

COMMISSION OF THE EUROPEAN COMMUNITIES

SPECIAL COMMITTEE
OF INQUIRY

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Brussels, 21 July 1976

REPORT CONCERNING THE GUARANTEE SECTION OF THE E.A.G.G.F., BEEF AND VEAL

(transmitted by the Commission to the
Council and to the European Parliament)

COM(76) 370 final

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I N T R O D U C T I O N

After submitting two reports concerning expenditure by the Guarantee Section of the EAGGF, one dealing with milk products, and the other with olive oil and oilseeds, the Special Committee of Enquiry set up by the Commission on 3 October 1973 had its terms of reference extended by the Commission Decision of 5 March 1975.

This Decision gave it the task of dealing with one of the following subjects:

- beef and veal
- wine
- cereals
- compensatory amounts
- problems concerning stock control.

At the first meeting on 12 - 13 May 1975 beef and veal was chosen as a priority sector for investigation. It was made clear, however that in studying this particular sector it ought to be possible to examine, in depth, problems concerning the system of compensatory amounts and stock control.

The main reason why the Committee chose beef and veal is the substantial growth in expenditure by the Guarantee Section in this sector (as shown in the diagrams below), and, in particular, the considerable additional expenditure on the various new systems of premiums which have been introduced as part of the organization of the beef and veal market.

Furthermore, the cases of fraud and speculative deflections of trade that have come to light recently encouraged the Committee to examine the circumstances and seek ways of remedying the situation.

Evolution des dépenses du FEOGA, section Garantie, dans le secteur de la viande bovine des années 1970 à 1975

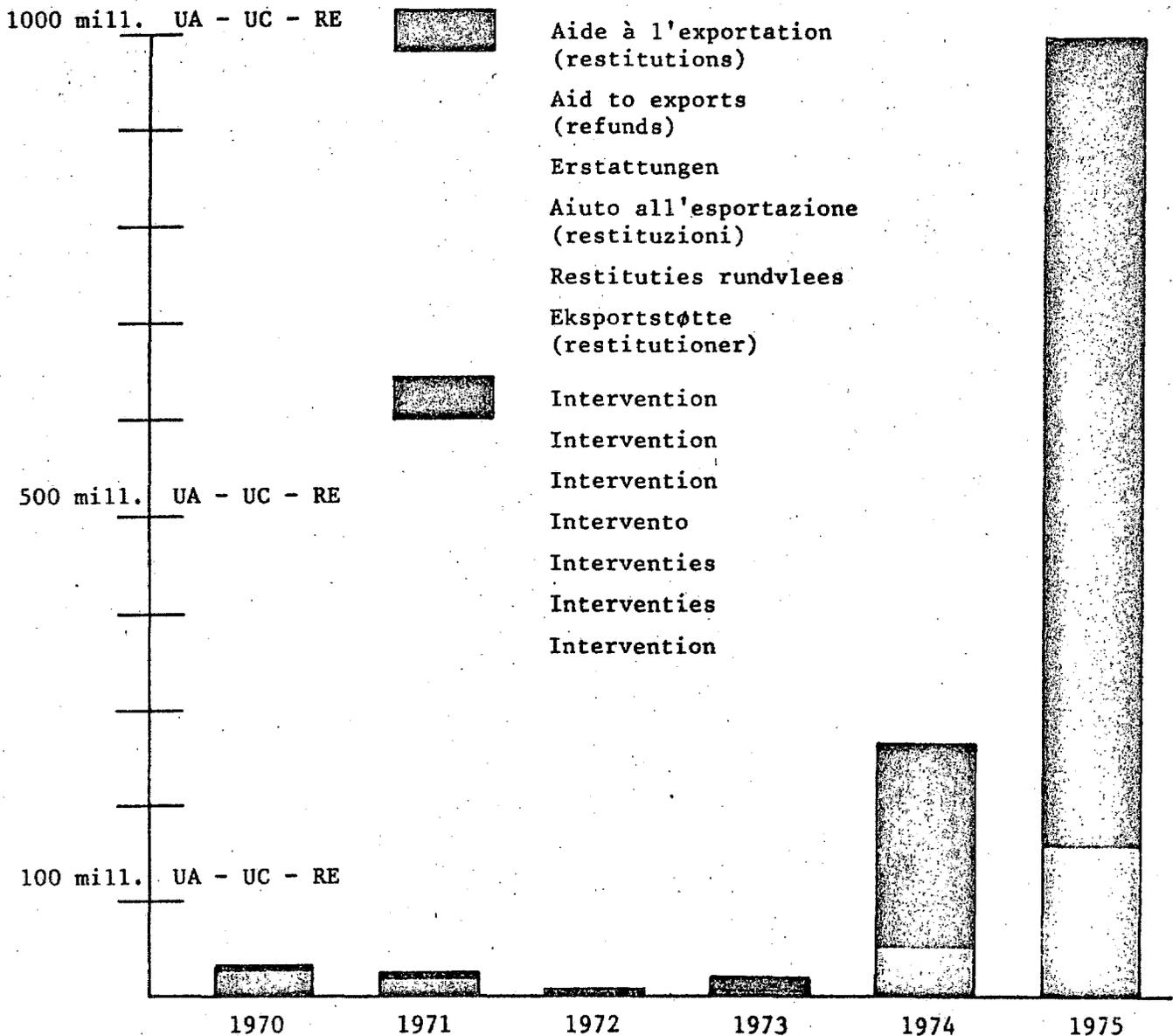
Trend of EAGGF Guarantee expenditure in the beef and veal sector for the period from 1970 to 1975

Entwicklung der Ausgaben des EAGFL, Abteilung Garantie, im Rindfleischsektor für die Jahre 1970 - 1975

Incremento delle spese del FEAOG - Garanzia nel settore delle carni bovine per il periodo 1970 - 1975

Evolutie van de uitgaven van het EOGFL afdeling garantie in de sector van het rundvlees tijdens de periode 1970 - 1975

Udviklingen i udgifterne for EUGFL's garantisektion inden for oksekødsektoren i årene 1970 - 1975



Part du secteur de la viande bovine dans les dépenses totales du FEOGA, section Garantie de 1970 a 1975.

Proportion relating to the beef and veal sector of the total EAGGF Guarantee expenditure for the period from 1970 to 1975.

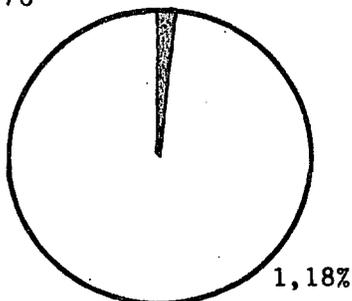
Anteil des Rindfleischsektors in den Gesamtausgaben des EAGFL, Abteilung Garantie, in den Jahren 1970 - 1975.

Percentuale del settore della carne bovina nelle spese totali del FEOGA - Garanzia per il periodo 1970 - 1975.

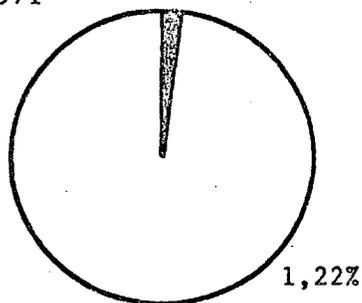
Aandeel van de sector rundvlees in de totale uitgaven van het EOGFL tijdens de jaren 1970 - 1975.

Oksekødsektorens andel af EUGFL's garantisektions totale udgifter fra 1970 - 1975.

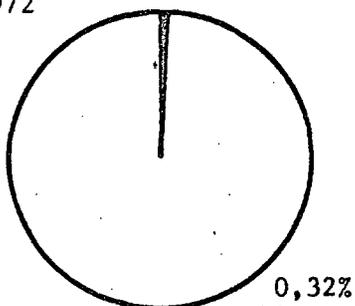
1970



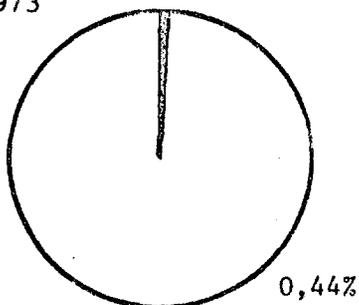
1971



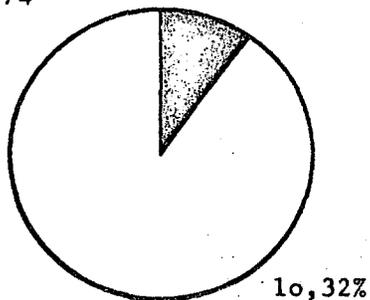
1972



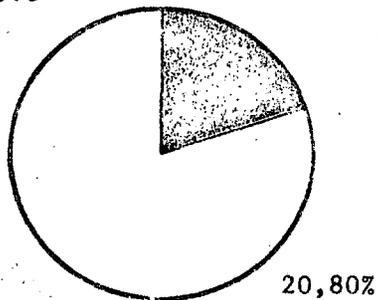
1973



1974



1975



As for previous reports, questionnaires concerning Community rules were prepared and processed with a view to checking that Community provisions are applied properly and to discover any imperfection that there might be.

In addition, three visits were organized in the Member States: in Ireland and the United Kingdom from 20 to 23 October 1975, in France from 3 to 7 November 1975 and in Italy from 23 to 27 February 1976. The object of the exercise was to enable the Members of the Committee to take a look at the practical arrangements for implementing the intervention system, the trade arrangements and the system of premiums.

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* * *

The Special Committee of Inquiry takes the opportunity provided by this report to recall the conclusions and general recommendations formulated in previous reports, the action taken subsequently and the other work carried out by Community institutions which could contribute to more effective prevention of irregularities and better protection of Community funds.

As a first step the Committee advocated improving the Community rules by introducing greater precision and by adapting those provisions which have proved difficult to apply. It stressed the advantage of greater co-operation between administrations, between Member States and between Member States and the Commission and the need to improve certain control procedures. It suggested that the penalties for infringements be increased and the methods of recovering sums wrongly paid be improved. Finally, it stressed the importance of improving the training of staff responsible for carrying out checks.

Various discussions and opinions stemmed from the examination of these reports by the Commission, the Parliament and the Council.

The European Parliament approved the conclusions reached by the Committee in its previous reports and added some general comments, notably on the need for setting up a European Court of Auditors (Doc. EP No. 40 157 and 41 708).

