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REPORT

drawn up on behalf of the Committee on Budgetary Control

on the utilization of appropriations under the fruit
and vegetable sector of the European Agricultural
Guidance and Guarantee Fund

Rapporteur: Mr V. GABERT

PE 80.779/fin.

English Edition

By letter of 24 June 1982 the Bureau of the European Parliament authorized the Committee on Budgetary Control to draw up a report on expenditure under the fruit and vegetable sector of the EAGGF.

At its meeting of 2 November 1982 the committee confirmed the appointment of Mr GABERT as rapporteur.

The committee considered the draft report at its meetings of 2 November 1982 and 28/29 April 1983 and at this last meeting unanimously adopted paragraphs 1 to 6 of the motion for a resolution.

Present: Mr AIGNER, chairman; Mrs BOSERUP, vice-chairman; Mr GABERT, rapporteur; Mrs HERKLOTZ (deputizing for Mr WETTIG), Mr KELLETT-BOWMAN, Mr KEY, Mr MARCK and Mr SABY.

The committee adopted paragraphs 7 to 15 of the motion for a resolution by 6 votes to 0 with 2 abstentions.

Present: Mr AIGNER, chairman; Mrs BOSERUP and Mr PRICE, vice-chairmen; Mr GABERT, rapporteur; Mr KELLETT-BOWMAN, Mr KEY, Mr NOTENBOOM and Mr MARCK.

The opinion of the Committee on Agriculture is attached to this report.

The report was tabled on 2 May 1983.

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The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the utilization of appropriations under the fruit and vegetable sector of the European Agricultural Guidance and Guarantee Fund

The European Parliament,

- A. having regard to the rapid increase in expenditure in recent years in the fruit and vegetable sector of the EAGGF-Guarantee Section,
- B. concerned at the large amounts spent on the processing of certain varieties of fruit and vegetables and on withdrawals from the market,
- C. having regard to the need to act in good time to rectify undesirable developments in their early stages,
- D. having regard to
 - (a) the proposals from the Commission amending Regulation No. 1035/72 on the common organization of the market in fruit and vegetables (COM(81) 403 final) and amending this regulation as regards producers' organizations (COM(81) 403 final) and to
 - (b) Regulation No. 1204/82 laying down special measures for improving the production and marketing of Community citrus fruit and to Regulation No. 1738/82 as regards preventive withdrawal of apples and pears,
- E. having regard to the special report of the Court of Auditors (OJ No. C 258, 6.10.1980)
- F. having regard to the report of its Committee on Budgetary Control and the opinion of the Committee on Agriculture (Doc. 1-271/83),

General considerations

1. Notes that budgetary expenditure in the fruit and vegetable sector has increased six-fold since 1975;
2. Intends to ensure, through the instrument of parliamentary control of financial management and utilization of appropriations, that the interests of the European taxpayer do not become secondary to the interests of the producers and the trade;

Withdrawals from the market

3. Notes that in the last three financial years, 1979, 1980 and 1981, 66 m, 103 m, and 111 m ECU respectively have been spent from the Community budget on withdrawals from the market; in the marketing year 1979/1980 withdrawals amounted to around 2.4% and in 1980/1981 2.0% of the total fruit and vegetable harvest equivalent to 0.98% of total expenditure under the Guarantee Section of the EAGGF. Despite the relatively low figure, this represents a temptation for certain elements to perpetrate frauds and irregularities damaging to the Community's reputation;
4. Regrets the fact that this leads to the destruction of fruit and vegetables and takes the view that this should be avoided as far as possible; calls upon the Commission to propose solutions to ensure that the quantities taken off the market are used as cost-effectively as possible, giving consideration to ways in which the Member States and the producers' organizations could assume greater responsibility for the risk connected with produce bought into intervention;
5. Welcomes the recent increase in the compensation for transport costs in the case of free distribution and requests the Commission and the Council, pending the adoption of appropriate provisions, to enact transitional arrangements containing further improvements especially with regard to the system of free distribution;
6. Requests the Commission and the Council, with regard to the incipient structural surpluses, to adopt provisions and measures which make intervention superfluous, and suggests in particular to the Commission that it examines the extent to which marketing can be orientated towards certain high-quality categories of goods and high-quality processed products so as to adapt production to consumers' needs and thereby save budgetary appropriations;

Checks and irregularities

7. Is alarmed at the growing number of irregularities in this area in certain regions of the European Community and at the inadequacy of supervision, which put seriously at risk the proper implementation of Community provisions;

8. Calls on the Commission to ensure that the conditions governing withdrawals from the market actually obtain at the time of such withdrawals, that the stipulated means of disposal is respected and that irregularities are avoided at all costs;
9. Considers it essential that there be stricter control of the activities of producers' organizations and processing companies as well as unannounced spot-checks by Commission officials, especially to monitor the quantities and quality of produce for which intervention has been authorized by the national authorities;
10. Appeals to the Council to adopt as soon as possible the Commission's proposals as regards an increase in appropriations for the monitoring of the implementation of Community rules on agricultural products (COM(82) 188 final), which in themselves constitute no more than a minimum requirement;

Other necessary measures

11. Requests the Commission to review the cost-effectiveness of production aids for processed products, particularly tomato-based products, which subsidize up to 95% of the value of the products and which account annually for approximately one half to two thirds of the appropriations spent on the fruit and vegetable sector overall (1979: 285 m ECU, 1980: 491 m ECU and 1981: 418 m ECU);
12. Appeals to the Commission and the Member States to do all in their power so that the measures initiated some time ago to improve the production and marketing of citrus fruit might at last be put into effect and thereby prevent further wastage of Community funds through the intervention buying of fruit produced without heed to consumer requirements;
13. Is convinced, moreover, that a number of subsidy measures, apart from transferring capital to the individual Member States, have not had the desired effect and therefore should either be administered more effectively or reviewed (for instance the measures relating to the scope of the processing of tomatoes and citrus fruit, the conversion of citrus fruit growing and the subsidy for the storage of raisins);

14. Intends to express its view on this question again when the Commission has satisfied the request made in the report by the European Parliament of 20 April 1982 (Doc. 1-31/82):

'Requests the Commission to give a comprehensive account of financial management in the fruit and vegetable sector and to indicate in particular whether the withdrawal of produce from the market entailed practices which are at variance with Community regulations, what difficulties exist in distributing and processing the produce withdrawn from the market and how the distribution system can be improved, what proposals it has submitted to date to tackle structural problems and with what success, and the cost-effectiveness of distillation to produce alcohol;'

15. Instructs its President to forward this resolution and the committee's report to the Court of Auditors, the Council, the Commission and the governments of the Member States.

EXPLANATORY STATEMENTIntroduction

1. Following the report by the Committee on Budgetary Control on the Tenth Financial Report on the EAGGF - Guarantee Section (Doc. 1-31/82) it has proved necessary to examine more closely the budgetary expenditure in the fruit and vegetables sector of the EAGGF and the conditions under which such expenditure takes place. This is due to the fact that, apart from the sharp increase in costs in recent years and the forthcoming enlargement of the Community, doubts have arisen about whether financial management in this sector has been conducted correctly and cost-effectively. The purpose of this report is to examine these doubts.

At the same time this report should be seen as another urgent appeal to the Commission to produce the comprehensive account of financial management in the fruit and vegetable sector called for in the motion for a resolution contained in the above-mentioned Wettig report.

