Olive oil: aid scheme. Special report 11/2000 Court of Auditors

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PURPOSE : to present the Special Report 11/2000 from the Court of Auditors on the support scheme for olive oil. CONTENT : the olive oil scheme was set up in 1966 at the time when the main producer Member State in the then Community of six was Italy. The situation changed totally with the accession of Greece in 1981, and Spain and Portugal in 1986. The many subsequent changes in the scheme failed to establish a satisfactory support scheme. Thus the need for extensive further reform remained. In 1997, the Commission concluded that far-reaching reform of the support scheme for the olive and olive oil sector was necessary. However, the Commission acknowledged that there was a lack of reliable information for choosing between the reform options. Therefore, as an interim measure, it proposed to improve some aspects of the present system for application for the marketing years 1998/99 to 2000/01. During this period the Commission is committed to gathering reliable information on which to base its proposal for an extensive reform in the course of the year 2000. This report examines the effectiveness of the management and control of olive oil production aid up to 1998 and the controls applied in the period 1996 to 1998. Production aid is granted to about 2,2 million applicants out of 2,8 million recorded producers of olive oil. This aid is financially the most important measure in the olive oil scheme absorbing in 1997 and 1998 more than 90% of the total annual expenditure of about ECU 2 200 million. The audit of this aid shows that despite all the amendments and the experience of thirty years, the systems for the management and control of the support scheme for olive oil is still not suffiently efficient and reliable. The olive oil sector is characterised by a large number of small holdings. About 40% of the applicants in 1996/97 have less than 100 trees. The income objective of production aid has never been defined and thus, the achievement of this objective could not be evaluated. Moreover, the institutional prices were kept stable for more than 10 years and the representative market price did not follow the evolution of market prices, which means that Community subsidies were not always justified. As for the market balance, the increase in the number of trees and production, the relatively slow increase in consumption, the WTO constraints for subsidised exports and the increase in stocks in the last two years, indicate a risk of surplus. A percentage of production aid was retained every year in order to finance the compilation of the olive cultivation register and the quality improvement programmes. The current situation of the cultivation register, to be replaced by the olive cultivation GIS, is that only Italy has succeeded in setting up a register, despite being delayed. With regard to the control menchanisms the Court found that the method for estimating the yields is not harmonised even within the same country and the use of the yields as a control instrument is ineffective. Consumption aid which was abolished in November of 1998, was a subsidy paid to undertakings for packaging or bottling olive oil for retail sale. Consumption aid cost the EU budget morethan ECU 6 000 million. The rate of recovery of unduly paid amounts is very low, only 6%, leaving some ECU 429 million outstanding. Recovery of export refunds unduly paid was subject to similar delays, only 13% had been recovered, although the amounts involved were much smaller, some ECU 12,5 million. With regard to the pending reform, the Court's main observations are as follows: 1) any reform should maintain the principle of the Community's financial regulation that no financial resources are devoted without being coupled to measurable results towards the achievement of the objectives set. The Commission should examine the possibilty of: - effective control over the mills in order to achieve more efficient results, because it is less expensive and quicker to control 11,000 mills than it is to control 2,2 million producers; - no longer tolerating delays in the compiling of the olive cultivation GIS; - starting the quality improvement programmes. 2) the Commission should take urgent action within the context of the clearance of accounts to protect the Communities' financial interests. The Commission should also consider introducing a time limit for Member States to recover sums unduly paid. Any sums not recovered wihtin such a time limit should be creditied to the EAGGF budget within the clearance of accounts procedures pending a definitive court judgement.