The Council concluded the examination of the first two reports of the Committee by adopting a "Resolution on stricter prevention of and proceedings against irregularities in the financing of the common agricultural policy" (OJ C 298 of 30 December 1975).

In this Resolution the Council firstly calls on the Member States and the Commission to put the conclusions and recommendations of the Committee into practice. Secondly the Council hopes in particular that financial support will be granted only to those economic operations which are carried out in line with the objectives of the Community rules in so far as these objectives are set out in Community acts.

The Council also adopted the "Directive on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund and of the agricultural levies and customs duties" (OJ L 73 of 19 March 1976).

Little progress has been made, however, in the examination of the proposal for a Council regulation on mutual assistance between the competent authorities of the Member States and between the latter and the Commission for ensuring the correct application of Community customs and agriculture regulations (Communitarization of the Naples Agreement).

This proposal was submitted to the Council by the Commission on 25 April 1973 (OJ C 100, 22 November 1973).

The Commission

- a) on 3 February 1973 addressed to the Member States a Recommendation on closer cooperation with respect to the EAGGF (Guarantee Section) operations (OJ L 44 of 18 February 1975 page 23);

b) intensified the work of the Group of experts on "Irregularities", set up under Council Regulation No. 283/72⁽¹⁾ by:

- sending reminders to Member States which had been slow to notify irregularities;
- systematizing the transmission of information (rapid communication system, list of officials to be contacted in each Member State);
- drawing up, for the use of the inspection bodies of the Member States, a highly confidential list of irregularities committed at the expense of the EAGGF Guarantee Section;
- holding specialized meetings:
 - in the beef and veal sector, several cases of irregularities examined by the Committee were studied beforehand by the Group of experts;
 - preliminary work has been carried out with a view to introducing checks by the Member States on operations forming part of the EAGGF (Guarantee Section) financing system (accounting checks).

The report on application of Regulation No. 283/72 was transmitted to the Council and to the Parliament in October 1975.

c) prepared and implemented in all Member States a special checking programme with particular reference to beef and veal, the results being communicated to the Committee,

d) is now considering the possibility of:

- including administrative sanctions in the regulations governing the common agricultural policy,
- organizing seminars to provide training and guidance for national inspectors (appropriation of 50,000 u.a. entered in the 1976 Budget).

(1) Regulation concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field.

Composition of the Special Committee of Enquiry:

Officials of the Member States

M. M. AMBRA	Comando Generale della Guardia di Finanza, Roma.
M. W. BOSQUET	Ministerie van Economische Zaken, Brussel.
M. P.J. KEENER	Exchequer & Audit Department, London.
M. P. Mc DONNELL	Office of Comptroller and Auditor General, Dublin.
M. E. MOLITOR	Ministère des Affaires Etrangères, Luxembourg.
M. P.B. RASMUSSEN	EF-Direktoratet, Kjøbenhavn.
M. H. SCHMIDT	Bundesministerium der Finanzen, Bonn.
M. H.W. van SPRONSEN	Accountantsdienst van het Ministerie van Landbouw en Visserij, 's-Gravenhage.
M. J. THILL	Ministère de l'Economie et des Finances, Paris.

Officials of the Commission

M. C. FACINI, Director-General of Financial Control
(Chairman of the Committee)

M. K. PINGEL, Director, Administration of the Customs Union,

M. H. von VERSCHUER, Deputy Director-General for Agriculture,

CHAPTER I - THE INTERVENTION SYSTEM

Buying in - public storage - processing - sale

This Chapter deals only with intervention in the form of buying-in by the intervention agencies. Private storage aid will be dealt with in Chapter II.

SECTION I - THE RULES

A. The guide price

The basic Regulation 805/68 on the common organization of the market in beef and veal is based on the concept of a "guide price", which may be defined as the price which it is hoped to attain on average on the Community market for all the quantities marketed during a given marketing year. Two guide prices are fixed before 1 August each year for the marketing year beginning in the following year, one for calves and the other for adult bovine animals. Pure-bred breeding animals are not covered by the organization of the market.

On the internal market of the Community, the guide price is intended to encourage production without leading to the formation of structural surpluses, and serves as a reference in the public buying-in policy, since the intervention price is fixed as a percentage of the guide price. It is also used in calculating the Community protection against imports from non-member countries.

- B. Intervention : scope and practice Council Regulation 1302/73, as amended by Regulation 1729/74; detailed rules : Commission Regulation 1896/73, as last amended by Regulation 3083/75; Regulation 622/74, as amended by Regulation 3188/74 (1)).

(1) - For the rules on the financing of intervention expenditure : Council Regulation 2305/70, as amended by Regulation 1174/75.

1. Field of application

Intervention measures may be applied when prices on the Community market cease to remunerate production at a level close to the guide price. As the rules are at present, there can be no intervention in respect of veal.

Three types of intervention in the form of public buying-in are provided for, only two of which depend on the level of prices on the Community market, calculated on the basis of prices recorded on the representative markets of each Member State.

- (a) Where the Community market price for adult bovine animals is less than 98 % of the guide price and simultaneously the market price in a certain region is less than 93 % of the guide price, intervention measures may be taken in the regions concerned.
- (b) Where the Community market price is less than 93 %⁽¹⁾ of the guide price, intervention is automatic throughout the Community.
- (c) There is a system of "permanent" intervention, which is unrelated to the levels mentioned above. Introduced by the Council on 20 December 1972, its aim was to enable operators to offer certain high quality meat at any time, whatever the Community market price, and to receive 93 % of the guide price. This measure, therefore assured breeders of a kind of minimum guaranteed price, as is the case in other sectors.

The obligation on intervention agencies to buy was however modified for the 1976/77 marketing year to avoid encouraging production which would only be destined for intervention. Council Regulation No. 568/76 of 15 March 1976 provides in effect that if the price recorded on the representative markets of a Member State or of a region of a Member State is not less than 95 % of

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(1) Derogations: for the 1975/76 marketing year the intervention price was fixed at 90.42 % instead of 93 % of the guide price (Regulation 463/75); for the 1976/77 marketing year it was fixed at 90 % of the guide price.

the guide price during a certain period the "permanent" intervention measures may be totally or partially suspended in the Member State or region concerned.

2. Intervention in practice

Buying in by the intervention agency is governed by three essential requirements:

- to ensure effective market support,
- to facilitate the disposal of goods on their removal from storage,
- to restrict the financial burden on the Community.

Therefore, only meat of certain qualities and certain cuts may be bought in. Checking for compliance with these standards must be carried out by the intervention agency at the time of buying in (checking of weight, quality and origin of the meat offered and veterinary checks)⁽¹⁾. In addition, the intervention centres must be so chosen by Member States that the operations of intake and, where appropriate, slaughtering and freezing may be carried out under satisfactory technical conditions.

Since the buying-in prices are fixed by the Commission according to quality (a maximum and a minimum price per quality), buying in entails classification of the meat offered by reference to national scales for the grading of carcasses.

On account of the saturation of public storage facilities, the Community has had to defray, in addition to the storage costs as such, part of the cost of transporting (Council Regulation 1729/74)⁽²⁾ and processing the meat stored. The costs involved are the additional transport costs incurred by operators whose meat could not be accepted by one of the five nearest intervention centres and the costs of processing either by boning (Regulation 1315/74, repealed by Regulation 2630/75) or by the manufacture of preserved products (Regulation 1295/74⁽³⁾). For the disposal of frozen beef from public stocks

.../...

(1) Since the introduction of the premium systems (orderly marketing premium and premium for producers of bovine animals), the intervention agency must check when meat is bought in whether it comes from animals on which a premium has been paid. In principle the meat cannot be bought in in such case. If, by way of derogation from this rule, such meat is bought in, the intervention agency must demand that the seller refund the premium.

(2) Regulation lapsed on 6 April 1975

(3) Regulation lapsed on 23 May 1975

(Council Regulation 98/69 and Commission Regulation 216/69) the selling prices are either pre-set or determined by means of a tendering procedure. It should be noted that, although for buying in there is a scale of prices for the various qualities of carcase, this is not necessarily reflected in the fixing of the selling prices, since the price range for frozen meat is much narrower than for fresh meat.

In order to facilitate the disposal of public stocks and, to encourage meat consumption, two measures were taken :

- sale at reduced prices of certain beef and veal and preserves thereof to certain institutions and bodies of a social character (Commission Regulation 2035/74);
- sale of beef and veal at reduced prices to certain categories of consumer (Council Regulation 1856/74).

These measures will be dealt with in Chapter VI of this report.

SECTION II - ANALYSIS OF IRREGULARITIES AND PROBLEMS IN ADMINISTERING THE INTERVENTION SYSTEM

Few irregularities have been discovered. However, the checks which would enable them to be detected are sometimes inadequate.

A. Irregularities

1. Only one serious irregularity has been found and reported to the Commission. It concerns the check weighting of carcasses offered for intervention. In the case in point the declared weight of the carcasses, which was registered by the intervention agency and used as the basis for payment, was 10% above their actual weight.

The irregularity was discovered when the hot weight of carcasses, which is recorded for factory purposes, was compared with the cold weight which is

.../...

used as the basis for sale to the intervention agency. It was found that instead of being lower than the hot weight the cold weight was recorded as being higher and it appeared that the cold weight had been inflated by about 10 %.

The intervention centre in this case was located in the factory offering the meat to intervention and the weighing was carried out on the factory scales. The explanation suggested for the recording of inflated weights was that these scales had been tampered with. While this may be a possible explanation of how the fraud was perpetrated it is disturbing to find that an irregularity of this magnitude, which was based on fraudulent misrepresentation of weight, could go undetected for a period of nine months and it leaves the Committee in some considerable doubt as to the effectiveness of the supervision exercised at this factory.

2. Several cases of shortfall in public intervention stocks have been recorded. They are not necessarily due to irregularities. In all cases the warehouses concerned were held financially responsible.

B. Deficiencies in checking

1. Internal and external supervision of the operations carried out by the intervention agencies

There are several types of supervision of the operations carried out by intervention agencies.

The intervention agencies have introduced various internal procedures for the supervision of operations for which they are responsible (mainly buying in and storage). In some Member States, within the intervention

.../...

agency itself or the peripheral organizations responsible for the actual execution of the operations a specialized corps of inspectors has been set up to carry out internal supervision of all operations.