General comments on production, trade and consumption

2. In 1980 the Community produced approximately 43 m tonnes of fruit and vegetables¹. Some 4.5 m tonnes of fruit and 1.2 m tonnes of vegetables were imported. Exports were equivalent to one-sixth and one-third respectively of imports. Trade on the internal market amounted in 1980 to 1.6 m tonnes of fruit and 2.4 m tonnes of vegetables.

Italy accounted for around 40% of fruit and vegetable production in 1980, with France and the Federal Republic of Germany together accounting for around 32%.

Fruit consumption in the Community in 1979/80 was 19.1 m tonnes (0.7% more than the previous year), while total vegetable consumption increased by 1.9% to 22.7 m tonnes. In 1978/79, the level of self-sufficiency for fruit was 81% and for vegetables 95% (see Annex I).

¹ Plus around 2 m tonnes of tropical fruit

3. There are certain features peculiar to trade in and consumption of fruit and vegetables (such as perishability and consumer taste) which make cost-effective financial management in this area particularly difficult. In addition, producer and dealer structures and also transport and distribution channels in some Member States have their own particular characteristics with the result that conditions for marketing the produce are not always optimal.

Principles of the common organization of the market in fruit and vegetables

4. The common organization of the market in fresh fruit and vegetables has been in force since 1962 (Council Regulation No. 23/62, OJ No. 30, 20.4.62) It distinguishes between fresh fruit and vegetables and products for processing. Quality standards apply to thirty products, while the prices and intervention system applies to only eleven products. Basic prices and buying-in prices are fixed annually by the Council at the beginning of the marketing year. Intervention is not generalized as in other sectors and only occurs when the market is deemed to be in a state of serious crisis, i.e. when the market price remains below the buying-in price for three consecutive market days. In that event produce is withdrawn from the market by the agencies designated by the Member States. A particular feature is the Community aid to encourage the formation of producers' organizations, whose role is to help to normalize the market situation. These organizations may withdraw from the market produce supplied by their members which does not reach a specified price level.

In the case of imports from third countries, reference prices are fixed each year which are equal to the arithmetic mean of producer prices plus marketing costs. Countervailing charges are levied if the entry price (price recorded on import by the wholesaler) is below the reference price. Provision is also made for granting refunds in respect of exports. In the event of disturbances on the market, the Commission and individual Member States may take protective measures.

In 1979 a number of third countries (Australia, New Zealand, Argentina and South Africa) undertook voluntarily to limit their exports of apples to the Community. Restrictions were imposed on Chile when its exports exceeded a certain level, since it has not accepted the voluntary restraint agreement and its exports seemed likely to exceed the quantity admissible in the light of market conditions.

5. With regard to products processed from fruit and vegetables, aid arrangements apply to the processing of peeled tomatoes, tomato concentrates, peaches, dried plums, and cherries. The aid makes up the difference between the prices of canned produce from third countries and canned Community produce. The common customs tariff applies to imports and, where necessary, levies are charged.

I. General trend in budgetary costs in the fruit and vegetable sector of the EAGGF-Guarantee Section

6. Over the past 11 years the pattern of budgetary expenditure in the fruit and vegetable sector has been as follows:

<u>in m EUA</u>											
1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
58	53	60	35	67	90	185	178	101	443	687	641
% of total EAGGF-Guarantee Section expenditure:											
2.2	3.5	2.5	0.96	2.2	1.9	3.9	3.2	1.3	4.6	6.2	5.9

These percentages, which indicate the proportion of EAGGF-Guarantee Section expenditure accounted for by the common organization of the market in fruit and vegetables, must be seen in relation to the fact that fruit and vegetables production in the Community represents 12% of the total net product of the agricultural sector in value terms. In 1980 some 43 m tonnes of fruit and vegetables were produced in the Community. Furthermore, these figures should be seen in the context of the increase in fruit and vegetable prices over the period 1970-1979: this increase was between 250 and 300% in Italy, the United Kingdom and Ireland and roughly between 160 and 270% in the remaining Member States (see Annex II).

7. Intervention in the form of processing premiums accounts for by far the largest share of the total costs in this sector. Refunds accounted for a relatively small proportion (less than 10% in the three years from 1979 to 1982) while intervention buying of fresh fruit and vegetables accounted for about one-third to one-half of total costs.

	Intervention buying		
	Refunds	Processed products	Fresh fruit
1978	48	4	49
1979	35	285	123
1980	41	491	156
1981	43	418	180

Expenditure in this sector is concentrated largely on three countries, namely Italy, France and the Netherlands.

II. Expenditure on products processed from fruit and vegetables

8. The dramatic increase in expenditure in 1979 compared to 1978 was primarily due to the premium granted for the processing of fruit and vegetables under Council Regulation No 1152/78 (OJ L 144/78). This includes in particular aid for the processing of peeled tomatoes, tomato concentrates¹ and, to a lesser extent, peaches, dried plums, pears and cherries. These measures were initially intended as a means of support for producers and processing plants in the Mediterranean area, as can be seen from the fact that the measure was taken as part of the 'Mediterranean package' at a time when there was a likelihood of serious delays in Italy's payments to the Community and when the EEC needed to achieve a competitive position vis-à-vis third countries in this sector. The amount of 160 m ECU earmarked for this purpose in 1979 was increased through an additional 100 m ECU in the amending and supplementary budget and 22 m ECU in the form of transfers to 282 m ECU.

In 1980 an amount of 443 m ECU was entered in the budget, which was then increased to 484 m ECU by transfers; all but 35,000 ECU of this sum was spent.

¹The Court of Auditors is currently preparing a study on this subject.

The present scale of the manufacture of tomato concentrates is one of the more questionable aspects of the overall policy of subsidization in this sector.

The following table shows the increase in the quantities involved in this sector alone:

in 1000 t (weight with juice)

	1977			1978			1979			1980		
	Gr.	9	Tot.	Gr.	9	Tot.	Gr.	9	Tot.	Gr.	9	Tot.
Tomato concentrates	95.0	182	277	172	269	468	180	432	612	240	392	632
Peeled tomatoes, whole	25	752	777	26	863	889	30	1225	1225	40	1144	1184
Peeled tomatoes in pieces	-	55	55	-	30	30	-	44	44	-	41.5	41.5
Tomato juice 20.02	nd	nd	nd	nd	nd	nd	-	85.6	85.6	-	41.2	41.2
Tomato juice 20.07	12	59	71	11	35.2	46.2	15	47.3	62.3	20	36.3	56.3

The increase in the quantities processed following the introduction of this measure clearly shows the extent to which it has acted as an incentive to production. The fact that conversion to tomato production entails no particular difficulties is also an important contributory factor. The qualitative restrictions introduced by Council Regulation No. 1206/82 of 18 May 1982 (OJ No. L 140, p. 50) are to be welcomed. Because the premium represents such a high percentage of both the value of the goods (up to 95%) and the value of the end product (approx. 34%), this measure can hardly be considered to make economic sense given the large amounts of expenditure involved, even though the amount of the premiums is based on a comparison with the prices of products from third countries. Although the quantity of tomatoes processed in 1980 decreased slightly (by 1.8%), it is necessary nevertheless - particularly with a view to enlargement of the Community (Spain produces 3.2m tonnes equivalent to 40% of total Community production, and tomatoes account for the largest share of Spain's vegetable production) - to keep aids for processing down to a reasonable level.

