Bananas: common organisation of the market CMO (amend. Regulation (EEC) No 404/93)

2001/0187(CNS) - 12/09/2002

The Court of Auditors has published a Special Rreport 7/2002 on the sound financial management of the Common Market organisation for bananas. The objectives of the Court's audit were to examine: - the way in which the Commission devised and implemented the measures introduced to achieve the CMO's objectives, - the way in which these measures had been managed by Member States, - the extent to which the objectives had been achieved. The audit focused on Spain and France who between them are responsible for more than 90% of EU production. The Court found that the Commission had been successful in harmonising the EU banana market and ensuring free movement of bananas in the EU while at the same time maintaining consumer choice. However certain other aspects of the market had been less successful and there was scope for improving management, notably: - in relation to the income compensation scheme, the Court found that, in the beginning problems had been experienced with the information supplied by Member States on the make up of reference prices used in the calculation which had led to overpayments of aid and the need for subsequent recoveries, - aid had been requested and paid in respect of quantities presented for marketing which had not finally been sold, this had resulted in overpayments, recovery of which is being pursued. Moreover, the Court found that: - there had been virtually no take up of the premium for taking land out of banana cultivation, - the required level of co-ordination and exchange of information on the relative impacts of Structural Fund and market measures necessary to ensure their cost effectiveness and synergy was not being achieved, - the restriction of supply via the quota had resulted in prices being maintained at a higher level in the EU than on the World market, - the tariff quota controlled import regime introduced initially was complex and non compliant with World Trade Organisation rules. This resulted in punitive retaliatory tariffs being imposed on EU exports until the Commission were able to negotiate a modified regime which became operational in January 2002, and finally - the quota system had been vulnerable because of weaknesses in the licensing system and the verification of imports by customs authorities; major fraud had been facilitated by the licence weakness and had resulted in duty of some Euro 160 million not being collected; the Court noted that the Commission had taken action to reinforce the licence system and are in the process of improving the verification of imports. The modified import regime is due to run until 2005 and will be replaced in 2006 by a tariff only based scheme. The Commission have yet to determine the details of the scheme but their objective is to maintain an appropriate level of protection for EU/ACP producers, avoid change in the present level of imports, minimise the effect on prices and minimise costs. The Commission is due to carry out a major evaluation of the CMO in 2004 and is waiting for the evaluation of the first five years of the regional support provided through the structural funds. The Court has recommended that the Commission take thisopportunity to carry out, as objectively as possible and with the aid of appropriate internal and external experts, a fundamental review of the impact and synergy of the various measures introduced by the market in the context of the planned move to a tariff only import regime and potential future of banana production in the EU.