There is also a measure of external supervision, usually provided by an audit body or other independent organization.

However, it would seem that external supervision could be stepped up in some Member States.

2. Checks at the time of buying in

The controls of a qualitative nature (origin, quality, health) are carried out satisfactorily and may lead to the refusal of meat by the intervention agency.

It has been established, however, that in one respect some intervention agencies do not carry out the checks required by the rules : this is where an intervention agency accepts meat from animals on which a premium has been paid at the time of their initial marketing or at the time of slaughter.

In principle, such meat must be identified so that either it can be refused by the intervention agency or the seller can be required to refund the premium.

It should be noted that these checks are required even in Member States which do not apply the premium system, since their intervention agencies may buy in meat from animals originating in other Member States which grant the premium. It must be admitted, however, that in this case the origin of the meat offered for intervention is difficult to detect since it bears only the stamp of the slaughterhouse in the country where it is offered for intervention.

The absence of strict controls may have lead to the operator benefiting both from the premium and from the normal buying in price paid by the intervention agency, contrary to the rules in force and a source of undue expenditure for the EAGGF.

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Some Member States have solved this problem by systematically making the required deduction from the buying in price, on the assumption that all meat offered to the intervention agency comes from animals on which a premium had been paid.

It should be noted that under the new system of slaughter premiums applicable in the 1976/77 marketing year it is still prohibited to combine the premium and the normal intervention price in the Member State that grants the premium (Council Regulation 797/76 of 6 April 1976, Article 2); from now on Member States that do not apply the new premium system may in no case buy in beef derived from categories of animal eligible for the premium in a Member State which applies the system (Commission Regulation 803/76 of 7 April 1976). Thus the intervention agencies are still under an obligation to exercise control.

3. Inadequate or obsolete weighing equipment

On their field visits the Committee noted that equipment used to weigh live animals (in ports, at the time of export) or carcasses (at the time of buying in or taking into storage) did not record the weight as accurately as might be wished. Weighing machines that automatically print out the weight on a ticket are highly desirable.

4. Supervision of storage operations

Community rules impose several obligations on Member States with respect to stock accounting and the supervision of storage conditions.

(a) Control of quantities in store

The Member States must notify the Commission of the products and quantities in store at the end of each month as a result of buying in, giving the address and the place of storage (Regulation 1896/73, Article 12).

.../...

This obligation entails :

- continuous stock accounting by the central departments of the intervention agency,
- periodic comparisons between these stock accounts and those kept by each store,
- physical checks to verify that the accounting stocks agree with the actual stocks.

In practice, the first requirement is usually met, although weaknesses have appeared in the analysis of the central accounts by store. Furthermore the various sets of accounts are not always systematically compared.

Lastly, on-the-spot stocktaking is generally considered to be too time-consuming and too costly and so is seldom carried out. However, on field visits the Committee was able to observe that physical possibilities of inspecting stocks largely depended on the system adopted for recording the lots as they were placed in storage. In particular, the Committee had the opportunity to study a carefully prepared system of identifying the lots placed in storage, under which the stock accounting was easy to follow and which also facilitated physical stocktaking.

(b) Supervision of storage conditions

Member States must take all measures necessary to ensure the satisfactory preservation of the stored products (Regulation 1896/73, Article 4 (2)).

The public storage of meat taken over by the intervention agency is frequently entrusted to private storage firms. Member States must select the stores by reference to their ability to supply the necessary services and must reserve the right to carry out periodic checks of physical storage conditions.

No irregularities in this respect were brought to the Committee's attention. It was nevertheless established that one intervention agency had received complaints from purchasers of intervention meat regarding the state of preservation of the meat.

.../...

This leaves some doubt regarding the existence or effectiveness of the checks carried out at stores.

5. Processing of meat taken in by the intervention agency

The supervision of processing operations raises a delicate problem in that only permanent supervision of processing could provide all the requisite guarantees that processors were meeting their obligations.

(a) Boning

Community rules specify in detail the physical conditions under which boning must take place. These must be inserted in the contracts concluded between the intervention agency and the cutting plants. These conditions deal in particular with the temperature of the plant, the trimming and packaging of cuts and the timetable for carrying out the work.

It was found in the course of on-the-spot checks by the Commission services that the surrounding temperature was not always checked (lack of recording thermometer).

The addition, one intervention agency found several cases where the labelling of boxes of boned cuts did not correspond to their actual contents. Incorrect labelling may conceal an irregularity, such as the misappropriation of certain cuts by the cutting plant.

(b) Processing into preserved products

Processing into preserved products is carried out by private undertakings. The intervention agency must reserve the right to exercise constant supervision of this activity and verify the quality of manufacture of the processed products before taking them in.

In practice, spot checks are carried out a posteriori in the form of analyses of manufacturing samples. This procedure does not make

it possible to determine whether the processors have met all their obligations and in particular whether the meat supplied by the intervention agency was used in its entirety and exclusively in the manufacture of preserved products.

The imperfect nature of checking by means of chemical analysis of the preserved meat will be dealt with later in connection with the export checks on preserved meat qualifying for refunds which vary according to the meat content.

SECTION III - IMPERFECTIONS AND PROBLEMS IN APPLYING THE RULES

1. Public intervention stocks stored by a Member State outside its own territory

Several Member States, in order to store their public intervention stocks, make use or have in the past made use of storage capacity available either in another Member State or a non-member country.

This practice, which has become necessary in particular since 1974 because of the saturation of storage capacity in certain Member States, has grown up without any well-defined legal basis. The present rules do not expressly provide for stocks to be held abroad.

The transfer of stocks abroad has therefore taken place on ad hoc terms determined by each Member State which has given rise to legal difficulties (customs status of goods stored abroad, method of applying the system of compensatory amounts) and practical difficulties (checking of these stocks, cost of storage and quality of the services provided by the private storers).

(a) Customs treatment applied

In some cases the meat was dispatched under temporary export arrangements and sometimes, when there were no such arrangements in the Member State concerned, the meat was treated as an ordinary export.

Likewise, storage in the country of destination has been carried out under customs procedure that can vary from one Member State to another: some Member States have applied the bonded warehouse system, whereas one Member State has always considered intervention meat thus stored in its territory to be in free circulation.

(b) Application of the system of compensatory amounts

At the time of export the Member States concerned have not applied the monetary and accession compensatory amounts either on export of the goods from their territory or on entry to the country of storage.

According to the Member States, the suspension of these amounts resulted either from the customs treatment chosen (temporary exportation, bonded warehouse) or from the view that the exportation of goods did not constitute a commercial transaction.

The amounts were eventually applied, case by case and according to final destination, when the meat was removed from store following its resale. The amounts were fixed by reference to the date of offtake.

(c) Stock control procedures

The fact of storing goods abroad does not release the Member State concerned from the obligation to supervise the stocks.

- In all cases the Member State responsible for the stocks must by on-the-spot checks ascertain the presence and state of preservation of the meat.

In practice, these visits seem to have been all too rare.

- In cases where meat is stocked under the bonded warehouse system, inspections are made by customs officials. But since these inspections relate only to quantities and the non-substitution of goods, they cannot replace inspections by the Member State responsible for the stocks.

Therefore, both types of inspection should be carried out where appropriate and this has not always been done.

(d) Financial implications

The additional costs incurred for this type of storage must not be underestimated.

These are the transport costs and, where appropriate, the offtake and reintake costs, which are borne by the Guaranteed Section of the EAGGF on a flat-rate basis. Where the transfer of meat held by the intervention agency is involved, there is no limit on the distance for which transport costs are reimbursed.

However, for this operation to be carried out two conditions must be satisfied : the transfer must have become necessary and must be carried out after authorization in accordance with the Management Committee procedure.

Lastly, one intervention agency found that the costs of storage abroad were higher than the rate currently charged on its own territory, while the services were of poorer quality than those habitually afforded by cold stores in its own country.

2. Complaints to the intervention agency on the part of purchasers

Where frozen meat is sold by the intervention agency the rules (Commission Regulation 216/69, Articles 3, 4, 8 and 9) provide that :

- (a) the intervention agency is to make the necessary arrangements to permit those concerned to inspect the products for sale before making their bids;
- (b) that a bid submitted by the purchaser to the intervention agency for the purchase of frozen meat is not valid unless it is accompanied by a statement in which the bidder agrees to forego any claim as to the quality or characteristics of the products which may be assigned to him.

.../...

In practice, these provisions have certain disadvantages:

- Firstly, in the case of boned meat certain defects cannot be detected in the frozen state. Prior examination of the goods by the purchasers does not provide them with a real guarantee unless it is carried out on samples which are considered to be representative of the lot to be assigned and which have first been thawed but such conditions are not always fulfilled.
- Secondly, the a priori exclusion of any claims has not in practice prevented such claims from being made and from being investigated by the intervention agency concerned.

The individual solutions applied to each case by the authorities concerned have not occasioned any expenditure for the EACGF. Nevertheless, there is something to be learned from this situation in that such complaints may point up errors of classification at the time of buying in, defects in preservation methods, or even opportunities for substitution during storage.

3. Harmonization of the meat grading systems used by the Member States

Each Member State uses a system of grading carcasses and quarters which, although based on uniform criteria (age, weight, conformation and degree of fattening), leads to the creation of a scale of quality which is not transferable from one Member State to another.

Grading depends partly on the breed of the animals, which may explain the specific nature of each national grading system. On the other hand, some categories do not exist in certain Member States simply because they correspond to a particular type of cut which the other States do not use (e.g. Pistola cut).

The results of this are that:

- it is necessary to fix a multitude of buying-in prices, which complicates the administration of the common agricultural policy,
- it is impossible for operators to make valid comparisons between the quality of meat from different Member States,
- there are difficulties in marketing from one Member State to another and restrictions on competition.

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The aim should be to move towards a single grading system.

4. Fixing of prices by category on buying in and on resale by the intervention agency

The number of categories used for fixing the buying-in prices and the selling prices for meat held by the intervention agencies are not the same.

At the time of resale, certain qualities, to which different buying-in prices were applied, are amalgamated and the meat sold at a single average price.

Although this system is acceptable for the resale of forequarters, which are mainly intended for the processing industry, the Committee believes that differences in quality should be respected at least in the case of hind-quarters, so that a post-check can be carried out, on resale, of the grading which was effected at the time of buying in.

