EAGGF, implementation of the budget. Special reports 1/1999, 2/1999, 1/2000, 8/2000, Court of Auditors

2000/2130(COS) - 06/05/1999 - Supplementary non-legislative basic document

PURPOSE : to present the special report 2/1999 by the Court of Auditors on the effects of the CAP reform in the cereals sector. CONTENT : this special report presents an evaluation of the results of the 1992 CAP reform (the "MacSharry" reform) with regard to its objectives and identifying the weaknesses of this reform. As a reminder, the cereal culture occupies around 38 million hectares, about 25% of the Community's agricultural area, with production reaching about 200 million tonnes a year. In 1997, the operation of the common organisation of the market (COM) in this sector alone cost the Community budget more than EUR 14 billion, i.e. 34% of the EAGGF Guarantee budget. Throughout the transition period before the entry into force of this reform, the reduction of internal prices and the convergence of these with world prices made cereals in the Union relatively more competitive on the world market and their substitution products less attractive on the internal market. The exceptional situation on the market throughout the transition period (1993-1995) supported the world prices at a higher level and converged the process on the internal market with those of the world market without massive institutional prices. The Court believes that the reform achieved its objectives through the transition period. Production was kept at pre-reform level, storage has been reduced to almost zero, and more than half of the exports were achieved without export refunds. The increased level of prices in the rest of the world, or the yeilding were less important, and has allowed European cereals to find openings. However, the maintenance of high prices on the Community market by comparison with the strong decrease of world prices combined with surpluses of home grown cereal, presented the Community with a very difficult problem. According to the Court, the stability achieved during the transition period cannot be sustained. Allowing surpluses to be dealt with by means of intervention storage alone is not a sustainable solution. Consequently, the Court believes that the solutions provided for by Agenda 2000 are insufficient (reductions in intervention prices, in particular) and new measures are necessary in order to compensate the loss of farmers' earnings. According to the Court, one of the main risks of the reform resides in the fact that assistance went to larger farms : in 1995, practically 40% of land aid benefitted 3% of farmers. Therefore, serious efforts are anticipated in order to help small farmers, in providing notably the placing a ceiling on public farm support. This system could equally be risky because some of the larger farms may be tempted to split themselves up into smaller ones so that more aid may be obtained. It is the Court's opinion that, it is necessary to re-examine the present support system of farmers' earnings, which are essentially based on yield return and farm land and to envisage the possibility of defining a standard net income perfarm household or working unit. Lastly, the Court believes that the farmers earnings and rural development policy in general must take into consideration the need to support employment, improve the environment and protect the country side.