest producers and consumers of pork should continue to be in Poland, where there is still scope to expand production. Increasing incomes should lead to increasing consumption.

**Trade — outlook on global markets**

Imports are not a decisive element in maintaining equilibrium on the EU pigmeat market. They represent only 50 000 tonnes per year compared to EU production of 17.8 million tonnes. Tariff rate quotas allow for approximately 250 000 tonnes per year to be imported, however the quotas are not nearly filled (for a variety of reasons, such as inadequate slaughterhouse standards and the implications of vaccination).

Exports on the other hand are important, with the EU sending between 1 and 1.5 million tonnes to third countries each year (including offals). These important amounts are at risk if veterinary restrictions are imposed in the importing countries. Some destinations, for example Japan (where Danish pigmeat is a major player) and Russia, are particularly important. EU export policy tends to be concentrated on maintaining such markets. However, use of export refund is more limited (for WTO-related and budgetary reasons) — for example refunds were not paid on pig carcasses and cuts of meat for a prolonged period after 2000.

Processed products may still be exported with the assistance of refunds.

**POULTRYMEAT**

The poultrymeat sector includes the meats from several different species of domestic bird such as chickens, turkeys, geese, ducks and guinea fowl. However, the dominant production type is chicken, with 70 % of EU production, followed by turkeys with 20 %. Poultrymeat production tends to take place either in housed conditions or other enclosed systems, in order to allow for better disease and pest control as well as to enable production efficiency. The EU plays little role in supporting the sector financially. Therefore the EU’s involvement is concerned more with trade, health, the environment and welfare.

**Development of the poultrymeat sector**

The poultrymeat reproduction cycle is fast. The bird population, and available poultrymeat, can increase rapidly. The cost of feed is by far the most important aspect of poultrymeat production. Since the common agricultural policy (CAP) reforms of 1992 and 1999, which improved the availability of cheap cereals for feed rations, poultrymeat production has increased to around 9 million tonnes (see graph). In recent years consumption of poultrymeat has also risen, partly as a result of its price competitiveness with other meats, but also due to consumer concerns associated with other meats, though it decreased again with the recovery of beef consumption by 2001.

In the medium and long term, the outlook for poultry production is less positive than in the recent past (24). The recent strong increase in poultry imports (350 000 tonnes between 1999 and 2001) has the potential to undermine EU production potential, as most of the consumption growth was satisfied by cheaper imported poultrymeat and prepared cuts from Brazil and Thailand (though this development may be tempered by the major disease problems in Asian poultry flocks). A continued increase in poultry imports could lead, over the next few years, to a position where the EU may become a net importer of poultrymeat.

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Some traditional EU export markets, for example in the Middle East, are being taken over by competitors on the world poultrymeat markets, such as Brazil, limiting EU export possibilities.

Poultrymeat production takes place throughout the EU’s territory but is found in particularly large concentrations in the Netherlands and parts of Denmark, France, Germany, Italy and the United Kingdom. Production is usually situated in or near cereal production areas or in coastal areas in close proximity to ports which receive imports of feed ingredients (at least two thirds of the cost of a live bird is in the cost of feed).

**Future challenges**

The main challenges to the poultrymeat sector come from:
- the threat of animal diseases to the bird flock such as avian influenza (and, in the case of zoonoses, these can pose potential problems for human health in individual cases);
- external pressures, e.g. from unbalanced liberalisation in world poultrymeat markets, inappropriate tariff structures and/or non-tariff barriers in some third countries;
- meeting EU consumers’ demands for better quality meat and food security (and guarantees of these).

EU enlargement poses several challenges to the EU poultrymeat sector. On the one hand producers and abattoirs in the new Member States will have to meet stringent EU standards of production; on the other hand producers in the EU-15 may be tempted to invest in the accession States where some costs are significantly lower (though some cost advantages, such as lower feed costs, will be eroded as they align themselves with EU price levels). The poultry industry is generally structured on a large scale in the countries of central and eastern Europe, and foreign direct investments play an important role, which partly explains the ability to continuously expand production from the 1990s onwards. However, in several countries, small-scale production is highly important. Three countries dominate poultrymeat production — Poland, Hungary and Romania. Hungary remains the most important exporter of poultrymeat in the region.
The role of trade

The EU has never operated a domestic support ‘regime’ for poultrymeat producers. It has relied in the past on tariffs to help stabilise the EU market and keep market prices in proportion to prices for cereals, and other costs, thus allowing EU producers sustainable profit margins. However, following the World Trade Organisation (WTO) Uruguay Round agreement these tariff barriers have been eroded gradually. EU protection remains high for fresh poultrymeat products, but is low for processed products. An increasing proportion of the EU poultry sector is thus operating in a global market.