5. Application of the permanent intervention system

The introduction by the Council of the permanent intervention system was intended to afford producers a true price guarantee by giving them the opportunity of offering meat for intervention whatever the level of prices recorded on the market.

Application of the system seems to have led to excesses. In one country which is conspicuous for its deficit, the intervention agency had to undertake buying in while the market prices were much higher than the intervention prices.

As regards the economics of the situation, possible explanations include :

- in a country with a deficit and extremely dependent on external influences, market prices are subject to frequent fluctuations. It may be assumed, therefore, that producers will use the intervention system to avoid accepting a lower price on occasion;
- the average prices on the representative markets in the Member State concerned can, while being clearly above the intervention purchasing price, mask a much lower purchasing price level in certain regions.

The Committee has been unable to compare these explanations with the realities of the situation. Nevertheless it considers that the system of permanent intervention as practised until the end of the 1975/76 marketing year tended to discourage commercial enterprise on the part of producers.

The Committee is therefore in favour of the reform of the system set forth in Council Regulation No 568/76, which provides that permanent intervention measures can be totally or partially suspended in a Member State or region when the price recorded on the representative market or markets of that Member State or region is not less than 95% of the guide price for a certain period.

6. Buying in of meat from animals on which premiums have been paid

Rules have been laid down governing the buying in for intervention of meat from animals on which a premium has been paid. During the 1974/75 and 1975/76 marketing years such buying in was in principle prohibited. Member States could, however, derogate from this prohibition provided the premium was repaid.

This provision, which aimed at preventing unnecessary expenditure by the EAGGF in respect of the same animal, was difficult to apply, particularly where the animals were not slaughtered in the Member State granting the premium. In practice it meant that Member States had to be able to determine the origin of the meat offered (animals receiving a premium or not in another Member State), but this information was not necessarily available, particularly if the meat in question had not been specially marked.

The system applicable in the 1976/77 marketing year (deduction of the premium in the case of Member States applying the premium, prohibition on buying in in the case of the other Member States) calls for inspections to be carried out by all Member States.

It is, however, simpler in that live animals which are the subject of intra-Community trade are no longer entitled to the premium. Consequently, meat from animals slaughtered in a Member State other than the one granting the premium, which could cause identification problems, is no longer affected by the prohibition on buying in. This prohibition on buying in now relates only to meat exported by the Member State granting the premium, the origin of which is

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easily identifiable from the veterinary stamp placed on the meat at the slaughterhouse.

Timetable for application of Community decisions

The Member States have sometimes experienced difficulties in meeting the deadlines for applying certain Community decisions.

Under Commission Regulation 1295/74 of 22 May 1974 on the processing (into preserved products) of beef bought in by intervention agencies, the deadline for the completion of such operations was 3 August 1974. Other regulations subsequently extended the validity of that Regulation.

Nevertheless, the relatively short period allowed in the first instance forced the intervention agencies to act in haste, which could only affect adversely the conditions under which contracts with the manufacturers were concluded and performed.

SECTION IV - RECOMMENDATIONS

A. Weighing equipment and operations

- a) It is essential that weighing equipment be replaced if obsolete and that it be regularly inspected in all establishments, whether public or private, where weight certification is carried out.
- b) Weighing operations in connection with purchases by intervention agencies must always be supervised.

B. Principles of stock control

Stocktaking

The Committee has carefully considered the question of stocktaking of beef purchased by intervention agencies and held in cold stores by them. It notes that the practice in regard to stocktaking varies in effectiveness between the Member States, and considers that control exercised by the intervention agency in this area could be improved. The Committee fully realises that there are particular difficulties in connection with

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stocktaking in the beef sector due to such factors as the quantities involved, the conditions under which beef must be stored (low temperature) and the location of the cold stores which may be situated in another Member State or in a third country. It also recognises that a certain measure of control exists in some Member States whereby the cold store must enter into a contract to accept legal responsibility for quantities delivered into store and would therefore be held liable to make good any deficiencies.

Nevertheless the Committee considers that an essential element in the control of intervention stocks should be a systematic programme of stock-taking and reconciliation with the records of both the storage contractor and the intervention agency.

The frequency and extent of stocktaking would depend on such factors as the period for which the contractor had continuously held stocks, the rate of turnover and previous experience of his efficiency and reliability. In so far as comprehensive stocktaking is not possible, recognised selective checking methods should be adopted, combined with a thorough reconciliation when stocks are exhausted or at a low level.

Furthermore, systematic checks should be applied when beef is being issued from intervention stocks to ensure that there is no switching of lots to cover up deficiencies.

The Committee also feels that the procedure adopted in some Member States, and referred to above, of making the cold stores legally liable under contract for the quantities delivered into store should be generally adopted.

C. Stocks held by a Member State outside its own territory

A regulation should be adopted concerning public storage outside the territory of the Member State of intervention with a view to laying down detailed rules for its implementation. The new instrument should in particular specify:

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- that storage in another Member State is authorized provided strict conditions are observed and on the responsibility of the owner Member State;
- that storage in a third country can only be authorized in cases of exceptional necessity (inspection and customs treatment of such stocks raise separate problems);
- the customs treatment to be applied to the transfer of meat and its storage abroad;
- the detailed arrangements for stock control.

D. Processing into preserved products of meat held by intervention agencies

The Committee has emphasized the control difficulties caused by the decision to authorize the processing of certain intervention meat into preserved products.

It further observes that the marketing of the preserved meat is extremely slow. Out of a total production of 98 000 metric tons, 294 m.t. had been sold by the French intervention agency and 150 m.t. by the Belgian agency up to 31 December 1975. It was not until 30 January 1976 that a general decision was adopted on the marketing of the preserves (1), more than 18 months after processing operations were begun (Regulation 1295/74). The Committee is not in a position to judge the conditions under which marketing is taking place.

It requests, however, that as soon as all the necessary data are available (quantities sold and selling price) the Commission calculate the actual cost of such an operation, taking into account the cost of manufacturing the preserved meat, storage costs (18 months for the first batch) and the selling price.

(1) Commission Regulation No 223/76 setting up a system linking imports of beef and veal products effected by way of protective measures with the sale of preserved beef held by intervention agencies.

E. Control of operations carried out by intervention agencies

The Committee considers it desirable for external checks of the intervention agencies to be strengthened in some Member States.

F. Specific suggestions

- a) The Committee recommends that without existing Regulations being amended any complaints from operators who have bought intervention meat should be carefully examined with a view to detecting possible defects in the various intervention operations.
- b) To simplify administration of the common agricultural policy and thereby facilitate control, the Committee considers it advisable :
 - to harmonise the grading of carcasses in the various Member States with a view to the gradual establishment of a Community grading system;
 - that the scale of selling prices of intervention meat should reflect buying-in prices according to quality.

CHAPTER II - PRIVATE STORAGE AID

SECTION I - SUMMARY OF THE RULES

(Council Reg. no. 989/68 and 377/74; Commission Reg. nos 1071/68, 275/74, 878/74, 1860/75, 2086/75, 2711/75)

A. Principle underlying the private storage aid system

The granting of private storage aid was provided for by Regulation no. 805/68 as one of the forms of public intervention. Its purpose was to stabilize prices by the withdrawal of fresh or refrigerated meat from the market. The mechanism consists of granting aid to operators, whether natural or legal persons, who at their own risk and expense store meat which they continue to own. These provisions were applied for the first time in January 1974.

B. The rules applied

1. Beneficiaries

Only natural or legal persons carrying on business in cattle and meat who are officially registered in a Member State and have suitable storage facilities within the Community may receive aid.

2. Meat in respect of which aid may be granted

Private storage aid may be granted only for products derived from animals originating in the Community and slaughtered not more than 6 days previously⁽¹⁾, with the exception of animals slaughtered in an emergency.

(1) By way of derogation certain regulations fixed this period at 10 days.

The meat must also satisfy certain health and veterinary requirements and must not be unsuitable for storage and subsequent use.

3. Amount of the aid and method of fixing it

The aid may not in principle exceed an amount corresponding to the costs which would be incurred if storage were effected by the intervention agencies.

The aid, which may be determined by means of a tendering procedure or be pre-set, is fixed per unit of weight of unboned meat and related to the weight ascertained on entry into store and before freezing.

In the event of boning a rate of equivalence is fixed between the weight of the boned and the unboned meat. It is set at 77 % for carcasses, half-carcasses and compensated quarters and 70 % for forequarters.

4. Obligations on the beneficiary

The aid is granted in accordance with the provisions of standard contracts concluded with the intervention agencies under which the storer undertakes :

- to place in store and to store the agreed quantity of the product in question at his own risk and expense within the specified time limits. (This obligation is regarded as fulfilled if not less than 90 % and not more than 110 % of the proposed quantity is placed in store and stored);
- to advise the appropriate intervention agency of the day and place of entry into store and the nature and quantity of the products to be stored;
- to forward to the intervention agency the supporting documents in respect of the storage operations;
- to store the products in easily identifiable lots;
- to allow the intervention agency to check fulfilment of these obligations at any time.

When the contract is concluded the storer must provide security.

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5. Consequences of non-fulfilment of contractual obligations

If the storer does not fulfil his contractual obligations, both payment of the aid and release of the security will be affected. The general rule is that the storer acquires the right to payment of the aid and release of the security at the moment when the appropriate agency establishes that the obligations of the contracting party have been fulfilled.

Among unfulfilled obligations, the failure to adhere to the quantities specified in the contract has special consequences which were gradually defined and reinforced by the rules. At present the following provisions are applicable :

- (a) the right to payment of aid is acquired only if all the meat remained in storage during the entire storage period;
- (b) if the quantity placed in store is less than the quantity for which the contract was concluded and equals :
 - 90 % or more of that quantity, the amount of the aid is reduced;
 - less than 90 % of that quantity, the aid is not paid.
- (c) if less than 90 % of the quantity specified in the contract is placed in store and stored within the specified deadlines, the security is forfeited in proportion to the missing amount except in the case of force majeure.

In the case of cut and boned meat the percentage referred to above was fixed at 85 %.

6. Checks to be carried out by the intervention agencies

Apart from checking the technical characteristics of the meat as described in 2 above, the agency must check that the quantities and the storage dates specified in the contract are adhered to by the storer.

