



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.06.2002  
COM(2002) 295 final

**REPORT FROM THE COMMISSION TO THE COUNCIL**

**on the implementation of Council Regulation (EEC) No 2137/92 concerning  
the Community scale for the classification of carcasses of ovine animals**

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#### **1. INTRODUCTION**

According to Article 9 of Council Regulation (EEC) No 2137/92 concerning the Community scale for the classification of carcasses of ovine animals and determining the Community standard quality of fresh or chilled sheep carcasses and extending Regulation (EEC) No 338/91 determining the Community standard quality of fresh or chilled sheep carcasses<sup>1</sup>, the Commission is required to submit a report to the Council on its implementation by 31 July 2002 at the latest.

Article 9 of Regulation (EEC) No 2137/92, which was amended after the Commission presented its last report to the Council on carcass classification<sup>2</sup> states that the report should be accompanied where necessary, by appropriate proposals in particular with regard to the classification scale for carcasses, with the aim of making its application, if possible, compulsory.

In fact since the last report was presented in 1997 there has been very little further development in the use of the classification grid and the observations contained in the report remain largely valid. However, the reform introduced by Council Regulation (EC) No 2529/2001 on the common market organisation of the market in sheepmeat and goatmeat<sup>3</sup> changes the way in which the ewe premium is calculated and as a consequence has implications for price-reporting. In examining whether it would be appropriate to make the grid compulsory, it is necessary therefore to also take into account these changes.

#### **2. BACKGROUND**

- 2.1. Before the reforms introduced by Regulation (EC) No 2529/2001 the establishment of market prices in the sheep sector was of particular importance as the Community market price was a central element in the calculation of the annual ewe premium. These market prices were recorded weekly at Member State level according to a Community definition of standard quality of sheep carcasses agreed in 1991. They were then translated into the Community average market price.

The definition of standard quality contained in Council Regulation (EEC) No 338/91 determining the Community standard quality of fresh or chilled sheep carcasses<sup>4</sup> was introduced following the 1989 reform of the regime and was used for the purposes of

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<sup>1</sup> OJ L 214, 30.7.1992, p. 1. Regulation last amended by Regulation (EC) No 2536/97 (OJ L 347, 18.12.1997, p. 6).

<sup>2</sup> COM(97) 250 of 30.5.1997.

<sup>3</sup> OJ L 341, 22.12.2001, p. 3.

<sup>4</sup> OJ L 41, 14.2.1991, p. 1. Regulation repealed by Regulation (EC) No 2529/2001 (OJ L 341, 22.12.2001, p. 3).

determining prices and calculating the premium. Price reporting based on standard quality worked reasonably well insofar as it enabled an average Community price to be calculated on the basis of comparable data provided by Member States.

However, the practical implementation of this definition in Regulation (EEC) No 338/91 involved the elimination, from price reporting, of lightweight carcasses of between 9 and 11.9 kg in Spain, Italy, Greece and Portugal. Furthermore, the Commission implementing provisions in Regulation (EEC) No 956/91 of 18 April 1991 amending Regulation (EEC) No 1481/86 on the determination of prices of fresh or chilled sheep carcasses on representative Community markets and the survey of prices of certain other qualities of sheep carcasses in the Community<sup>5</sup> interpreted the phrase “acceptable fat level”, in the absence of carcass classification standards, by the application of different upper weight limits for carcasses reflecting Member State production practices. These limits were 16 kg in Spain, Italy, Greece and Portugal, 21.5 kg in Great Britain, Ireland and Northern Ireland, 22 kg in France and Austria and 23 kg in Denmark, Germany, Belgium, the Netherlands, Finland and Sweden.

In effect the establishment of 'standard quality' resulted in a significant part of the throughput not being taken into account for fixing the Community average price. In particular, the prices of light carcasses, which make up the bulk of the production in Mediterranean countries, were never used in the calculation.

Even within standard quality there were still significant differences between prices in the different Member States. These differences arose mainly from variations in production and consumption patterns, seasonality of supply and degree of self-sufficiency between Member States together with qualitative differences in terms of carcass weights, conformation and fat levels.

- 2.2. Conscious of the need to improve market transparency, the Council, in 1992, introduced a carcass classification system for sheep. This classification system, which is voluntary at Community level provides a method of grading carcasses according to set criteria and thus establishes the possibility for producers to be paid according to these criteria.

Among the long-term objectives for the Community carcass classification scheme was that it should provide the basis for a new definition of standard quality of sheep carcasses for the purposes of price reporting.

### **3. CARCASS CLASSIFICATION**

#### **3.1. Regulatory Aspects**

Regulation (EEC) No 2137/92 establishes the provisions concerning the Community scale for the classification of sheep carcasses including, in particular, the definition of the carcass, the criteria for classification, price reporting and inspections. It establishes two classification systems:

- a system which describes both conformation and degree of fat cover, normally referred to as the “SEUROP grid”,

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<sup>5</sup> OJ L 98, 19.4.1991, p. 8.

- a system which may apply only to lambs under 13 kg and which describes weight, meat colour and fat cover, normally referred to as the “A grid”.

Commission Regulation (EEC) No 461/93 laying down detailed rules for the Community scale for the classification of carcasses of ovine animals<sup>6</sup> entered into force on 6 March 1993 with provision for price reporting based on classification with effect for the first time on 8 April 1993 at the latest.

At the beginning of 1995 the Office for Official Publications of the European Communities published brochures issued, in all Community languages except Swedish and Finnish, by the Commission explaining the Community scales for the classification of sheep and of light lambs. These brochures are available from the Office : Ref. : SEUROP : CM-84-94-694; A grid : CM 84-94-703.

Since its introduction, both carcass classification and price reporting according to the classification grid have been voluntary at slaughterhouse level.

