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REPORT

on the European Court of Auditors' Special Reports N^{os} 1/1999 concerning the aid for the use of skimmed-milk and skimmed-milk powder as animal feed, 2/1999 on the effects of the CAP reform in the cereals sector, 1/2000 on classical swine fever and 8/2000 on the Community measures for the disposal of butterfat, together with the Commission's replies (C5-0236/2000, C5-0237/2000, C5-0238/2000, C5-0239/2000 – 2000/2130(COS))

Committee on Budgetary Control

Rapporteur: John Joseph Mc Cartin

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PROCEDURAL PAGE

By letters of 23 April 1999, 24 February and 12 April 2000, the European Court of Auditors forwarded to Parliament its Special Reports N^{os} 1/1999 concerning the aid for the use of skimmed-milk and skimmed-milk powder as animal feed, 2/1999 on the effects of the CAP reform in the cereals sector, 1/2000 on classical swine fever and 8/2000 on the Community measures for the disposal of butterfat, together with the Commission's replies (2000/2163 (COS)).

At the sitting of 13 June 2000 the President of Parliament announced that she had referred the above-mentioned Special Reports to the Committee on Budgetary Control as the committee responsible and the Committee on Agriculture and Rural Development (C5-0236/2000, C5-0237/2000, C5-0238/2000, C5-0239/2000), and the Committee on Industry, External Trade, Research and Energy (C5-0238/2000), for their opinions.

The Committee on Budgetary Control had appointed John Joseph Mc Cartin rapporteur at its meeting of 19 April 2000.

The committee considered the special reports of the European Court of Auditors and the draft report at its meetings of 15 November and 12 December 2000.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Diemut Theato, chairman; Herbert Bösch, vice-chairman; John Joseph Mc Cartin, rapporteur; Mogens Camre (for Isabelle Caullery), Paulo Casaca (for Freddy Blak), Raffaele Costa, Bert Doorn (for Thierry B. Jean-Pierre), Anne Ferreira, Christos Folias (for Brigitte Langenhagen), Christopher Heaton-Harris, Helmut Kuhne, Mair Eluned Morgan, Jan Mulder (for Antonio Di Pietro), José Javier Pomés-Ruiz, Heide Rühle (for Claude Turmes), Bart Staes, Gabriele Stauner, Rijk van Dam and Michiel van Hulten.

The explanatory statement will be presented orally in plenary sitting.

The Committee on Agriculture and Rural Development, and the Committee on Industry, External Trade, Research and Energy, decided on 29 August and 22 June 2000 respectively not to deliver an opinion.

The report was tabled on 13 December 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the European Court of Auditors' Special Reports N^{os} 1/1999 concerning the aid for the use of skimmed-milk and skimmed-milk powder as animal feed, 2/1999 on the effects of the CAP reform in the cereals sector, 1/2000 on classical swine fever and 8/2000 on the Community measures for the disposal of butterfat, together with the Commission's replies (C5-0236/00, C5-0237/2000, C5-0238/2000, C5-0239/2000 – 2000/2130(COS))

The European Parliament,

- having regard to the Court of Auditors' Special Reports N^{os} 1/1999, 2/1999, 1/2000 and 8/2000 (C5-0236/2000¹, C5-0237/2000², C5-0238/2000³, C5-0239/2000⁴),
- having regard to Article 248(4), second sub-paragraph, of the EC Treaty,
- having regard to Rule 47(2) of its Rules of Procedure,
- having regard to the report of the Committee on Budgetary Control (A5-0396/2000),

Special Report N^o 1/1999 (skimmed milk)

1. Regrets the numerous occasions on which the Commission had to resort to recoveries through the clearance of accounts procedure as a result of the Court's observations, which shows the flaws of the system in force until the end of 1999;
2. Notes that in 4 out of 5 Member States where the Court of Auditors developed on the spot checks on skimmed milk, a reliable system of control was not enforced.(points 32 and 33 of the Court's observations)
3. Notes that 20% of the test undertaken in 1996 for the detection of the presence of whey in the skimmed-milk powder in one Member State were positive and that an audit of the Court of Auditors in another Member State found that 3.350 kg of skimmed-milk powder had been treated as eligible, despite the fact that the analysis report indicated that whey was present (point 42); notes furthermore that, in its replies, while the Commission stated that payments made for 3.350 Kg of ineligible skimmed-milk powder have already been recovered, it has remained silent with regard to the first case;
4. Notes that 40% of skimmed-milk powder produced in the EU, e.g. 500.000 tones, is disposed in the internal market for animal feedstuffs via aid (386 million € in 1997 for skimmed-milk powder and skimmed-milk, see point 54).
5. Deplores the Council's inability to take the necessary steps either in 1989 or in 1993, in order to address a number of loopholes including the lack of proper guarantees against *the* falsification of skimmed-milk powder (point 41), which had given rise to numerous

¹ OJ C 147, 27/5/1999

² OJ C 192, 8/7/1999

³ OJ C 85, 23/3/2000

⁴ OJ C 132, 12/5/2000

irregularities detrimental to Community finances;