To the extent that operators are authorized to have the meat cut up or boned, the intervention agency is responsible for checking that all the meat resulting from the boning or cutting operation was placed in store.

The rules do not lay down any special procedure for the check of boning operations.

7. Special provisions

In order to ensure some flexibility, several possibilities are provided for changing the storage dates during the period of validity of the contract.

Firstly, the intervention agency or the Commission may decide to shorten or lengthen the storage period specified in the contract if the market situation so requires.

In addition, several recent regulations have provided for the possibility of exporting the stored products before expiry of the storage period under certain conditions.

SECTION II - IRREGULARITIES AND CONTROL PROBLEMS

A. Irregularities

Two irregularities were brought to the knowledge of the Committee.

1. The removal of products from storage before expiry of the period specified in the contract was discovered by an intervention agency when examining the supporting documents forwarded to it.

The intervention agency considered that it was an error made in good faith by the operator and did not pay the aid for the goods which were removed from storage.

2. An operator placed goods in store without giving prior notice to the intervention agency, which was not able to carry out the necessary checks.

On the basis of supporting documents provided afterwards and in agreement with the Commission the aid was finally paid.

B. Control problems

Because of lack of staff the intervention agencies are not always able to carry out under satisfactory conditions the many checks which should be made at the various stages of the private storage operation, namely :

- examination of carcasses and quarters for health and veterinary purposes, (in particular checks to ensure that the animals were not slaughtered more than 10 days previously) and weight checks;
- in the event of boning, weight checks and supervision of the placing of cuts in store;
- verifying the presence of the stored meat during and on expiry of the storage period.

The most serious difficulties arise in connection with placing in store and boning.

1. Certain intervention agencies have drawn attention to difficulties in planning inspection visits efficiently. They can only repond to notifications from operators who wish to place products in store, by sending officials on the spot, on request, and to the extent that the necessary staff is available.
2. The boning operation involves considerable labour for the intervention agency.

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Boning operations are carried out frequently. It is recalled, for example, that under Regulation no. 1860/75 on private storage of forequarters 78.000 m.t. were placed in store of which 45.000 m.t. were in the form of boned cuts; with regard to Regulation no. 2711/75 on private storage of carcasses, half-carcasses and compensated quarters, of the 72.000 m.t. which were covered by contracts, 32.000 m.t. were stored in the form of boned cuts and 11.600 m.t. as quarters with bones, according to the information available.

Only by supervising each boning operation can it be ensured that all the meat resulting from the boning is actually placed in store.

One intervention agency also found it difficult to check, with regard to the storing of boned meat, that the product came from an animal which had been slaughtered less than 10 days previously.

To apply the rules to the full the intervention agency needs therefore to mobilize a large staff, which is not always possible.

SECTION III - RECOMMENDATIONS

1. Observance of the purpose of the private storage policy

As in the case of intervention in general, in accordance with Article 5 of Regulation 805/68 the purpose of private storage is to withdraw from the market fresh or refrigerated meat in the form of carcasses, half-carcasses or quarters so as to prevent or mitigate a substantial fall in prices.

The Committee noted that while, initially, priority in market support measures was generally given to public buying in, and private storage aid was fairly limited, the latter has been granted more frequently in recent years.

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The Committee recommends that the private storage aid policy be kept flexible so that it may be adjusted as quickly as possible to market developments and that it should not lead, through frequent use, to the financing of the working stock of processing undertakings.

2. Boning authorization

Given the purpose of private storage referred to above, the Commission sought to establish to what extent the boning operation is indispensable for achieving this purpose.

It was found that the success of any private storage operation depends upon authorization being given to operators to carry out boning. Boning of meat before freezing and placing in storage is economically justified for processors who conclude private storage contracts. The boning operation, therefore, cannot be completely ruled out.

The Committee recommends, however :

- (a) that boning be carried out only when necessary on economic grounds. Where the amount of the aid is fixed by means of a tendering procedure authorization to carry out boning could be envisaged if the volume of offers received for storage of boned meat warrants it.
- (b) the boning operation should only be carried out in the presence of inspectors from the intervention agency and should be subject to the same rules as those governing boning of meat held by the intervention agency.

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CHAPTER III - TRADE ARRANGEMENTS

Excluding the system of monetary and accession compensatory amounts, which will be dealt with in

CHAPTER IV

SECTION I - Summary of the regulations

A. Imports

The guide price serves as a reference to establish the level of Community protection in respect of imports from non-member countries.

Under normal circumstances the protection machinery at the frontier consists of :

- an ad valorem customs duty;
- a variable additional levy which comes into operation when the Community market price is below 106 % of the guide price.

There are, however, special import arrangements for frozen meat intended for processing and for certain categories of animals intended for fattening.

The Community has also accorded special arrangements to certain non-member countries under bilateral agreements.

1. Import arrangements for cattle and fresh and chilled beef and veal

- These imports are unrestricted and are subject to an ad valorem customs duty of 20 % on meat and 16 % on live animals.
- Additionally, where the import price for calves or adult bovine animals plus the incidence of the customs duty is below the guide price, an import levy is charged to make up the difference. The rate of this levy varies, as shown below, according to the relationship between the price of the product on the representative markets of the Community and the guide price :

Community market price as % of the guide price	Rate at which the levy is charged (%)
100 or less	100
between 100 and 102	75
between 102 and 104	50
between 104 and 106	25
more than 106	0

2. Normal arrangements for imports of frozen meat

Protection consists of the customs duty of 20 % and the levy. In contrast to the arrangements for fresh meat, however, this levy is :

- charged in full whatever the state of the Community market;
- fixed on a monthly basis.

3. Special arrangements

Certain substantial advantages are allowed under the Community regulations :

- frozen meat for use in the production of preserves containing only beef and veal and jelly, of the corned-beef type, can enter without limitation and with total suspension of the levy. Only the 20 % customs duty is paid on such meat.
- For other frozen meat for use by the processing industry, a forward estimate of import requirements is drawn up each year by the Community. Within the quantities so estimated, such meat enters with total or partial suspension of the levy (from 1 January 1972 to 31 December 1973 suspension was total, but it should be noted that the estimate has been set at zero since 1974).

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- Calves of less than 80 kg live weight intended for fattening can be imported without levy, at a customs duty reduced by three-quarters (to 4 %), when the Community market price for calves is higher than the guide price.

These imports are subject to the lodging of a security to guarantee that the calves will not be slaughtered within a period of 100 days.

- Young male store cattle weighing a minimum of 220 kg and a maximum of 300 kg can be imported without payment of levy and with the customs ^{duty} reduced by one-half (to 8 %) when the Community market price for calves is higher than the guide price.

These imports are subject to the lodging of a security to guarantee that the store cattle will be fattened in the importing Member State for a period of 120 days from the date of importation.

- Save where prohibited by the Council, the products of the beef and veal sector may be brought in to the Community under the "inward processing" arrangements, that is with exemption from levy and customs duties, for processing in a Member State of the Community.

4. Agreements with non-member countries

In accordance with commitments entered into under GATT, the Community has opened the following tariff quotas :

- a quota of frozen beef and veal of 38,500 metric tons expressed as boneless meat (corresponding to 50,000 t on the bone) paying only the duty of 20 % (exemption from levy);
- a quota of 30,000 head of heifers and cows of mountain breeds at a rate of customs duty reduced to 4 %;
- a quota of 5,000 head of bulls, cows and heifers of Alpine breeds at a rate of customs duty reduced to 4 %.

Agreements have been concluded with Austria, Switzerland and Sweden for the establishment of a "specific" import price.

Lastly, certain trade agreements with Yugoslavia, Argentina, Uruguay and Brazil, and the Lomé Convention, provide for special arrangements in respect of imports of beef and veal into the EEC.

5. Measures taken under the protective clause (Article 21 of the basic Regulation)

Since February 1974, the Community has been obliged to take various measures under Article 21 of the basic Regulation in respect of imports from non-member countries (protective clause).

These include :

- (a) the extension of the system of import licences to certain meat preparations and preserves (R 442/74 of 21 February 1974). This system had in fact already been applicable since 1968 to other products of this sector;
- (b) the linking of import transactions to the purchase of meat held by the intervention agencies (R 1084/74 of 30 April 1974 and R 1790/74 of 9 July 1974). Under this system, import licences were issued in respect of certain quantities of meat to traders who had previously purchased an equivalent quantity from an intervention agency;
- (c) the setting aside of inward processing arrangements in respect of beef and veal products (R 1853/74 of 16 July 1974);
- (d) the suspension of the issue of import licences and of the linking system (R 1846/74 of 16 July 1974 and R 2668/74 of 21 October 1974). This suspension was extended to certain meat preparations and preserves by R 610/75 of 7 March 1975, replaced by R 888/75 of 4 April 1975.

There has been some progressive easing of these measures. A derogation from the protective clause was allowed in respect of the importation of limited quantities of products originating in Botswana, Kenya, Madagascar and Swaziland (Commission Regulations nos 780/75 and 1681/75).

Commission Regulation 1090/75 of 23 April 1975 introduced the issue of import licences where an equivalent quantity had first been exported from the Community (the EXIM system). This arrangement was later modified so that the quantities imported could be double the quantities exported. It was abolished on 16 January 1976.

During the period of application of the protective measures a number of possibilities have been opened for the importation of animals intended for fattening: young male bovine animals (R. 1209/75 of 30 April 1975, R 2476/75 of 29 September 1975 and R. 320/76 of 13 February 1976) and certain young bovine animals of Alpine breeds (R. 1208/75 of 30 April 1975, R. 3248/75 of 11 December 1975 and R. 321/76 of 13 February 1976).

Lastly, a system linking imports of beef and veal products with the sale of beef and veal held by intervention agencies was introduced by Regulation 76/76 of 16 January 1976 and with the sale of beef and veal preserves held by intervention agencies by Regulation 222/76 of 30 January 1976.

B. Exports : refunds (Council R 885/68 and Commission R 192/75)

In order to enable Community products covered by Community regulations to be exported on the basis of world market prices, the difference between these prices and prices in the Community can be covered by an export refund. This refund is granted only in respect of products originating in the Member States, and no refund is granted in the case of the export of products imported from non-member countries and re-exported to non-member countries (R 885/68, Article 7).