This is challenging for the EU poultrymeat sector not least because it is being required to meet stringent health, environmental and welfare standards (and costs) not necessarily faced by their overseas competitors.

At the same time access for EU poultrymeat to third country markets is not always open. The EU is thus not operating on a level playing field, an issue to be addressed in the WTO Doha Development Agenda agricultural talks.

The regulatory environment

In the absence of an EU poultrymeat ‘regime’ EU support is concentrated on encouraging producers to improve their products and their marketing of them. The main regulations are Council Regulation (EEC) No 1906/90 and Commission Regulation (EEC) No 1538/91 (25) which set out minimum harmonised standards to facilitate trade and to ensure EU consumers are provided with high quality fresh and frozen poultrymeat produced to a common standard. The main features of the marketing standards are:

• rules for the classification of poultrymeat, for example: grading by quality (i.e. Class A or B); condition of presentation; extraneous water content; weight classification;
• ‘special marketing term’ criteria which must be met before certain claims about types of farming can be made (e.g. free range, extensive indoor, etc. — poultry kept for meat production are not kept in battery cages);
• labelling requirements, in order that consumers have value for money.

The ‘intensive’ nature of poultrymeat production brings with it environmental issues (especially in the regions where production is most concentrated, where manure disposal is a particular problem) and there is always the threat of disease in the flock. Diseases such as avian influenza can damage flocks severely and spread quickly. The EU has thus devoted much effort to combating diseases. New regulations to cover zoonoses are in preparation.

The EU has also banned, or otherwise regulated, a large number of feed additives, antibiotics and growth promoters widely used in production elsewhere in the world. Imports of poultrymeat are monitored in order to check that they meet EU standards, in the interests of consumers. The EU tries to ensure that global trade in poultrymeat respects the highest quality and safety standards.

Sheep and goat farming is predominantly a pasture-based activity. Many sheep and goat species are adapted to living in harsh conditions and often to feeding on coarser grasses. This farming type is thus often found in the ‘less-favoured areas’ (LFAs) of the European Union (EU). In some LFAs sheep and goat farming is the main source of economic activity and this has played a major role in shaping the landscape and the local environment. Sheep and goats are reared primarily for their meat or milk though their wool and pelts are valuable by-products.

Sheepmeat and goatmeat production in the EU’s regions

Sheepmeat and goatmeat is appreciated by consumers for its natural origins, its flavour and for the range of convenient cuts of meat that are available, making it a highly versatile product. It also retains its quality in either chilled or frozen form. Sheep are predominantly grass fed and reared outdoors though the specific production systems do vary depending on terrain, vegetation and farm type. Depending on the climate and region within the EU, sheep may be kept indoors and given prepared feed (e.g. cereals), notably ewes at lambing time, or fed arable stubbles or by-products.
There is a vast range of breeds used. In general, the northern EU countries produce heavy lambs, while the southern Member States produce lightweight lambs. This variation has an impact on production, market prices and producer incomes. Climate and geography have a significant influence on production patterns due to the outdoor nature of production.

Compared to other meats, sheepmeat/goatmeat is a relatively small sector. Annual EU-15 production amounted to just over 1 million tonnes in 2002, compared to 6.7 million tonnes for beef. Nevertheless there are nearly 90 million sheep (and 11.5 million goats) in the EU-15, with enlargement in 2004 adding more than 2 million more sheep to the total. The EU is the second largest producer of sheepmeat and goatmeat in the world (after China).

The average income of sheep and goat producers in the EU is generally amongst the lowest of all sectors. In southern Europe sheep, and especially goats, 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.

Around 80% of all ewes benefiting from premiums are to be found in the LFAs of the Community. At the EU-15 level dairy ewes account for around 30% of total sheep numbers and goats make up some 10% of total sheep and goat numbers (26).

