

Common organisation of the market (CMO) in beef and veal

2001/0042(CNS) - 13/02/2001 - Legislative proposal

PURPOSE : to amend Regulation 1254/1999/EC on the common organisation of the market in beef and veal. **CONTENT** : in the "Agenda 2000" reform, it was decided to reduce by 20% the intervention price in the beef sector in order to improve the competitiveness of beef in the EU as well on the world market. An increase in existing premia and the introduction of new premia aimed at partial compensation of producer income loss. Furthermore, in order to promote extensive production methods, the extensification premium was nearly tripled and more strict criteria were imposed in view of increasing its efficiency. As this reform came into effect only in 2000, and the price reduction applicable until now is limited to 6,7%. However, two further steps of a 6,7% price drop each are scheduled for 2001 and 2002, while private storage and a safety net intervention is foreseen after 2002. All these measures led independent impact studies on the 2000 reform to expect a positive impact on the EU surplus from the combined effect of lower production and higher consumption. Unfortunately the overall aim of the reform to regain internal consumption and to perform exports without refunds is disturbed by the recent events on the beef market. The market for beef and veal has been seriously disrupted because consumers, concerned at the appearance of new cases of bovine spongiform encephalopathy (BSE), have lost confidence in and turned away from the sector's products. Demand has tumbled as a result of a sharp fall in consumption and exports and owing to a rise in the number of livestock held back on holdings. The continuing fall in prices calls for measures contributing to support the market price at an acceptable level as well as to rebalance this market in medium term perspective. The proposed measures are focusing in particular on limiting the potential for production increases in the future. This is essential in order to allow producers income to recover to levels that contribute to their economic sustainability. In addition, these measures correspond to the increasing demands for measures of production that are also environmentally and socially sustainable. The measures provided for in this Regulation are intended to address the situation currently applying on the market. Further measures could be required in the future depending on the way the situation develops. From the moment testing of all animals above 30 months becomes obligatory, the purchase for destruction scheme which has been operative since 1 January 2001 under Regulation 2777/2000/EC will cease to apply and be replaced by a special purchase scheme on the basis of Article 38 of Regulation 1254/1999/EC and using the same financial provisions. The special purchase scheme is intended to withdraw from the market beef from animals above 30 months which are not currently eligible for intervention. Products under this new scheme may subsequently at the choice of the Member State be either destroyed or kept in store (at Member State's expense) until such time where they can be placed back in the market in an orderly manner (after approval by the Commission). Lastly, depending on developments on the market, the Commission reserves the right to review the situation in connection with the preliminary draft budget for 2002 and to consider any legislative measures to deal with the potential risk to the budget that may arise from the 2002 financial year.