1. Rates

The rate of the refunds applicable to the various products is generally fixed on a monthly basis by a Commission regulation adopted after consultation with the Management Committee.

The rate of the refunds is the same for the six original Member States and Denmark. However, until the end of the transitional

period (31 December 1977), the amount of the refund is reduced by the accession compensatory amount in respect of products exported by Ireland and the United Kingdom (see Chapter IV). The rate of the refunds may vary according to the destination. For certain preparations and preserves of meat or offal, the rate of the refunds also varies according to their meat content.

2. Arrangements for granting refunds

The grant of the refund is subject to the production of two types of proof :

- proof of the exportation of the goods from the geographical territory of the Community;
- in certain cases, proof of importation into a non member country.

(a) Proof of exportation

The product in respect of which the customs export formalities have been completed must have left the geographical territory of the Community within 45 days of the date of completion of these formalities.

For certain special cases (supplies to ships, aircraft, international organizations and foreign armed forces within the Community), the product must have reached its destination without further processing.

The situation may arise where a product is the subject of customs export formalities in Member State A, then passes through Community territory other than that of Member State A, before leaving the geographical territory of the Community or reaching its "destination" (see above). Where this is the case, the proof to be supplied so that the refund can be paid consists of the production of control copy of the Community transit document (T5).

(b) Proof of importation into a non-member country

Such proof is required :

- when the rate of the refund varies according to the destination;
- when serious doubts exist as to the real destination of the product;
- when the product may be re-introduced into the Community because of the difference between the rate of the refund applicable to the product exported and the import charge applicable to an identical product.

SECTION II - Irregularities

According to the information obtained by the Committee, the irregularities recorded consist of false declarations as to the nature, quantity or origin of the goods or the falsification of documents and relate not only to import but also to export procedures.

A. Imports

1. Falsification of import licences (EXIM system)

Under the EXIM procedure which constituted a relaxation of the protective clause, import licences were issued to traders when they had first exported an equivalent quantity from the Community. Under this system, export transactions were carried out without a refund and the imports gave rise to the charging of a reduced levy fixed by means of a tendering procedure.

One Member State reported the submission to its customs authorities of a false licence which had been entirely fabricated using a false form authenticated with false stamps, and which repeated certain entries appearing on a genuine licence. The purpose of this scheme was to double the quantity that could be imported under the import licence (60,000 kg live-weight of cattle instead of 30,000 kg).

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This irregularity was discovered thanks to collaboration between the customs services of two Member States. Since the original licence had been issued by Member State A, Member State B, to which the false certificate had been submitted, contacted the issuing office in State A which it had been able to identify through certain entries which had not been falsified on the false document.

2. Falsification of Community transit documents

The inspection services of several Member States have discovered that large quantities of beef and veal coming from non-member countries under cover of a Community T1⁽¹⁾ transit document have been fraudulently put on the Community market, sometimes infringing the protective clause and without paying the normal import charges. All the methods used are based on false or falsified transit documents as follows :

- (a) The goods coming from a non-member country were placed in a Member State A under the regime of external Community transit.

A document was properly issued, giving a destination in Member State B. The operator or transit agent situated in Member State B stamped copy no. 3 of the T1 document with a customs stamp which had been declared lost by a customs office of that Member State. The copy falsely stamped was then returned by a method as yet unknown to the central office of the country of issue A which forwarded it to the office of exit.

The goods were then either sent straight to the consignee in Country B, or, after camouflage of the cartons to hide any trace of the true origin of the goods, forwarded to Member State C under cover of a genuine T2 transit document⁽²⁾.

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- (1) Document used for circulation in the Community of goods coming from non-member countries under the Community transit procedure (external Community transit).
- (2) Document used for circulation in the Community of goods in free circulation in an old Member State under the Community transit procedure (internal Community transit).

(b) In other cases the goods, coming from a third country were placed under the regime of external Community transit (issue of a transit document T1); after a transit through one or more Member States, the goods were presented at the frontier of the last Member State under cover of a false T2 document. This T2 document contained a false declaration as regards the nature and immediate origin of the product. To avoid attracting the attention of the customs authorities, particularly during the period of application of the protective clause, the beef and veal had been declared as an industrial product.

The product was then put on the market in the last Member State, copy no. 3 of the T1 document, stamped irregularly by a customs stamp, being returned by the operator himself to the issuing office.

Similar methods have been used in other sectors, in particular in order to import butter from non-member countries for consumption in the Community.

3. Imports of pure-bred breeding animals

Pure-bred breeding animals, which do not fall within the scope of the common organization of the market in beef and veal, cannot be subject to an import levy nor do they qualify for an export refund.

Imported animals have on several occasions been declared at the frontier, with the aid of false documents, as animals for breeding when in fact they were intended for slaughter.

The procedure was as follows :

(a) On the importation of a few animals genuinely intended for breeding the importer obtained from his supplier a certificate to that effect;

- (b) when these animals were taken through the customs the importer did not make use of this certificate but paid the customs duties and levies appropriate to the import of live cattle;
- (c) some days later, when importing a large number of animals intended for slaughter, the importer made use of the said certificate, after having falsified it, in order to obtain exemption from all customs duties and levies.

The irregularity was discovered after research carried out by the investigation departments of the Member State concerned in conjunction with their counterparts in the non-member countries where the certificate had been issued.

B. Exports

1. False declarations relating to quantities

An exporter of live cattle from one Member State to non-member countries declared a weight of 335 kg per head for the exported animals in order to obtain a refund which was granted only for animals of 330 kg and more. In fact most of the animals were below this weight limit and were not entitled to the refund.

This irregularity was discovered at a routine weight check by customs at the time of export.

2. False declarations as to the quality of the products exported

(a) The fat content of meat

Instances of false declarations as to the fat content of meat were discovered at a time when fat content was a factor in the calculation of refunds.

At the time these irregularities were committed, certain frozen boned or boneless pieces were eligible for refund on export to non-member countries only if their visible internal and external

fat content was 10 % or less by weight. Refunds of the order of 40 u.a./100 kg were obtained by certain traders in respect of meat the fat content of which was as high as 15 %.

The initial checks carried out when the goods were cleared through customs did not reveal these irregularities. They were discovered only during the subsequent checks carried out at the premises of the exporting firms and as a result of the discovery of trade documents (invoices, correspondence with the consignee, etc.).

This irregularity is now purely of historical interest since the criterion of fat content disappeared from the regulations on 1 July 1972.

But initial checks carried out when goods are cleared through customs continue to meet with similar difficulties when the meat is presented in certain ways (frozen meat, preserved meat - see below).

(b) The meat content of preserves

The rate of the refunds granted on exports of preserved beef and veal depends on the meat content of these preserves. The rates are scaled according to whether the preserves contain more than 20%, 40%, 60% or 80% of meat, excluding offal and fat.

The irregularities recorded relate to exports to continental African countries in 1973 and 1974. The goods exported were declared as preserves containing 80% or more by weight of meat, which would involve the payment of refunds at the highest rate. In fact the real meat content was only 40%, the remainder consisting of offal and soya flour.

These irregular practices were brought to the knowledge of the customs authorities by competitors of the firms in question. The checks carried out at the time of the customs clearance formalities - in the form of laboratory analyses - did not succeed in revealing the presence of proteins of vegetable origin in the preserves.

The irregularities could only be proved after investigations were carried out at the exporters' premises. These led to the discovery of production slips which revealed the exact composition of the preserves.

(c) Export of boned meat

Community rules provide that in the case of the export of boned meat some pieces cannot qualify for refund: this applies to cheeks, offal, shin and flank which must be packed separately to enable observance of this provision to be checked.

The irregularities recorded relate to boned forequarters exported with the shin and flank and for which refunds were applied for and paid for the total quantity exported. Legal proceedings were instituted against several firms and continued for several months for such frauds. They were discovered by means of a physical check carried out by the customs authorities at the time of export.

It should be stressed that this type of infringement can only be discovered by opening the containers of frozen boned meat and making a detailed inspection of the contents. Further, even after inspection at the premises of the supplier to the operator (boning workrooms) it was impossible to estimate the losses incurred by EAGGF in respect of previous exports.

(d) Pure-bred breeding animals

Refunds may not be granted when pure-bred breeding animals are exported, with the appropriate attestations, to non-member countries.

It is however possible in respect of live animals exported for breeding purposes that export refunds may be granted because the proof that the animal is a pure-bred breeding animal is not or cannot be supplied.

One case of false declaration - animals intended for breeding declared as productive livestock - has been officially reported to the Commission by a Member State.

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Although the above report concerns only an isolated case, the control departments of other Member States have pointed out the difficulties encountered in classifying animals for tariff purposes according to whether they are intended for breeding, or for slaughter or are productive livestock.

SECTION III - Difficulties encountered in carrying out checks

The way in which the irregularities described above were discovered tends to show that there are certain difficulties in making the physical checks at the frontier on beef and veal products.

The logical conclusions of this was drawn when the criterion of visible fat content in meat was eliminated from the rules governing the granting of refunds.

Other difficulties still remain.

A. Physical checks : difficulties owing to the way in which goods are presented.

1. Meats in refrigerated containers

It is not realistic to ask the control authorities at the frontier to carry out systematic checks on frozen meats since this entails opening the vehicles with the possible risk of deterioration of the goods, selecting a representative sample and thawing it.

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2. Preserved meat

The problem raised in the chapter on the intervention system with regard to the supervision of the manufacture of preserves from intervention meat arises again when the preserved meat is exported and refunds are granted on it.

Export refunds are granted only for preserved beef and veal :

- other than preserves that are finely homogenized or which contain a low quantity of visible meat fragments;
- that contain neither meat nor offal from pigs;
- that contain at least 20 % by weight of meat, with the exception of offal and fat.

The meat content of the preserves is assessed only by a roundabout method which consists of determining the protein content by analysis.

This method of inspection has the following shortcomings :

- samples must be sent to a laboratory;
- in order to identify the nature of the proteins (animal or vegetable proteins, milk proteins) the laboratory needs expensive equipment;
- lastly, once the protein content has been determined it is still necessary to calculate the meat content by applying a coefficient to the first result. However, these coefficients are not identical in all the Member States, which may lead to varying assessments as to whether or not certain preserves are eligible for refunds.