The importance of sheep and goat production to the EU’s regions can be seen in the numbers of farmers engaged in this activity, particularly in certain Member States. Four Member States (France, Greece, Spain and the United Kingdom) account for nearly 80% of EU-15 production.

EU-15 consumers eat nearly 1.4 million tonnes of sheep and goatmeat per year (3.5 kg per head, compared to 43 kg/head for pigmeat). Nevertheless these meats are valued for their natural taste, and they play an important role in particular festivals in EU countries and there is clearly potential to improve consumption of sheepmeat/goatmeat. Peaks in sheepmeat consumption are often linked to special festivals such as Easter, Christmas and those of other religious faiths — this has a particular influence on the seasonal patterns of production, prices and imports.

Production of sheepmeat/goatmeat in the EU was strongly affected by the foot-and-mouth disease (FMD) epidemic in 2001 (more than 5 million sheep were slaughtered and destroyed in its wake) and output fell by around 9.6% in 2001. In the medium- and long-term, after an expected gradual recovery, a slight downward trend both for production and per capita consumption is expected.

Goat production systems fall into the same three principal categories as sheep production (production primarily for meat; production for milk; and, keeping animals for their fibres). However, in the countries of northern Europe, goat production is not common. In southern Europe, goat production is almost universally associated with milk production and kids are weaned and finished at a wide range of weights in similar patterns to lambs from dairy sheep flocks.

**The new CAP and the sheepmeat and goatmeat sector**

The CAP support system for the sector was altered in 2001, and will change again as a result of the June 2003 agreement to reform the CAP.

**The 2001 reform**

Historically direct support to sheep and goat farmers has been the main CAP instrument in this sector. The EU’s sheepmeat/goatmeat support ‘regime’ has never involved EU-financed purchases of meat into ‘intervention’ stores. Instead there has been limited access to private storage aid, and management of imports to the EU market, notably the use of tariff rate quotas. Export subsidies are not used as it is a deficit sector (the EU is only 80% self-sufficient). Support to the sector has thus been confined largely to a direct aid payment in the form of a premium paid once per year direct to farmers according to the numbers of breeding sheep they hold. In the past this was calculated for each region of the EU, on the basis of regional market prices compared to an EU-wide support price. This had the advantage of reflecting the true market conditions in the different parts of the EU.

This system was replaced by a simplified system in 2001 (27). The level of the sheep premium has now been fixed for several years in advance, at the rate of EUR 21 per ewe (EUR 16.8 for ewes kept for milk production, and for female goats), plus a EUR 7 sup-

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(26) An evaluation of the common organisation of the markets in the sheep and goat meat sector (September 2000).

plementary premium payable in LFAs only. An individual farmer may claim premiums on a limited number of breeding animals — the individual premium right.

Member States may also make an ‘additional payment’ equivalent to a EUR 1 supplement to the premium, that they can allocate in six possible ways: as a top-up to the normal premium; as a per hectare payment; for promoting specific production types, for example on the basis of quality criteria; for buying up premium rights; for restructuring or developing producer organisations; or, for improving processing and marketing. The premium is no longer linked to market prices (regional or otherwise). Thus farmers have some certainty about the financial support they will receive from the EU (which can be supplemented by Member States within limits) over the medium term. This helps them with forward planning in the management of their businesses.

The simplified premium is administratively less complex for Member States. Being stable and predictable, the fixed premium also results in a greater degree of budgetary certainty, as the fluctuations in the level of the premium seen in the past have disappeared.

**Further reform from 2003**

The reform to the CAP agreed in June 2003 means that this simplified premium system will be incorporated into a new support structure. A single payment scheme will replace most of the direct aid payments to farmers currently offered. The new single payment scheme will no longer be linked to what a farmer produces (in other words it will be ‘decoupled’).

Full decoupling is the general principle from 2005 onwards. However, Member States may decide to maintain a proportion of direct aids to farmers in their existing form, notably where they believe there may be disturbance to agricultural markets or abandonment of production as a result of the move to the single payment scheme. Fifty percent of the sheep and goat premiums under the 2001 system can continue to be granted as coupled payments.