(A similar measure has already been taken for pears and cherries. Reducing the unit rates of the processing premium, which successfully reduced the rate of increase in expenditure in 1981, is a first step in this direction).

9.(a) The report on processed products in the fruit and vegetable sector, to be drawn up by the Commission pursuant to Regulation No. 516/77 (Art. 3 (a) (1)), has been pending since 1 October 1982. The report is intended to review the operation of the sector as a whole.

9.(b) A further cause for concern is the increase in costs connected with the processing of citrus fruit (1976 : around 4 m ECU; 1982 : 96 m ECU), and, moreover, the fact that a growing number of irregularities have recently occurred in this sector. Mention should also be made in this connection of the production costs for raisins which will amount to around 200 m ECU for the marketing years 1982 and 1983.

III. Withdrawals from the market

10. For many years the common agricultural policy has come in for strong public criticism because of the withdrawal of fruit and vegetables from the market and the subsequent spoilage or destruction of the produce with the attendant high costs for the EAGGF-Guarantee Section. (Annex III itemizes the quantities bought into intervention and the uses to which they were put).

11. Expenditure for this purpose is covered in the budget under Item 1501 'Compensation for withdrawals and buying-in and for processing and free distribution operations.'

The provisions in question stipulate that, in order to stabilize the market and guarantee appropriate production levels for 11 varieties of fruit and vegetables¹, produce which cannot be sold may be withdrawn from the market at lower minimum prices: this withdrawal price is 60% of the normal price for fruit and 40% of the normal price for vegetables.

In 1979/80 withdrawals accounted for some 2.4% of the total harvest of 43 m tonnes of fruit and vegetables. In the 1980/81 marketing year withdrawals accounted for 2.0% of a total of 49 m tonnes - a relatively lower percentage. However, if one considers only withdrawals of those varieties which are covered by the intervention system, the percentages are 4.5% for 1979/80 and 4.4% for 1980/81. The extent of the problem becomes clear when it is realized that 38% of the peaches, 77% of the mandarin oranges and 79% of the tomatoes withdrawn from the market were spoilt or not usable.

¹Cauliflower, tomatoes, peaches, pears, apples, mandarin oranges, oranges, grapes, lemons, apricots and aubergines

The table in Annex III shows the bought-in quantities and costs since 1967/68.

12. Produce withdrawn from the market may be disposed of as follows:

- free distribution to welfare organizations, etc.,
- manufacture of alcohol,
- use for animal feed,
- supplied to processing plants, provided there is no risk of market distortion

In addition to these quantities, there are also each year quantities of fruit and vegetables which spoil before they reach the consumer. Although the relevant Community regulation makes no express provision for (active) destruction, it takes place nevertheless.

13. The withdrawal system as such can be justified by the following factors peculiar to the fruit and vegetables sector:

- presence of large quantities of produce on the market in a relatively short space of time,
- highly perishable produce or limited storage and transport capacity,
- distance between centres of production and consumption, making transport impossible or unreasonably costly,
- large variations from year to year in the quantities of individual products produced, combined with a relatively inelastic demand, such that, particularly in the case of a sharp drop in prices, withdrawal from the market is the only way of helping prices recover.

14. The withdrawal system helps to maintain healthy market conditions, to stabilize producers' incomes, but also to maintain the level of self-sufficiency in the Community and as such serves the interests of the consumer. Withdrawal prices do not provide an incentive for production if the provisions are correctly implemented because they do not even cover production costs, but at most reduce producers' losses.

15. However, the mechanism of withdrawal from the market, which was created to regulate the market, does not justify financing the destruction of fruit and vegetables which are fit for human or animal consumption from Community funds. The percentage distributed free of charge is minute compared with the quantities spoiled or destroyed (Annex III) and this is a clear indication that not enough is being done to ensure that as much of the produce as possible is disposed of usefully.

16. The withdrawal mechanism is modelled on the practice in the Netherlands, where the market is relatively small, homogeneous and also fairly transparent and where for a long time the traders' organizations have played an important role in regulating production and marketing. The system is mainly implemented, however, in the Mediterranean countries, where the situation is not necessarily the same. The Court of Auditors noted in its special report of 6 October 1980 (OJ C 258), for instance, that the market situation in Italy is frequently such that - often as a result of the partitioning of the market by the three major production and marketing organizations which operate there - that in some areas demand cannot be satisfied while in others withdrawals are necessary.

Quality requirements

17. Products must also comply with the quality standards applicable to marketing¹ and must be used for one of the purposes laid down in Regulation 1035/72.

It is a fact that high-quality produce always has a good chance of being sold. However, in the 1979/80 marketing year around three quarters of the apples bought into intervention were of the large and high-quality variety, while smaller or lower-quality apples remained on the market. Just as regrettable is the fact that quite considerable quantities of other products of Class III quality are bought into intervention. In the 1979/80 financial year, for instance, around 16% and 11% respectively of Class III cauliflower was bought into intervention in Belgium and Ireland, the figures for tomatoes being 40% and 43% respectively. If intervention buying of Class III products were abolished altogether, there would no longer be any incentive

¹The seventh recital of Regulation 1035/72 states that its aim is to keep 'products of unsatisfactory quality off the market, guiding production to meet consumers' requirements, and facilitating trade relations based on fair competition, thus helping to improve the profitability of production'.

to produce them and they would be gradually pushed off the market by higher-quality produce in respect of which intervention would not be necessary.

To this end it is essential that the common quality standards are strictly applied, particularly for varieties which are covered by the intervention system. This means, however, that checks must be stepped up at the production stage and that the relevant provisions must be interpreted uniformly. This objective is difficult to reconcile with current practice whereby the implementation and verification of quality standards and the initial and further training of inspectors are left to the Member States. This is due firstly to the lack of Community funds and secondly to the fact that the Member States have not been prepared to transfer their powers in this area to the Community. A first step in the harmonization of inspections could be made at the level of the Management Committee for Fruit and Vegetables, thereby leading to a standardization of practice in the Member States. The application of Community standards should not be left entirely in the hands of national authorities or organizations, as this would defeat the object of their uniform interpretation in all Member States.

In any event, reducing supply by keeping poor-quality products off the market is the best means of eliminating surpluses and thus of removing the cause for the justified public criticism of the waste of taxpayers' money on more and more uneconomic withdrawal measures.

18. The financial compensation paid out from the EAGGF-Guarantee Section corresponds to the difference between the withdrawal price inclusive of packing and transport costs and the price after possible further processing of the products bought into intervention (although the latter component accounts for an increasingly small percentage).

Breakdown of withdrawal measures by Member State

19. 95% of withdrawals in the Community take place in Italy, France and the Netherlands. Italy alone accounts for nearly three quarters of withdrawals.

Breakdown of expenditure by Member State:

	<u>1979/80</u>	<u>1980/81</u>
Italy	59.8%	66.5%
France	11.75%	17.62%
Netherlands	12.44%	5.05%
Germany	8.68%	3.07%
Belgium	6.38%	5.12%
U.K.	0.85%	1.78%
Ireland	0.1%	0.06%
Greece	-	0.8%

The following table shows the percentage accounted for by Italy:

in m ECU

	Total expenditure fruit and vegetables sector	Costs of withdrawals from the market	Italy's share in %
1976	185.1	86.6	63
1977	178.2	140.0	93
1978	100.7	21.5	93
1979	442.9	65.9	62
1980	687.3	102.7	60
1981	641.1	106.0	58

Annex IV shows the financial cost by product and Member State, while Annex V shows the quantities and costs since 1967.