This explains why irregularities in this field are often detectable only by retrospective checks carried out on the manufacturing premises.

B. Supervision at the point of exit from the geographical territory of the Community

Where a product leaves the geographical territory of the Community after passing through one or more Member States under the Community transit system, refunds may be granted only when the customs office at the point of exit returns the control copy T5 after appropriate endorsement. In a number of cases this document either does not reach the issuing office or arrives only after a delay of even more than one year which obliges the Commission to accept the production of "equivalent" proof (transport document and proof of importation or of unloading of the goods in non-member countries) which does not always provide the same possibility of identifying goods as the T5 control copy.

C. Supervision of the arrival of goods at their destination in a non-member country

Where the rate of refund varies according to destination, the refund on exports to non-member countries is paid only on condition that the product has been imported into the non-member country in respect of which the refund is applied for.

In its report on milk products the Committee considered that the provisions on the production of proof of arrival at destination were not sufficiently binding. Article 8 of R 1041/67 stipulated that the following documents must be presented :

- one copy of the transport document,
- and either a copy of the customs or port document, or a certificate issued by the official services of the Member States established in that country, or a similar document.

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The national authorities could also accept other documents as equivalent ⁽¹⁾.

Two successive regulations, R 2110/74 and R 192/75, made the following amendments :

- (a) In addition to the copy of the transport document - which is still required - it is the copy of the customs document which is requested in the first instance.
- (b) Only if that document cannot be supplied owing to circumstances beyond the control of the importer, may proof of unloading be regarded as sufficient.
- (c) It is the Commission, and no longer the Member States, which may decide whether or not other documentary proofs will be acceptable.

Application of these harsher provisions has caused difficulties for all the Member States, which have asked for the problem to be reexamined. As a result the Commission has had to introduce certain changes under R. 2818/75.

First, some documents have been added to the list of documents acceptable as proof of unloading of the product in the country of destination :

- a bank document issued by authorized agents established in the Community certifying that the payment in respect of the export in question has been credited to the account of the exporter; this however only applies to non-member countries that make the financial transfer conditional on the importation of the product;
- a receipt issued by an official body in the non-member country in the case of goods purchased by that country or by an official body in that country or in the case of a foodaid transaction;
- a receipt issued by an international organization in the case of a foodaid transaction.

(1) R 1041/67 has moreover given rise to difficulties of interpretation as is shown by the reference to the Court of Justice for a preliminary ruling made by Finanzgericht Hamburg (Case 125/75 - OJ no. C 17 of 24 January 1976).

Secondly, the threshold above which the Member States' competent authorities may exempt operators from furnishing the proof usually required has been altered.

Regulation no. 192/75 provided such an exemption only in respect of transactions which had been the subject of an export declaration giving entitlement to a refund not exceeding 300 u.a. and which offered adequate assurance that the products in question would reach their destination.

Regulation no. 2818/75 laid down higher levels. For products of the beef and veal sector they are :

- 400 u.a. if the non-member country of destination is within Europe;
- 2,000 u.a. if the non-member country of destination is outside Europe.

Regulation 2818/75 was adopted on 30 October 1975. The Committee does not yet have any information enabling it to judge the practical consequences of the entry into force of this reform.

D. Routing of documents giving entitlement to payments

More often than not, a number of departments are involved in foreign trade transactions, in particular the customs administration and the intervention agency of the same Member State or different Member States or even the customs administrations of different Member States.

Depending on the case the supporting documents for transactions are either transmitted from one authority to another through administrative channels or are directly transmitted to operators. Two examples may be given relating to refunds and import licences respectively.

- (a) Payment of all refunds is conditional in the first place on the goods having left the geographical territory of the Community. There are several possibilities : if the goods for which customs export formalities have been completed in Member State A cross the territory of other Member States before leaving the geographical territory of the

Community, proof of such exit is furnished by document T5 which is returned through administrative channels by the customs office of exit to the customs office of departure or to a central body.

Some Member States have made this procedure compulsory even in cases where the goods are exported to a non-member country without transiting through the territory of another Member State.

On the other hand, in the Member States which do not in the latter type of case employ the procedure of returning the T5, the export declaration certifying that the goods have left the geographical territory of the Community is returned to the operator who himself presents it to the paying agency to obtain the refund.

- (b) Likewise, an import licence valid throughout the Community may be obtained in Member State A and presented to the customs authorities in Member State B. It must therefore be returned to the operator.

The fact that one case of falsification of such a document has been exposed clearly demonstrates the risks inherent in such a procedure.

It is true that in cases of doubt the intervention agency, or customs office, or other department concerned may return the document to the issuing authority to verify its authenticity.

Such verification should be carried out more systematically.

SECTION IV - Recommendations

A. Physical checks on goods

1. Importance of routine checks

The Committee notes that in certain cases irregularities have been discovered following what might be regarded as routine checks (check weighings). Therefore the Committee would stress the importance of carrying out such checks, even on a random basis, as there is a real danger that such routine checks are frequently neglected or even abandoned.

2. Procedure for carrying out certain physical checks

It has been found that, with regard to the beef and veal trade, special equipment is needed for the checks as to quantity and quality to be carried out at the frontier.

(a) With regard to chilled or frozen meats, facilities must be available for opening the vehicle inside refrigerated premises in order to avoid any deterioration of the goods while the check is taking place. As not all customs offices can be provided with such equipment there are two options :

- to undertake the check whenever possible not at the frontier but inside the sending or receiving country either in specially equipped customs centres or at the premises of the consignor or the consignee if these are large firms. This option would be in keeping with the guidelines advocated by the Administration of the Customs Union, which has set itself the aim of transferring customs supervision to the place of destination, in particular by setting up the Community transit procedure. Moreover, this approach has been followed by certain Member States, although certain obstacles to its implementation have arisen, particularly in the case of breakdown of the load after crossing the frontier, and in cases where the different inspection sources are far apart;
- failing that, to channel trade in beef and veal through specially equipped customs offices, provided this does not constitute a barrier to trade.

(b) The methods of analysing preserved meat, as practised by the various Member States to determine their protein content and, by deduction, their meat content, should be harmonized.

Nevertheless the Committee has reached the conclusion that the checks to provide a real safeguard against irregularities must be carried out directly at the premises of the processing firms, both in the form of continuous production control and quantitative checking of stocks.

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B. Supervision of trade in pure-bred breeding animals between the Community and non-member countries

1. Definition of pure-bred breeding animals

In the absence of guidance in the regulations, the control authorities sometimes have recourse to the criterion of the animal's market value. This criterion is not infallible since traders may then systematically underestimate that value and where necessary present false invoices.

In 1973 and 1974 the Commission presented to the Council proposals for regulations that would :

- on the one hand include pure-bred breeding animals in the common organization of the market in beef and veal,
- and on the other in particular define the notion of a pure-bred breeding animal.

Work on the question has come to nothing on account of the reservations of certain delegations.

The necessary efforts in this field should be pursued.

2. Statistical monitoring of imports and exports

There is a risk of artificial trade circuits being organized based on the export of breeding animals which are declared as bovine animals intended for slaughter and thus attract a refund and the subsequent importation of the same animals under their proper description which gives entitlement to exemption from the levy.

Therefore, in addition to the proposal under 1 concerning the distinction to be established by way of regulation between the different categories of animal, the Committee proposes that statistics on movements of breeding animals in trade between the Community and non-member countries should be under continuous surveillance and analysis, and if possible, improved.

C. Application of Regulation no. 192/75 concerning the grant of refunds

It is important that Member States should with the utmost strictness ensure observance of the provisions of Regulation no. 192/75, amended by R. 2818/75, particularly as regards presentation of the various supporting documents and the arrival of goods at destination.

1. Proof that the goods have left the geographical territory of the Community

Where the Community transit procedure is used, the original of control copy no. 5 must be systematically sent back as proof that the goods have left the geographical territory of the Community.

Whatever the circumstances, the production of the original of this document, properly endorsed, must be required in the first instance before any refunds can be paid.

Where this document is not sent back to the customs office of exit within three months, the Member States may accept other supporting documents as equivalents. The Commission must, however, be notified when this procedure is used.

From the first notifications received by the Commission it is clear that in many cases the T5 documents are not returned within the specified time limits, which results in ever more frequent recourse to the above-mentioned derogations which should only be used in exceptional cases.

In view of the size of the amounts in question Member States' attention should be drawn to the primordial importance of strict observance of the procedure for the return of the T5 document.

2. Proof of the arrival of the goods at their destination

It is also necessary to ensure that all Member States are equally strict in assessing whether the proof of arrival at the destination is genuine, and that the raising of the levels at which supporting documents may be dispensed with does not lead to abuses.

D. Verification of certain documents which do not pass through the normal administrative channels

Where a document issued by one administrative authority (e.g. customs) is submitted by the trader himself as a supporting document in order to obtain payment by another authority (intervention agency), the paying agency should be in a position to compare the data on that document easily and rapidly with the information held by the administrative authority which issued the document.

The need for speed, which is essential here, would be met more easily if a data-processing system were used.

E. Cooperation between customs administrations and investigative bodies in the different Member States

The number of irregularities in connection with imports of agricultural products from non-member countries which arise through the use of false customs documents has reached disturbing proportions.

This situation calls for the intensification of effective cooperation between the customs administrations of the different Member States.

The following measures are proposed :

- intensification of direct and informal exchange of information, even by telephone between frontier customs posts;
- making available, in particular to the inspection departments of each Member State, officials from the other Member States who would be responsible for liaison with their own authorities at all levels. A step of this kind is envisaged in a proposal for a Council Directive concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation⁽¹⁾;
- use of a secret code on Community transit documents which would be changed periodically in order to make it more difficult to falsify documents;

(1) OJ EC C 94, 27.4.1976

- the building up of a record of the official stamps used by the administrations of the different Member States; intensification of studies of the detection of falsification;
- intensified collaboration between the investigation departments of the different Member States.

The Special Committee has noted that the Committee on Community Transit, aware of the significant increase in cases of falsification of documents, has adopted an arrangement whereby the office of exit to which copy no. 3 is returned should regularly retransmit this document to the office of destination in order to verify the authenticity of the customs stamps thereon.

The Committee recommends that efforts in this direction be continued.

