Agenda 2000: raw tobacco, reform of the common organisation of the market COM (amend. regul. 2075/92/EEC)

1998/0027(CNS) - 21/07/2004 - Court of Auditors: opinion, report

SPECIAL REPORT 7/2004 on the common organisation of the market in raw tobacco, together with

the Commission’s replies.

The Court has reported on the operation of the CMO on three previous occasions. It concluded, in its last report in 1997, that the measures adopted in 1992 had achieved no measurable effect on the high level of subvention in relation to the value of production, the areas planted, the level of employment or the EU’s market situation.

The Court assessed whether the reforms introduced in 1998 were soundly based and well managed by Member States. It also examined how the Commission had monitored and evaluated implementation and whether the objectives of the reformed CMO had been achieved. Finally, it examined how the newly adopted reform might affect the tobacco CMO.

The main observations are:

- The process by which the Commission elaborated its proposals for the 1998 reform was based on unreliable data and its analysis of the market was inadequate. The measures adopted were largely inappropriate from the outset and proved to be ineffective in many areas.

- The Court also found that the measures introduced did not achieve significant improvements in the income from tobacco cultivation or the market balance anticipated. The value of production was also put at risk by anti-competitive behaviour, in the form of price agreements, in the three largest producer states.

- There were numerous failings in Member States to apply the checks required by the regulations and the verification of key controls and the pursuit of corrections through the Clearance of Accounts process should have been extended. No Clearance of Accounts decision has been taken as at June 2004.

- The Commission's monitoring was unsatisfactory and the evaluation of the CMO was delayed. The findings of the evaluation carried out by external consultants were made public in a report in October 2003 and are, on common issues, very similar to those of the Court.

- The reform adopted by the Council in April 2004 envisages phased decoupling of the aid from production. Future support for tobacco producers will be included in the single farm payment scheme. There will also be a specific financial envelope for the restructuring of tobacco-producing areas.

- The Court welcomes the present reform, which should go some way to addressing many of the weaknesses identified by the audit, although this will take some time.

- The Court recommends that the Commission pursue their investigations of the anti-competitive behaviour in Member States and, if it is confirmed, take appropriate action. The Member States' failures to apply the checks required by the regulations should also be pursued and corrections applied where possible.