Producers' organizations

20. The producers' organizations play a key role with regard to withdrawals, since they are responsible for ensuring that withdrawals are effected in an orderly manner in accordance with the provisions.

They are required to comply with certain criteria as regards the conscientiousness of their work and the actual opportunity for influencing their members, particularly as regards the implementation of Community standards. They must ensure the smooth and orderly operation of the market. The supply of goods on the market should not be allowed so to interfere with normal price formation, as a result of undisciplined action by its members, that relatively small quantities of non-competing products unsettle the overall price structure, leading inevitably to an increase in intervention buying. This shows how necessary it is to organize as many of the producers as possible of a particular region¹. A less well-organized producers' organization might be forced, for instance, to resort to withdrawals from the market considerably earlier than an efficiently-run organization with a well-organized supply and distribution system and a clear view of the demand situation.

Strong producers' organizations are also important as a counterweight to the wholesale trade. If they become too strong, there is a danger of them exerting a one-sided influence on the quantities produced, and thus on prices. Consequently, it is important to strike a balance between both factors on the supply side of the market.

21. A survey of producer groups in France and Italy carried out for the Commission showed that of 82 producers' organizations in Italy, four failed completely to meet the requirements and, therefore, ought not to have

¹See also the Commission proposal (COM(81) 403 final) on strengthening the structure of producers' organizations and the possibility, at the request of a producer group, for a Member State to extend its rules to other producers not attached to the group in question.

received aid, and a further 17 were placed under state supervision following the findings of this survey. The Commission has given an assurance that amounts paid in excess would be recovered at the following closure of accounts. In the meantime, any previous refunds have been suspended.

22. It was found that certain producers organizations distributed the production risk evenly among all their members, rather than allowing chance to dictate which offer would have to be sold to intervention at the lower withdrawal price. It also proved to be possible for the selling risk to be borne solely by the producer groups (where possible at an advanced stage of the process) instead of expending Community funds on intervention, thus enabling a measure of producer corresponsibility to be introduced in this area. This would be justified by the small quantity (only 2%) of total Community production involved.

23. It is worth highlighting certain differences between Member States:

Italy

Where prices are expected to fall below the withdrawal price, the producers' organizations effect withdrawals after informing the national authorities, which also appoint a three-man watchdog committee. Depending on the subsequent trend in prices, producers either supply the goods to intervention or sell them on the normal market.

According to the findings of the Court of Auditors, the manner in which withdrawals are effected in Italy provides no guarantee that these measures will in fact be used only where strictly necessary. The reasons for this are inadequate knowledge of market trends nationally, not enough flexibility and exchange of information between producers' and traders' organizations and the faulty operation of the marketing process itself.

Netherlands

In the Netherlands, fruit and vegetables are sold by auction. Goods are withdrawn automatically if they are still unsold when the withdrawal price is reached.

France

The decision to effect withdrawals and the decision on the areas and quantities involved and their subsequent use is taken following consultation at several levels (professional associations, administration and the 'FORMA'). In this way, it is possible to plan withdrawals if prices have not yet fallen to the withdrawal price level, the purpose of this being to remove from the market produce which is likely to have a disruptive influence on price mechanisms. This practice, which is known as 'preventive withdrawal' existed in France even before these measures were introduced at Community level. Moreover, France does not inform the Commission of planned individual measures, although this is expressly provided for in the regulation subsequently adopted.

Withdrawals: inspections and irregularities

24. It is impossible to rule out certain conflicts and moral constraints in the case of state inspectors. Their usual task is to insure consumer protection when classifying goods intended for sale. In the case of withdrawals, however, they know from the outset that the purpose and the likely outcome are different, namely in most cases the inevitable spoilage or destruction of the produce, with the result that possibly through all too human association of ideas fruit which does not completely satisfy the quality requirements may also be bought into intervention. It is also questionable whether an inspector can in fact be an impartial judge, since he is frequently in close contact with producers who, when it comes to withdrawal measures, are in a difficult economic situation and this factor might give rise to a certain conflict of interests for the inspector. Although there are no specific grounds for suspicion, these are two aspects which should not be overlooked altogether.

Effectiveness of on-the-spot checks

25. Precise checks on the quantity and quality of the goods bought-in are essential to the proper allocation of Community funds, because the nature of the produce bought into intervention makes subsequent inspections impossible. Everything therefore depends on the inspection being carried out properly upon withdrawal. So far the Commission has not carried out any unannounced spot-checks on produce withdrawn from the market. The Court of Auditors

has itself conducted checks, but has also given prior warning in every case. These checks revealed the following weaknesses in the system: The inspectors are not personally present when the goods are destroyed (to ascertain whether they are unfit for human consumption) and make their declarations on the basis of the statements of quality issued before the products are offered for auction (in the Netherlands). The inspector therefore bases his findings on the amount of packaging material. In Italy the three-member committee normally consists of only two members only one of whom is competent to carry out such quality controls. Another factor is the almost total lack of national quality controls on the marketing of fruit and vegetables, with the result that from the outset producers cannot be made to adhere to the quality standards. The Court of Auditors has also documented cases where quality standards have clearly not been observed by state inspectors.

Disposal of goods bought into intervention and supervision of their use

26. The decision on how to dispose of fruit and vegetables bought into intervention is the responsibility of the national authorities, which usually base their decisions on considerations of practicability.

This involves numerous problems, although the effectiveness of the measures must always be the crucial point. In other words withdrawal measures are only effective if it is certain that the goods are not re-introduced into the normal trade channels, thereby pushing prices down. Although it is considered important to help charitable organizations, the perishability of the produce often calls for rapid action. Moreover, the cost of free distribution (transport and packaging) and the objectives of such actions must be in reasonable proportion. The responsibility for determining the recipients is left to the Member States, and so there is no uniformity at Community level. In the Federal Republic of Germany, for instance, one producers' organization was refused a refund on the grounds that the local students' welfare association was not on the list of recipients¹. In Greece it was discovered that processing with a view to free distribution costs five times the value of the fruit, which is scarcely compatible with the requirements of sound financial management.

¹See motion for a resolution tabled by Mr Wettig and others (Doc. 1-501/81 of 17.9.81)

The following table shows, for the most recent five years for which figures are available, the quantities of fruit and vegetables which have been distributed free of charge:

(tonnes)

	1975/76	1976/77	1977/78	1978/79	1979/80
Cauliflowers	61	561	684	4299	307
Tomatoes	3224	1158	1511	2144	4982
Peaches	2017	10,921	4064	5223	8432
Pears	4872	8672	1663	1445	1811
Apples	12,882	4882	380	13,755	53,168
Table grapes	-	1096	26	19	-
Mandarins	5278	9420	2730	7812	11,649
Oranges	18,513	51,359	4485	3493	1020
Lemons	3809	3227	1	2345	-

Source: OJ C 65 of 15 March 1982, page 24

The quantities allocated for animal feed should not be too high, so as to avoid them being put to other, unauthorized uses. Distillation presents a more technical and financial problem, since it adds more alcohol to that which already exists (distilled from wine). Only a cost-benefit analysis of the energy used in distillation will enable a decision to be taken on the economics of distillation.

The Court of Auditors of the Netherlands took the view that destruction measures were contrary to Regulation 1035/72; the problem was avoided by disposing of the bought-in quantities free of charge to a sole entrepreneur for use as animal feed, although no check was made to see whether the produce was actually used for this purpose. As a result, apples disposed of for animal feed were processed into stewed apple by a Dutch canning factory¹.

