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

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PURPOSE : to present the special report 8/2000 from the Court of Auditors on Community measures for the disposal of butterfat. CONTENT : the present report presents the impact and the efficiency of the Community measures on the disposal of butterfat. As a reminder, these measures, introduced in 1969, aimed to limit surpluses by providing subsidies for the use of butter as only 65% of butter available is consumed at market price. Three EU disposal measures exist : a measure principally for the use of cream, butter or concentrated butter in pastry and ice cream, a measure for concentrated butter intended for direct consumption including private households and a measure for the use of butter by institutions and non-profit making organisations such as hospitals or social canteens. Some EUR 600 million is spent annually on these measures covering around 500 000 tonnes of butter each year, which is 20% of the total EU expenditure on the common market organisation (CMO) for the milk sector in 1998. The Court's audit was carried out in 1998 and in the first half of 1999 at the Commission and in six Member States (Germany, Belgium, Spain, France, the Netherlands and the United Kingdom). It centred on the management of the measures and it included an appreciation of the cost-effectiveness and related aspects of the efficiency of the measures. The observations of the Court are based on an examination of the systems involved and the testing based on the key controls as well as on the examination of a number of selected transactions. Particular attention was paid to the butter for pastry measure which accounted for 87% of the expenditure on disposal measures in 1998. The Court commented at the time on the complexity of the measures and on the need to increase the frequency of on-the-spot checks and to improve their central monitoring. The aid level (about 30% of the market price of butter) could be further reduced, if market forces were allowed to play their role fully. Low quality and imported butter are eligible for EU support, thereby reducing the impact of the measures. The Commission Regulation stipulates the adding of tracers to products for control reasons. The Commission argues that these tracers have been considered to be harmless for human consumption. However, according to a expert's opinion some of these substances foreseen as tracers give rise to a health risk. The Court points out that improvements are necessary at Member State level concerning the approval and inspection of establishments entitled to incorporate aided butterfats, the control of the adding of tracers and the controls on the European origin of butter for direct consumption. The Court believes that through time, the butter disposal measures, initially introduced on a temporary basis, developed and became permanent schemes to deal with the structural surplus despite the introduction of the milk quotas in 1984. The Commission must provide structural measures in order to encourage the demand for non-subsidised butter or limited offer. The Commission should make a comprehensive assessmentof the disposal measures and revise the current tendering procedures. Lastly, the Commission should progressively reduce the aid which concentrates only on the quality non-imported butterfats and introduce provisions requiring the declaration of the presence of tracers.