6. Notes that the new regime on the common organisation of the market in milk and milk products, including the specific rules on the grant of aid for skimmed milk and skimmed-milk powder intended for animal feed and the sale of such skimmed-milk powder, which entered into force on 1 January 2000, took the Court of Auditors' observations into account;
7. Asks the Commission to ensure that the level of aid granted for skimmed milk and skimmed-milk powder is closely linked to the quality of the product, with particular reference to the minimum protein content;
8. Requests the Commission to consider the possibility of introducing a tender procedure for the fixing of the aid level for the use of skimmed-milk powder, as it does already in connection with the sales of that product from public storage under Commission Regulation N° 2799/1999;
9. Welcomes the decision of the Commission to undertake a major evaluation of the common organisation of the market (COM) in milk and milk products including the regulation relating to milk quotas, which will focus on the analysis of the effectiveness and efficiency of the different measures in force in the sector, in particular judging their impact with respect to the aims sought after and the methods used to achieve them; notes that the procedures for the employment of consultants are in an advanced stage; asks the Commission to forward to Parliament the conclusions of this evaluation upon its completion; asks, moreover, the Commission to address the situation in the milk sector in its mid-term review of the Agenda 2000 reforms;
10. Invites the Court of Auditors to include assessment of the new measures in its annual report of 2002;

Special Report N° 8/2000 (butterfat)

11. Regrets the persistent structural surplus in the milk sector due, in part, to a reduction in consumption; notes that the situation is being made worse by the Council's decision in Berlin to increase quota levels until 2005; asks that measures be taken at Community and national level to promote demand for milk and various milk products, as is the case in other sectors (olive oil, beef, etc);
12. Asks the Commission to ensure that Member States introduce the necessary improvements in administration of the disposal measures, as highlighted by the Court of Auditor's report, with particular emphasis on control and monitoring mechanisms; asks, in this respect that the Commission use its powers under the Treaty to deal with protracted inadequate implementation of the regulations;
13. Notes that:
 - 92% of appropriations available in 1998 under the disposal measure "butter for non-

profit organisations” was spent in just three Member States, none of which is among the poorest in the Union and

- appropriations available in 1998 under the disposal measures of regulations 2571/97 and 570/88 (subventions to food industry for the use of butter) represented 511,1 M. € (88% of the disposal measures) and that 92% of this total was spent in just five Member States;

asks, consequently, the Commission to include the implementation of the entire series of disposal measures in the overall evaluation of the market organisation in milk, which is under way;

14. Asks the Commission to ensure that subsidies for butterfat are not subject to VAT throughout the Union and to indicate the timetable of the future action aimed at simplifying the VAT system;
15. Invites the Commission to give thorough consideration to the Court of Auditors' observations concerning improvements to the tendering system by which the level of aid is fixed;

Special Report N° 2/1999 (cereals)

16. Notes with satisfaction the Court of Auditors' assertion that the reform introduced in 1992 (introduction of the set-aside scheme and cutting prices) achieved its objectives during the transitional period, i.e. the ending of the cereal crisis and the establishment of market balance;
17. Shares the Court of Auditors' view that the global production trend in cereals, as well as the divergent trends in Member States, makes doubtful any lasting effects of the reform on production level, making further action necessary;
18. Regrets the Council's failure to endorse proposals aimed at building on the 1992 reform (further reduction in institutional prices, reduction of compensation payments, temporary extension of co-responsibility levy, etc); asks the Commission to address the situation in the cereals sector in its mid-term review of the Agenda 2000 reforms;
19. Notes the Court of Auditors' observations, according to which support for farmers could switch away from elements such as prices, production or area and instead be based on a standard net income per farm household or working unit, with farm support only triggered to make good any fall in that income (paragraph 5.8 of the Court's observations); proposes that, in improving market situations, a subsidy-reduction mechanism should be triggered, which would avoid over-generous aid in good-market situations;
20. Notes that both the Commission and the Court of Auditors insist that there has been over-compensation for income losses in the cereals sector, estimated by the former at ECU 8,5

billion (excluding the effect of the abolition of the co-responsibility levy) and by the latter at ECU 13,1 billion for the 1993 to 1997 period;

21. Takes the view that future proposals for the sector should :

- address the need to improve the position of smaller producers by differentiating support according to farm size or yield,
- explore with Member States the possibilities of cofinancing certain income support,
- tackle the present situation according to which support for the cereals sector is concentrated in the more prosperous regions of the Union,
- endeavour to redress the uneven distribution of incomes, whereby in 1995 about 40%

of the compensatory payments were made to less than 3% of the beneficiaries, while small farmers representing 57% of the beneficiaries received only 4,5 % (paragraph 4.45 of the Court's observations);

Special Report N° 1/2000 (classical swine fever)

22. Attaches great importance to the speedy conclusion of the modification procedure of Council Directive 80/217/EEC on the control of classical swine fever, drawing from the experience of the most recent epidemics, which inflicted heavy losses on the Community budget, Member States and the pig farmers concerned;

23. Asks the Commission to ensure that the Animal Movement System (ANIMO) is managed and developed under the full control of the Commission;

24. Regrets that three years after consideration of an assessment of the ANIMO system, improvements have yet to be introduced; asks the Commission to table without delay proposals for the modification of Council Directive 90/425/EEC taking into consideration the Court of Auditors' observations and the above-mentioned assessment, as undertaken by the Commission itself;

25. Shares the Commission's and the Court of Auditors' view that pig producers should carry a greater share of the financial burden of measures to combat the epidemic in question, as is the case in other types of epidemics and as was already pointed out in the context of the 1995 discharge procedure; asks the Commission to perform a comparative study of alternative forms of financing measures to combat animal diseases, such as a private sector fund to which farmers and other interested parties will contribute, or other types of insurance schemes;

26. Expects the Commission, through its Food and Veterinary Office, to ensure that Member States implement effective contingency plans for dealing with classical swine fever;

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27. Instructs its President to forward this resolution to Council, the Commission and the Court

of Auditors.