¹See Written Question by Mr Notenboom, No. 1945/80 (OJ C 153, 22.6.81)

27. To sum up it can be said that the Community provisions governing withdrawals from the market are not uniformly applied in the individual Member States and that the orderly implementation of the measures depends primarily on the degree of organization of the individual producer groups. Many producers' organizations appear to see their primary task as middlemen, distributing funds from Community coffers, rather than helping responsibly and actively to control the market situation and to administer Community funds.

State monitoring and inspection procedures are inadequate and although the information supplied to the Commission on price trends and recourse to withdrawal measures is comprehensive, it is not possible to verify with absolute accuracy the conditions under which individual withdrawals are made. In order to monitor the entire withdrawal procedure properly it would be necessary in particular to verify that the quantities sold into intervention are actually put to their prescribed use. The Court of Auditors identified a number of shortcomings in this area which prevent the Commission from gaining the necessary information. This applies particularly to the activities of producers' organizations in general. Article 15 of Regulation 1035/72 would appear to offer the possibility of closer collaboration with producers' organizations since it requires them to inform the Commission, through the Member States, before having recourse to withdrawal measures. The Commission could play an advisory role here. What happens in practice, however, is that this information is sent to the Commission at the beginning of the crop year in the form of global estimates, with the result that only the letter of the regulation is observed. Adapting the provisions to the circumstances obtaining in the Mediterranean area, with its heavily decentralized producers' organizations, would therefore appear to be an essential part of any review of the relevant regulation, particularly having regard to a future enlargement of the Community.

Preventive withdrawals for apples and pears

28. Pursuant to Article 15a of Regulation (EEC) No. 1935/72 the Commission may authorize Member States under certain conditions to allow producers' organizations to withdraw a part of their produce from the market during the early months of the marketing year. For this condition to operate, production must be at least 5% over the basic production targets of 6.2 million tonnes for apples and 2.25 million tonnes for pears, which

correspond to average consumption in the Community. Secondly, the producer prices on a representative market must remain below the basic price for five successive days.

The positive experience which the Commission claims to have had with this mechanism of preventive withdrawal has since led to the adoption of Regulation No. 1738/82. extending for an unlimited period the rules which originally applied for a limited period only.

It is a fact that the withdrawal prices to be paid in November immediately following the harvest are lower than those which would have to be paid from Community funds in March of the following year, and therefore earlier withdrawals cost less. A new regulation, No. 2782/82 of 19 October 1982 (OJ No. L 294, p.5) sets maximum quantities in respect of preventive withdrawals for each Member State. The Commission is here making use of the authorization granted by the Council under Article 15 of the basic regulation No. 1035/72.

29. However, as we have already stated, it is impossible to prove what the market trend would have been had such preventive withdrawals not taken place: no one can say that prices would, in fact, have fallen by the expected amount. On the other hand it is obviously in the producer's interest if he can sell at uniformly high prices.

The only way to calculate the exact budgetary cost is on the basis of many years' observation, looking at specific reference years and individual regions. In view of the rapid growth in the apple crop in recent years - it has been well in excess of estimated Community consumption and in 1982 is expected to exceed consumption by approximately 15% (1 m tonnes) - the preventive withdrawal mechanism, the original purpose of which was of course to withdraw small quantities from the market and thereby forestall a market collapse and extensive intervention buying, is therefore of questionable value, unless it is combined with other measures (import restrictions and crop storage). Preventive withdrawals will involve about 700,000 tonnes of apples in the 1982-83 marketing year. However, this is tantamount to bringing forward in time intervention measures which would have been inevitable anyway.

Reorganization of the citrus fruit sector

30. One explanation for the high incidence of withdrawals in Italy is the failure of the programme to reorganize the citrus fruit sector (Regulation No. 2511/69).

Despite the large amounts of funds made available, totalling 220 m ECU (some of which came from the agricultural structures fund), it was not possible to resolve the difficulties in this sector (i.e. production not geared to consumer taste, leading to marketing difficulties and subsequent high levels of intervention), because the necessary conversion of production did not take place.

A breakdown of intervention buying for mandarin oranges provides an interesting pointer to the overall trend:

Intervention buying (in Italy) in 1,000 kg

	1979-80	1980-81	as a percentage of production	
			1979-80	1980-81
Mandarin oranges	78,215	38,302	36.14	16.37

These figures are all the more significant in view of the fact that the Community's level of self-sufficiency in citrus fruits in 1980/81 was only 48%; hence the quantity produced on the internal market had to be matched by the same quantity of imports. The scale of mismanagement becomes plainer still when one considers that 77% of the fruit withdrawn from the market had to be destroyed.

Furthermore, the enlargement of the Community will bring the level of self-sufficiency to well over 100%, with the result that intervention buying of the varieties less in demand will increase. It was already clear in 1979 that the market penetration and conversion premiums were having no success. Consequently, the period of application was extended and a measure which was limited in time was made into a long-term measure with all the attendant negative consequences, such as distortion of the market. Yet compared with restructuring to grow products which are more closely geared to consumer taste, the market penetration premium is of secondary importance. Consumer-orientated production is vital, as otherwise a solution to the problem is merely further delayed, at considerable cost.

It is also questionable whether the premiums paid so far (conversion premium

and market introduction premium) are of any use, since they only affect a dwindling proportion (one-fifth of the growing areas in Italy, which is the country most concerned). Even the new reorganization measures (Regulation No. 1204/82) will only have any chance of success if a sufficiently high proportion of producers make use of them.

31. Summary

- (a) Budgetary expenditure in the fruit and vegetable sector has risen by a factor of 6 over the past six years.
- (b) An increasing percentage of appropriations is being used for withdrawals of fruit and vegetables, of which a large proportion is subsequently spoiling or being destroyed.
- (c) There is a need to curb structural surpluses and to raise quality standards in respect of intervention, so as to keep lower-quality produce permanently off the market.
- (d) The Commission does not have sufficient information concerning the activities of the producers' organizations, particularly regarding the way in which withdrawals from the market are conducted.
- (e) This raises doubt as to whether Community funds are being properly used.
- (f) The lack of supervision and control is conducive to irregularities and the necessary sanctions are not being applied.

Breakdown of total fresh fruit production
in the Community
(in 1000 t)

Country	1978	1979	1980
Germany	3,171	3,176	3,263
France	3,260	3,377	3,391
Italy	9,262	9,823	10,164
Netherlands	660	606	608
Belgium	382	436	438
Luxembourg	10	10	10
United Kingdom	572	604	567
Ireland	19	17	16
Denmark	96	101	84
Greece	2,276	1,932	2,010
EUR 10	19,708	20,082	20,551