In accordance with the regulations, control visits have been made to all Member States applying the grids in the period 1993-2000 with a view initially to align grading standards among Member State experts and to ensure that these standards were adhered to in the slaughterhouses visited.

### **3.2. Implementation at Member State level**

As far as implementation in the Member States is concerned, carcass classification based on the “SEUROP grid” is compulsory in Finland, France, Sweden and Germany. In addition, some classification also takes place in Denmark, Ireland, and the UK under this grid.

Classification of carcasses of lambs less than 13 kg weight under the “A grid” has taken place to a limited extent only in Spain, Portugal and Greece.

Virtually no progress has been made in the implementation of carcass classification in Austria, Belgium, Luxembourg, Netherlands and Italy.

Several reasons have been put forward for the slow progress in the implementation of carcass classification. Among these are:

- in many Member States, producers sell their lambs live in livestock markets or directly off farms to slaughterhouse owners or traders and have no further interest in them. The transaction and payment is on live animals;
- where producers do sell directly to slaughterhouses they often sell their lambs in lots based on an agreed price per kg carcass weight. Thus, the producer’s interest, with the exception of certain producer groups, in grading may be academic rather than financial;
- in some Member States, slaughterhouses are municipal rather than privately/co-operatively owned so that grading facilities or personnel may not be present;

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<sup>6</sup> OJ L 49, 27.2.1993, p. 70. Regulation last amended by Regulation (EC) No 823/98 (OJ L 117, 21.4.1998, p. 2).

- slaughterers and wholesalers sometimes suggest that the Community classification system is not relevant in dealings at the wholesale/retail side of their businesses where a simple grading into first/second/third quality is often the norm;
- disagreement between slaughterhouses and producers as to who carries out and who pays for the classification;
- virtual absence of a strong slaughter sector in Member States from which there is a traditional important live export trade.

#### **4. REFORM OF THE COMMON MARKET ORGANISATION**

- 4.1 The reforms introduced by Regulation (EC) No 2529/2001 on the common organisation of the market in sheepmeat and goatmeat have important implications for price reporting and the role of carcass classification.

In particular, the replacement of the deficiency payment by a fixed premium means that price reporting no longer has the same significance as previously. Under the new regime there is no necessity to fix a basic price for fresh and chilled sheep carcasses or to establish a weekly average Community price. The provisions that established these obligations have been repealed.

The reporting of prices by Member States is still required according to the provisions of Commission Regulation (EC) No 315/2002 of 20 February 2002 on the survey of prices of fresh or chilled sheep carcasses on representative markets in the Community<sup>7</sup>. The purpose of price reporting is to allow the trends on individual markets to be monitored. This task is necessary in order for the Commission to be able to take a decision to grant private storage aid if a particularly difficult market situation should arise. Such a decision would be taken in the light of the situation prevailing on the market concerned.

There is no automatic 'trigger' mechanism whereby private storage would be introduced if the price level on a particular market were to fall, and remain, below a seasonally adjusted Community basic price. The provisions that formerly applied in this regard have been repealed.

- 4.2 As has been explained above the establishment of 'standard quality' resulted in a significant part of the throughput not being taken into account for fixing the Community average price and significant differences existed between prices in the different Member States for standard quality carcasses. In view of the fact that following the reform it is no longer necessary to have a Community average price, which is based on a comparable type of carcass, the notion of 'standard quality' is no longer applicable. The relevant provisions have been repealed.
- 4.3. Although it appeared to be an effective cushion by protecting producers from falls in price, the deficiency payment sheltered producers from the effects of the market. An important aim in replacing this by a fixed premium was to provide a sound basis upon which farmers can develop their production in a more market-orientated way than perhaps was previously the case. In this context the improvement in the quality

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<sup>7</sup> OJ L 50, 21.2.2002, p. 47.

of meat is of particular importance. Furthermore, it is provided for within the framework of national envelopes established in Article 11 of Regulation (EC) No 2529/2001 that expenditure may include payments to producers engaged in specific types of production, in particular related to quality.

## **5. CONCLUSIONS**

The lack of progress in several Member States in implementing carcass classification has been disappointing.

Carcass classification is widely developed only in Finland, Sweden and France. Elsewhere, with the exception of Germany, it is dependent on the goodwill of producers and slaughterers. For different reasons, including a preference for live markets and for selling lambs to slaughterers at a fixed price per kg, a majority of producers seem to be reluctant to sell lamb via the classification system. Slaughterers, too, seem to be reluctant given the relatively few volunteers in several Member States.

Following the reform of the common market organisation the relevance of carcass classification for the purposes of price reporting has diminished in line with the general decline in importance in the system of price reporting and in particular the need for comparable price data on the basis of standard quality.

In the light of the above it is questionable whether the Community carcass classification grid should be made compulsory. It may even be argued that there is no need for such a grid at all.

However, where it is applied classification is considered by many producers and slaughterhouse operators as a useful tool in achieving improvements in the quality of the product sold both for the domestic and export market. In that respect, classification could in the longer term lead to better producer prices and quality, more in line with consumer demand by providing an objective basis for measuring performance and giving feedback to producers.

The Commission does not believe that the goal of making use of the grid compulsory is feasible. On the other hand, it does not feel that it should be abandoned. The positive aspects of classification with regard to price transparency and improvement of carcass quality lead the Commission to conclude that classification is of value to the sector.

## **6. PROPOSALS**

The Commission proposes that the use of the Community grid be not made obligatory. In effect, this means that carcass classification would remain a voluntary tool at Community level to be used where it is seen to have a benefit for the sheep industry.

Against this background, the Commission proposes that the carcass classification grid be left unchanged.

The Commission urges Member States to encourage slaughterhouses to use the grid in the interests of increasing price transparency for producers and of contributing to the improvement of carcass quality.