The emphasis on environmental sustainability already included in the sheep regime will continue. In order to ensure continued land management activities throughout the EU, beneficiaries of direct payments will be obliged to keep their land in good agricultural and environmental condition. Farmers who fail to comply with this requirement will face reductions in direct payments. Animal welfare standards must also be maintained at a high level. The single payment scheme comes into operation on 1 January 2005. Member States may delay implementation up to 2007. But, by 2007 at the latest, all Member States should introduce the single payment scheme. Entitlement to the new payment goes to farmers who are actively farming the land. In general, this means farmers who are active at the moment the new scheme enters into force and who can prove historical claims during the reference period. Farmers will be allotted payment entitlements based on historic reference amounts (amounts of aid received in the period 2000–02).

As sheep and goat production is carried on mainly in the LFAs, the EU’s rural development policy measures are also important for such farmers. They may benefit from a series of measures, including specific LFA payments made direct to farmers to compensate for the natural handicaps of working in difficult terrain and other conditions. There are also grants for improvements to farm buildings and various other measures. These combine to help sheep and goat production to continue in many regions of the EU.

**Other EU policy developments**

Identification and traceability of sheep/goats and their meats are the main area of policy work in the EU at present. The EU’s aim is that consumers will be able to trace the origin of the sheepmeat/goatmeat in order that they can choose their food on the basis of product quality, food safety and regional characteristics.

New rules on sheep and goat identification were agreed in 2003 (*28*). Under the proposals every sheep and goat will have to carry ear tags identifying them by a unique number and the farm they belong to. This information will be contained in a central database, run at national level, on which births and deaths and animal movements can be recorded. The main aim is to allow diseases to be contained more easily, as lack of knowledge of sheep and goat movements has been shown to be a major weakness in existing disease controls.

Eventually electronic identifiers may replace ear tags.

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as the means of animal identification. In 1998, the Commission launched a large-scale project on livestock electronic identification (IDEA) and the final report was completed on 30 April 2002. This project demonstrated that a substantial improvement in ovine and caprine animal identification systems can be reached by using electronic identifiers for these animals.

The EU is also ensuring that its animal disease prevention rules are effective. The latest in a long series of rules to combat ‘scrapie’ in sheep were agreed in February 2003, to come into effect in October. They involve slaughter of a flock if a case of scrapie is detected within that flock. Testing for scrapie introduced in 2002 had indicated a higher incidence of the disease in the EU than previously believed.

The sheepmeat/goatmeat sector makes use of the EU’s quality mark policy. Some 20 or so products have been registered as products with specific qualities. A full list of registered sheepmeat and goatmeat products can be found on the Commission’s website at: http://europa.eu.int/comm/agriculture/qual/en/pgi_03en.htm

In the future it is possible that sheep and goat farmers will use organic standards in order to add value to their products. Many such farmers already attain the required standards because of the nature of EU sheep and goat keeping (which is normally ‘extensive’).

**Animal welfare concerns**

The distance between where sheep and goats are reared and where their meat is consumed, and the seasonal nature of sheep and goat farming, mean that a proportion of animals may be transported over long distances, either between different farms or from farms to slaughterhouses. This has raised concerns over the welfare of animals transported over long distances. The EU has already introduced legislation (30) and is continually examining ways in which animal welfare in these circumstances can be improved. Rules cover such issues as registration of transporters of live animals, limits on travelling time (eight hours), and maximum loading densities for the main farm species to be respected.

**The importance of trade**

The EU has traditionally been a net importer of sheepmeat. This is partly a legacy of trade arrangements brought to the EU by new Member States. For example the United Kingdom’s trade agreements with New Zealand and Australia to import sheepmeat had to be accommodated within the EU’s sheepmeat regime. Such arrangements continue. New Zealand remains the major external supplier to the EU market, much of the meat arriving in the EU at a time when domestic EU supply is at its seasonal low point.

These quotas represent approximately 20% of total EU sheepmeat and goatmeat production, though the quotas are not always fulfilled by all suppliers. Other third countries are seeking to negotiate import quotas. Very little sheepmeat or goatmeat is imported at full tariff outside these import quotas.

**How will EU enlargement change the sector?**

The EU enlargement to take place in 2004 is not expected to have a profound impact in the sheepmeat/goatmeat sector. The accession countries, with the exception of Hungary, which exports sheepmeat, are not significant producers. In the future it is possible that Bulgaria and Romania — more important sheepmeat producers — will make a greater impact on the EU sheepmeat market.

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