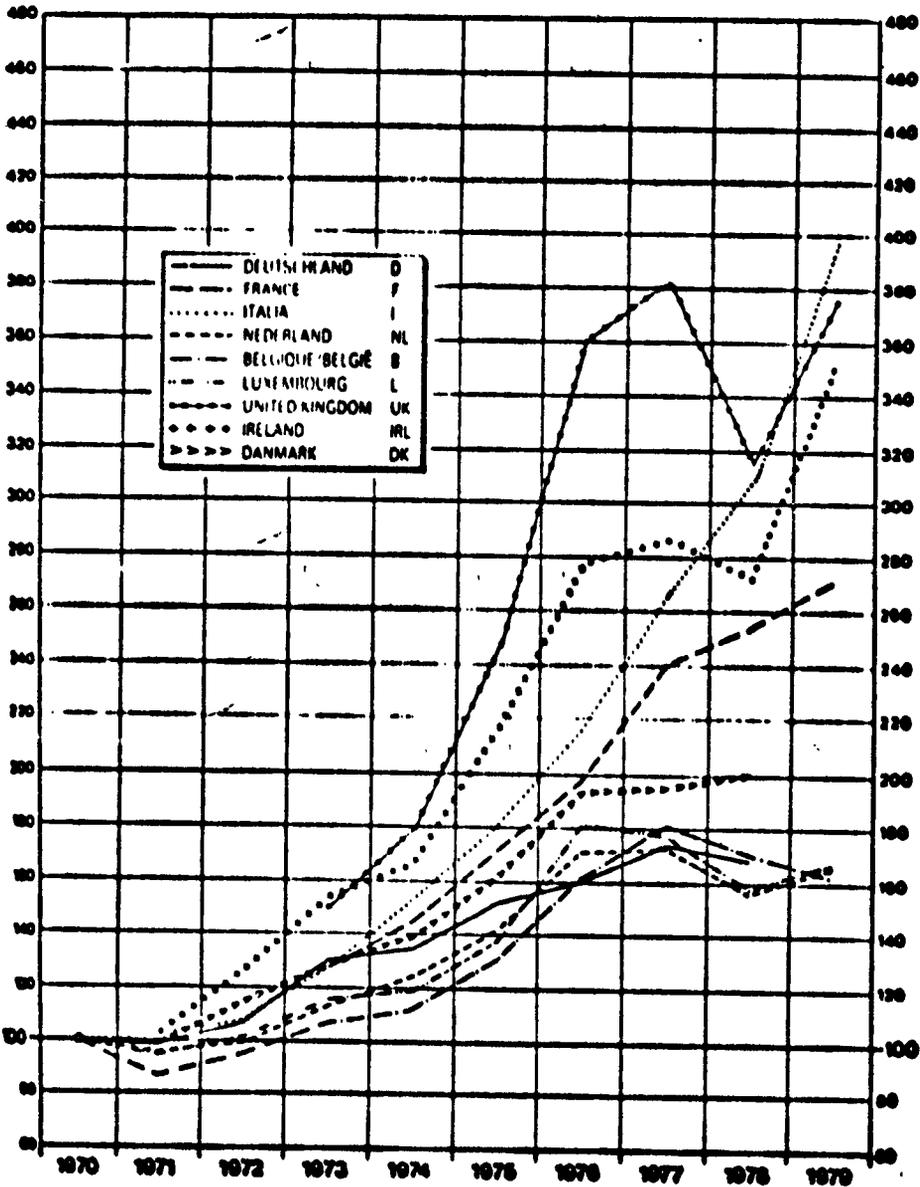
The supply balance breaks down as follows:

Use	1977-78	1978-79	1979-80
Production *	12,461	15,208	15,684
Imports	4,447	4,478	4,157
Exports	518	595	
Domestic consumption	16,351	18,827	No information
Level of self-sufficiency	77	81	No information

* excluding citrus fruits

Source: Curry report, p 165

M.11.3 Consumer price indices for fruit and vegetables (1970-1979)



Graph 8

Source: Report on the agricultural situation in the Community in 1981, p.349

FRUITS AND VEGETABLES TAKEN INTO INTERVENTION

PRODUCT	Quantity (in tonnes)		% of total production		free distribution (%)		animal feed (%)		processed into alcohol (%)		spoilt, destroyed (%)	
	1		2		3		4		5		6	
	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81
Cauliflower	40,732	13,217	2.94	0.91	0.76	1.34	13.86	45.02	-	-	85.38	53.64
Tomatoes	197,100	78,878	3.06	1.30	2.53	3.31	18.87	10.81	-	-	78.6	85.88
Peaches	111,090	55,620	6.61	3.35	7.59	14.3	0.16	1.73	54.49	52.91	37.76	31.06
Pears	54,130	162,926	2.57	6.96	3.35	3.26	39.85	24.6	44.62	64.74	12.18	7.4
Apples	548,938	517,798	7.89	7.33	5.79	3.52	53.21	41.75	29.95	32.71	7.16	22.02
Grapes	-	530	-	0.03	-	100	-	-	-	-	-	-
Mandarin oranges	78,215	53,025	36.14	27.91	14.89	8.47	7.69	2.14	-	-	77.42	89.39
Oranges	2,737	101,091	0.16	6.61	37.25	11.25	-	71.32	-	-	62.75	17.43
Lemons	-	21,755	-	3.05	-	0.62	-	-	-	-	-	99.38
Total	1,032,942	1,004,840	4.52	4.43							32.89	30.4

Source: Statistical working paper produced by the Commission, Directorate-General for Agriculture, reference VI.E. 1/41/81 and VI.E. 1/5/82

EAGGF expenditure on financial compensation in 1979/80

(in ECU)

Product	Belgium	F.R. Germany	France	Ireland	Italy	UK	Netherlands	Community total
Cauliflower	1,930	162,993	2,009,731	457	311,977	19,646	-	2,506,734
Tomatoes	33,647	5,656	181,871	7,560	11,359,544	-	1,857,133	13,445,412
Peaches	-	-	651,028	-	18,895,800	-	-	19,546,829
Pears	369,404	19,846	636,217	-	2,159,970	265,663	1,118,209	4,569,309
Apples	6,146,371	8,718,972		94,581	13,602,415	591,693	9,798,132	47,505,788
Mandarin oranges	-	-	-	-	14,632,803	-	-	14,632,803
Oranges	-	-	15,844	-	436,708	-	-	452,551
Total	6,551,352	8,907,467	12,047,864	102,598	61,399,217	877,002	12,773,474	102,658,975

Source: Statistical working paper produced by the Commission, Directorate-General for Agriculture, reference VI.E. 1/41/81

ANNEX V

EEC intervention measures for fresh fruit and vegetables charged to the EAGGF since 1967/68 (ECU)

Marketing year	Tonnes	Cost (ECU)
1967/68	372,849	26,340,161
1968/69	379,095	24,334,186
1969/70	423,640	25,773,023
1970/71	894,183	41,184,518
1971/72	752,600	39,800,850
1972/73	107,958	6,285,183
1973/74	750,288	45,730,288
1974/75	568,626	44,822,539
1975/76	1,297,509	86,634,218
1976/77	1,306,089	139,981,515
1977/78	207,476	21,481,588
1978/79	701,812	66,893,385
1979/80	1,032,942	102,658,975
1980/81	1,004,839	111,196,259
Total	9,799,906	839,683,349

Source: Statistical working paper produced by the EC Commission, Directorate-General for Agriculture, reference VI.E. 1/41/81

OPINION OF THE COMMITTEE ON AGRICULTURE

(Rule 101 of the Rules of Procedure)

Draftsman: Mr E. MAFFRE-BAUGE

On 18 January 1983 the committee appointed Mr E. MAFFRE-BAUGE draftsman.

The committee considered the draft opinion at its meeting of 19/20 April 1983 and adopted the conclusions by 20 votes to 1 with 3 abstentions.

The following took part in the vote:

Mr Curry, chairman;
Mr Früh, Mr Colleselli and Mr Delatte, vice-chairmen;
Mr Maffre-Baugé, draftsman;
Mr Barbagli (deputizing for Mr Ligios), Mr Battersby, Mrs Castle,
Mr Clinton, Mr Dalsass, Mr Diana, Mr Eyraud, Mr Gautier,
Mr Griffiths (deputizing for Miss Quin), Mr Helms, Mr Hord,
Mr Kaloyannis, Mr Martin (deputizing for Mr Pranchère),
Mrs Martin, Mr Papapietro, Mr Sutra, Mr Vgenopoulos, Mr Vitale
and Mr Woltjer.

I.

GENERAL:

Revenue from the production of fruit and vegetables accounts for a significant proportion of agricultural incomes in numerous regions of the Community.

The common organization of the markets is governed by Regulation (EEC) No 1035/72 (amended by Regulation (EEC) No 1116/81) for fresh fruit and vegetables and by Regulation (EEC) No 516/77 (amended by Regulation (EEC) No 1118/81) for products processed from fruit and vegetables.

The aims of the common organization of the market are:

- to discipline production by assisting the setting up of producers' organizations and the laying down of quality standards
- to intervene in the market, whenever a surplus situation arises, by means of withdrawal mechanisms
- to facilitate the penetration of certain Community products on European markets in the face of competition from third countries, and
- to protect the Community market by means of a reference price mechanism.

The production of fruit and vegetables, in addition to its essential function as a source of food, has a considerable influence on the balance of trade and on employment in the Member States that produce fruit and vegetables.

2.

MARKET SUPPLY

In 1981 fruit production amounted to 20.5 million tonnes and vegetable production to 28.4 million tonnes.

Italy (which accounts for 48% of fresh fruit and 40% of vegetable production) and France (16% of fresh fruit and 17% of vegetables) are the Community's main producers.

The Community's level of self-sufficiency in vegetables is particularly high (99.2% for the 1980/81 marketing year). The rate of self-sufficiency in fruit was 84.1%, although the rate for citrus fruit was only 43.3%.

In 1981 4.2 million tonnes of fresh fruit and 1.2 million tonnes of fresh vegetables were imported into the Community. This is equivalent to five times the Community's exports of fresh fruit and three-and-a-half times its exports of fresh vegetables. These often indiscriminate imports, can have serious repercussions on market prices and in turn on producers' incomes.

3.

EXPENDITURE

Expenditure under the fruit and vegetable sector of the EAGGF-Guarantee Section amounted to 641.1 m ECU in 1981 and 852.6 m ECU in 1982, i.e. 5.8% and 6.4% respectively of total EAGGF-Guarantee Section expenditure. The level of expenditure forecast for 1983 is 932 m ECU. Given that the fruit and vegetable sector accounts for 11% of the total expenditure, these figures cannot be considered excessive.

Moreover, intervention in the form of aids for processing, principally for the production of tomato concentrates and peeled tomatoes, accounted for over 65% of that expenditure.

4.

FACTORS AFFECTING EXPENDITURE

4.1 Withdrawals from the market

This measure, laid down in Regulation (EEC) No 1035/72, enables products which cannot be sold to be withdrawn from the market, if the market is saturated, at reduced minimum prices (around 50% of the market price) in order to preserve a balance between supply and demand and to maintain the stability of producers' incomes. During the 1980/81 marketing year 1 million tonnes of fruit and vegetables were withdrawn, i.e. 2% of the total production and 4.4% of the production of those varieties of fruit and vegetables eligible for withdrawal. Expenditure on withdrawals under the Guarantee Section of the EAGGF amounted to 111 m ECU, i.e. 0.98% of the total EAGGF-Guarantee Section expenditure. The quantities and expenditure involved can therefore be considered modest. Given that these measures ensure optimum market supply while maintaining stable incomes for producers, this expenditure can be considered a reasonable price to pay for what is a far from negligible result.

4.2 Products withdrawn from the market

During the 1980/81 marketing year citrus fruit, apples and pears were the main products withdrawn:

Citrus fruit

Mandarins	53,000 tonnes	27.9%	of total production
Oranges	101,000 tonnes	6.6%	" "
Lemons	22,000 tonnes	3.05%	" "
Apples	518,000 tonnes	7.3%	" "
Pears	163,000 tonnes	7%	" "

Expenditure breaks down as follows:

% of intervention expenditure
(111 m ECU)

Citrus fruit

Mandarins	10 m ECU)	29%
Oranges	18 m ECU)	
Lemons	4 m ECU)	
Apples	45 m ECU)	41%
Pears	15 m ECU)	14%

It was in Italy that the largest quantities were bought into intervention and therefore Italy also accounted for the largest share of expenditure : 66.5% of EAGGF-Guarantee Section expenditure on intervention in 1980 and 1981.

4.2.1

CITRUS FRUIT

The scale of withdrawals is mainly due to the considerable delay in implementing the Community measures to improve structures in Italy (the measures laid down in Regulation (EEC) No 2511/69 were not implemented in Italy until 1975/76). This explains why it has not yet been possible to reduce the considerable structural disparities between the Northern and Southern parts of the country. Hence, Italy must redouble its efforts to use the instruments provided by the Community for the improvement of marketing structures and for the structural conversion of production (cultivation of more easily marketable varieties). This is all the more necessary given that the Community's level of self-sufficiency in citrus fruit in 1980/81 was only 43% and that even then 28% of the mandarin crop had to be withdrawn from the market.

4.2.2

APPLES

In 1980/81 518,000 tonnes of apples were bought into intervention, the largest quantity of any of the varieties of fruit and vegetables covered by these measures. Apples accounted for the highest percentage of expenditure : 45 m ECU (41% of the total). Italy and France were the two main countries concerned. A comparison with the 1981/82 and 1982/83 marketing years shows, however, that the 1980/81 figure is due not so much to the effects of shortcomings in the production structures but rather to fluctuations in production caused by natural phenomena and by excessive imports from the Southern hemisphere.

During the 1981/82 marketing year only 61,000 tonnes were bought into intervention (as against 518,000 tonnes the previous year). In 1982 - a record year for apples - 700,000 tonnes of apples were withdrawn under the preventive withdrawal system, since a surplus of 1.4 million tonnes had been forecast (out of the total crop of 7.6 million tonnes), depending on consumption.

4.3

DISPOSAL OF PRODUCTS BOUGHT INTO INTERVENTION

The quantities bought into intervention during the 1980/81 marketing year accounted for only 2% of the total production in the fruit and vegetable sector. The quantities bought-in are largely donated to welfare organizations, used for animal feed or processed into alcohol. Only 30% of the quantities bought into intervention during the 1980/81 marketing year were not used, either being spoilt (around 15%) or having to be destroyed (around 15%). Thus, the quantities destroyed accounted for only 0.3% of the total production.

It would be possible to reduce further the percentage of the crop bought into intervention and not usefully disposed of by increasing the number of free distribution operations. However, one must not forget that free distribution of perishable produce raises not only technical problems (geographical distance of the beneficiaries from the point of production) but also commercial problems. Produce to be distributed free of charge must be distributed separately from the traditional distribution circuits and must not affect the normal marketing circuits or the volume of produce marketed.

5.

PROCESSED PRODUCTS

Expenditure on processed products under the fruit and vegetable sector of the EAGGF-Guarantee Section amounted to 465.2 m ECU in 1980 and 420.3 m ECU in 1981.

In 1982 expenditure is likely to amount to 508.5 m ECU. This gives percentages for the three years of 4.5%, 3.9% and 4.3% of the total EAGGF-Guarantee Section expenditure¹. In addition to tinned mushrooms, peaches, orange juice, raisins, dried figs, William pears and cherries, processed tomatoes are the principal beneficiaries of aids for processing: in 1981, 621,000 tonnes of tomato concentrate, 1,109,000 tonnes of peeled tomatoes and 45 tonnes of tomato juice.

While aid for processing does give certain producers and processors a definitive advantage, it also has serious drawbacks.

It constitutes a breach of Community preference and benefits processors in particular. In fact, because of the protection afforded to the finished product, processors are able to pick and choose between Community produce and imported produce.

Moreover, this form of aid has given rise to serious cases of fraud.

¹ Source: The situation of the agricultural markets, 1982 report by the Commission, COM(82) 794 final p. 100.

6.

FRAUD AND IRREGULARITIES

The orchestrated campaigns suggesting that producers in the Mediterranean regions are potentially guilty of fraud give cause for alarm.

In fact, irregularities and fraud have been detected in all the Member States and in various production sectors (see table below).

Irregularities notified in 1981

Member State	Number of cases declared					Amounts (Mio ECU)	Cases recovered	Amounts recovered (Mio ECU)
	Intervention		Refunds	Monetary compensatory amounts	Total			
	Milk products	Other products						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Belgium	0	0	0	1	1	0.178	0	—
Denmark	21	0	11	0	32	0.329	3	0.017
FR of Germany	78	13	19	4	114	12.859	46	1.190
France	15	1	13	11	40	0.456	12	0.146
Ireland	0	0	1	5	6	0.666	1	0.135
Italy	1	1	0	0	2	0.970	0	—
Netherlands	1	1	2	1	5	0.056	1	0.001
United Kingdom	24	5	2	11	42	0.598	10	0.099
Total	140⁽¹⁾	21	48	33	242	16.112	73	1.588

(¹) Of the 140 cases, 90 relate to the premium for the non-marketing of milk or the premium for conversion of cattle.

Notes: (1) For Greece and Luxembourg, the figures are 0.

(2) Percentage of cases recovered = 30.16% ((8)/(6)).

(3) Percentage of amounts recovered = 9.84% ((9)/(7)).

Source: Eleventh EAGGF financial report 1981, Document COM(82) 439 final.

7.

PROBLEMS RAISED BY THE ENLARGEMENT OF THE COMMUNITY

The accession of Spain alone would increase the usable agricultural area by 30%, the number of agricultural holdings by 32% and the number of persons employed in agriculture by 25%. Vegetable production would increase by 25% and fresh fruit production by 48%. Spain's surplus production of citrus fruit (of the order of 235%) would raise the Community's level of self-sufficiency from 43% to over 89%. In the case of most other products the level of self-sufficiency would range between 98 and 105%. In addition, Spanish production would be likely to increase as soon as price levels were aligned with Community price levels and once the market support measures were fully applied.

Unless the existing market mechanisms in the fruit and vegetable sector were adapted, EAGGF-Guarantee Section expenditure on fruit and vegetables would increase considerably following the accession of Spain and Portugal. A hypothetical budget for 1981 including Spain and Portugal would have had to provide for an increase in budgetary expenditure of between 2,800 and 3,800 m ECU and as a result the volume of the budget would have increased by between 15 and 20%. In this hypothesis, Spain would have absorbed 50% and Portugal around 20% of EAGGF-Guarantee Section appropriations.

8.

NECESSARY IMPROVEMENTS

It is clear from the foregoing that there is a need to improve current Community rules (see the Resolution adopted by the European Parliament on 16 June 1982) and to use available appropriations more efficiently by:

- enabling the whole sector to develop in a coherent and balanced manner
- avoiding marketing crises and eliminating structural surpluses in particular in the citrus fruit sector
- ensuring that Community producers enjoy a reasonable rate of return

- improving the intervention system and raising quality standards
- supplying consumers with quality produce at a reasonable price
- avoiding the destruction of produce and assisting the marketing process
- improving the supervision of market management.

9.

CONCLUSIONS

The Committee on Agriculture requests the Committee on Budgetary Control to include in its motion for a resolution the following conclusions, which it will present in the form of amendments if necessary :

- 9.1 Points out that under the common agricultural policy fruit and vegetable producers have not enjoyed the guarantees of income level and the potential for development they were entitled to expect relative to other sectors of production.
- 9.2 Notes that expenditure under the fruit and vegetable sector of the EAGGF-Guarantee Section, which accounted for only 6.4% of total EAGGF-Guarantee Section expenditure in 1982, is not excessive in relation to the scale of fruit and vegetable production in the Community (11% of the total).
- 9.3 Acknowledges that while the destruction of fruit and vegetables is regrettable and that it should be avoided wherever possible, the actual quantity destroyed is limited (only 2% of the total crop in 1980-81, 0.9% of the overall EAGGF-Guarantee Section expenditure) and that destruction is often due to produce being imported at times when Community production is sufficient to supply the market.

- 9.4 Shares the indignation of the public and also of producers at the destruction of the fruits of their labour, but points out that it is virtually impossible to avoid the destruction of relatively small quantities in order to ensure an optimum market supply while maintaining the stability of producers' earnings.
- 9.5 Invites the Council to take into account the proposals set out in the resolution adopted by the European Parliament on 16 June 1982¹ so as to improve Community rules and to use available appropriations more effectively.
- 9.6 Requests in particular that the system of preventative withdrawals be extended, since it enables market disturbances to be mitigated at an early stage and thereby helps to avoid heavy expenditure on intervention.
- 9.7 Notes that the restriction of the list of products covered by guarantees has prompted a movement towards products which are eligible for intervention, leading to more frequent recourse to buying-in and greater cost to the Community budget; hopes therefore that guarantees will be extended to new products in order to encourage product diversification and reduce the cost to the budget.
- 9.8 Invites the Commission and the Council to strengthen Community preference in areas where excess production has to be bought into intervention with EAGGF-Guarantee Section appropriations (this applies in particular to Mediterranean products) and draws attention to the fact that the import calendar system in force up to now has proved satisfactory, since it has enabled the European Community and third countries to concentrate on products which compliment rather than compete with each other.
- 9.9 Considers it essential that encouragement be given in the producing zones to the agri-food industries, which help to adapt supply to demand and to control fluctuations in production.

¹ OJ No. C 182, 19.07.82, p. 36, MAFFRE BAUGE report (Doc. 1-279/82)

- 9.10 Invites the Member States to apply the rules and disciplines of production (standardization - producers' organizations) and to make full use of the available Community instruments to improve marketing structures and to restructure production.
- 9.11 Proposes, in order to avoid the destruction of fruit and vegetables withdrawn from the market, the improvement of the procedure for distributing them to less favoured social groups and welfare organizations or, failing this, their use for other purposes (processing or use as animal feed), and encourages the Member States to make wider use of this procedure.
- 9.12 Notes that aids for processing, which accounted in 1982 for 4.3% of total EAGGF-Guarantee Section expenditure, are related to the abandonment of Community preference and have benefitted processors in particular; invites the Commission to propose improvements in the rules on processed products to enable producers to derive greater benefit from them by ensuring stricter observance of Community preference and avoiding fraud.
- 9.13 Desires a tightening up of controls at national level in order to monitor expenditure more effectively particularly in respect of withdrawals and to detect fraud.