F. Information provided to the Commission on irregularities in the field of own resources

The Committee noted that information available to the Commission on cases of irregularities where levies and customs duties were not collected, mainly through falsification of transit documents, was inadequate.

Regulation no. 283/72⁽¹⁾ instituted an information system only for irregularities and the recovery of sums wrongly paid in connection with certain expenditure financed by the EAGGF Guarantee Section.

The Committee recommends that a system similar to that laid down in R 283/72 be introduced in respect of own resources.

G. Improvement in the management of the common agricultural policy and the detection of irregularities, in particular through the use of data processing

(a) Improvement in the management

The use of data processing to rationalise administration of the common agricultural policy is already common in Denmark and the Federal

(1) Council regulation concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Common Agricultural Policy and the organisation of an information system in this field (OJ L 36, 10.2.1972).

Republic of Germany.

The Commission at the end of 1974 asked a private firm to study the possibilities of applying data processing to the management and surveillance of EEC regulations on agricultural markets. The first study is complete and work is continuing in two areas specified by the Commission :

- storage and the communication of agricultural rates,
- budget and accounting system.

(b) Systematic detection of irregularities

The Committee learned of two studies made by the French customs authorities with a view to orienting customs controls to sectors that are most likely to give rise to irregularities in trade.

The first study was based on an analysis of the system of trade in the beef and veal sector, and mainly consisted of comparing import charges or export benefits on very similar products, taking account of the origin of the products and of the terms of the various agreements, both bilateral and multilateral, concluded by the Community. The purpose of this study was to steer customs checks towards products in respect of which the operators could obtain financial advantages by making false declarations, for example in the designation of imported or exported products.

The second study entailed an analysis of trade flows in order to discern any aberrant movements, or trends which could represent speculative or irregular operations. This study covered an industrial product in the textile sector but the method used could be transposed to the agricultural sector.

Similar research has also been undertaken in the United Kingdom.

The Committee wishes to express its interests in such work and to stress the need to organize information exchanges between the different Member States on the results of any studies which might be undertaken by them in the future.

CHAPTER IV - COMPENSATORY AMOUNTS

SECTION I - REVIEW OF LEGISLATION

A. Monetary compensatory amounts

Since the common agricultural policy was based on the fixing of common prices and the financing by the Community of the cost of intervention, a common denominator for all European currencies was chosen in the form of the unit of account.

Agricultural prices are fixed in units of account, then converted into the national currency of each Member State on the basis of the relationship between this currency and the unit of account.

If this relationship changes, for example as a result of the modification of the exchange rate of any currency, steps must be taken. At the present time when there are changes in the value of currencies without any alteration to the official rate, the resulting difficulties are overcome by the mechanism of monetary compensatory amounts.

1. Background

- a) Regulations No 653/68 and 1134/68, drawn up in the framework of a system of fixed exchange rates, obliged Member States who had modified the value of their currency, i.e. declared a new exchange rate to the IMF, to readjust their internal prices accordingly.

In theory every Member State revaluing its currency had to reduce its prices expressed in national currency and every State devaluing had to increase them.

However, it proved impossible to act so abruptly without running the risk of disturbing the economy of the country concerned. For this reason, when the French franc was devalued on 8 August 1969, fixed compensatory amounts were introduced which were intended to disappear

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as soon as prices had been adjusted. This objective was attained in August 1971.

- b) In May 1971, several Member States adopted a system of floating exchange rates which on 12 May 1971 led to the adoption of Regulation No 974/71 setting up a system of variable monetary compensatory amounts.
- c) Later developments made it necessary to distinguish between those Member States which undertook to limit the maximum fluctuation between the strongest and weakest currencies to 2.25% and those which continued to allow their currency to float freely.

Monetary compensatory amounts for the former are fixed and for the latter remain variable. The new system, more stable for the States of the monetary block, came into force on 4 June 1973 (Regulation No 509/73).

Detailed rules for the application of monetary compensatory amounts were codified in Regulation No 1380/75.

2. Principle

When the exchange rate of a Member State's currency rises above the fluctuation limit authorized by international rules that country levies compensatory amounts on imports and grants them on exports in trade with other Member States and non-member countries. Conversely, a Member State whose currency has fallen below the limit of fluctuation levies compensatory amounts on exports and grants them on imports.

3. Method of calculation and means of granting and levying

In the beef and veal sector, the basic amounts are for live animals (calves and adult bovines); and coefficients are applied to calculate the amounts for the various types of meat (see table of coefficients in Annex 2).

As in the case of refunds, monetary compensatory amounts granted on export are paid only upon production of proof that the product has left the geographical territory of the Member State, and monetary compensatory amounts granted on imports only on production of proof that customs import formalities have been completed.

Payment of monetary compensatory amounts is made only on receipt of a written application, which, except in cases of force majeure, must be submitted by the person concerned within the six months following the day on which customs formalities were completed. Payment is made within two months from the day on which all the required supporting documents were submitted. Compensatory amounts levied on exports are collected when the export customs formalities are completed.

4. Present position

The Belgo-Luxembourg Economic Union (BLEU) and the Netherlands, which have decided to maintain the margins of fluctuation between their currencies which obtained before the 9 May 1971, do not apply monetary compensatory amounts between themselves and are regarded as a single Member State for the purpose of applying the system of monetary compensatory amounts in trade with the other Member States and non-member countries. These amounts are fixed.

The Federal Republic of Germany continues to apply fixed compensatory amounts. Denmark has not applied compensatory amounts since the 3 June 1973.

All the other Member States apply variable compensatory amounts in the beef and veal sector.

• Accession compensatory amounts

1. The common agricultural policy has applied in the three new Member States (Denmark, Ireland, United Kingdom) since 1 February 1973. However, in order to ensure the progressive harmonization of price levels which at the beginning were often widely divergent, a transitional period was laid down in the Act of Accession; it ends on 31 December 1977.

In the beef and veal sector, the main measures adopted for the transitional period are:

- a) Guide prices for calves and adult bovines were fixed by the Council for each Member State having regard to the position during the period prior to Accession. These prices applied as of 1 February 1973. However, Denmark applied the Community guide price and the Common Customs Tariff on that date.
- b) In respect of Ireland and the United Kingdom, these prices will be aligned with the common price levels in six stages (successive reductions in the differences of $1/6$, $1/5$, $1/4$, $1/3$ and $1/2$). The first stage began on 14 Mai 1973.
- c) In order to compensate the differences in guide price still existing between Ireland and the United Kingdom and the seven other Member States:
 - compensatory amounts were set up for trade between Ireland and the United Kingdom and the seven other Member States (their level falling *pari passu* with the approximation of prices);
 - in trade between Ireland or the United Kingdom and non-member countries, the levies and refunds fixed by the Commission according to the situation of the Community market *vis-à-vis* the world price are increased or decreased by the compensatory amount mentioned above.

2. Rules for granting and levying

The general rules governing accession compensatory amounts in the beef and veal sector were fixed by Council Regulation No 181/73.

The detailed rules for granting and levying the accession compensatory amounts are very close to the system previously described for the monetary compensation amounts. They were fixed by Commission Regulation No 269/73 of January 31 1973.

SECTION II - IRREGULARITIES

The known irregularities were mainly discovered in intra-Community trade and relate to both monetary compensatory amounts and accession compensatory amounts.

The irregularities consist of false declarations supported, if necessary, by falsified veterinary or customs documents.

A. False declaration and the falsification of veterinary certificates

Monetary and accession compensatory amount is not granted where products are not of sound, fair and marketable quality and, if they are intended for human consumption, where their characteristics or state render them unsuitable or less than suitable for that purpose.

In order to evade this rule and obtain payment of undue amounts, several operators have submitted false declarations regarding the quality of the products presented.

The operators usually presented forged veterinary certificates in support of these false declarations, since in intra-Community trade meat must be accompanied by veterinary certificates in accordance with the provisions of Directive 64/433.

These irregularities were discovered either through customs checks, sometimes prompted by suspicions concerning certain firms, or as a result of health inspection checks.

B. False declarations in the application of the Community transit procedure

One type of irregularity discovered was connected with the application of the Community transit system within the Community.

Review of the general rules applicable

Goods originating in third countries must be covered by a T1 declaration in order to be carried under the procedure for external Community transit; goods in free circulation in an old Member State must be covered by a T2 declaration in order to be carried under internal Community transit; goods sent from a new Member State must be covered by a T3 declaration in order to be carried under the procedure for internal Community transit.

These T documents accompany the goods and one of the copies, called "control copy" is returned by the office of destination to the office of departure for the purpose of checking that the transit procedure was carried out properly.

Lastly, when goods are sent from a new Member State to a Member State in the original Community without employing the Community transit procedure, document T3L certifies that the goods are in free circulation in the Community.

Regulation No 542/69 on Community transit lays down in Article 6 that "Member States may, under the Community transit procedure, introduce simplified procedures for certain types of traffic by means of bilateral agreements. Such agreements shall be communicated to the Commission and to the other Member States."

Description of the irregularity

This alleged irregularity concerned goods sent from one Member State (A) through another (B) for use in a third (C).

It appears that on export from A the destination of the goods was declared as country C, and this was supported by a Community transit document (T3). On importation into B the goods were entered as originating in A but for home use in B; appropriate compensatory amounts were subsequently claimed

by the trader in B. The goods were then exported to C but declared as having been in transit through B (supported by the original T3), so that compensatory amounts due on exports from B to C were not charged. The procedure was repeated on several occasions.

A simplified (bilateral) control procedure under Reg. 542/69 Art. 6 was available for trade between countries A and B. In this case the simplified procedure was used to cover the importation into B, and the claim for compensatory amounts, even though the goods had left as a transit consignment under the normal Community transit procedure. The modified procedure provided less protection for Community funds than the normal transit procedure; but this had not been appreciated and consequently additional safeguards were not introduced until the irregularity came to light.

In the light of this case new procedures have been introduced under which cross checks are carried out to ensure that goods exported as transit consignments had been imported on the same basis.

C. False declarations of weight

A number of operators overstated the weights of live cattle on export from one Member State to another. A monetary compensatory amount was chargeable to the exporter and a monetary compensatory amount at a higher rate was payable to the importer with the result that, taking the transaction as a whole, a net gain was achieved by overstating the weights. The irregularity was discovered by check weighings carried out by Customs Officers and, arising out of consultations and co-operation between the Authorities in the two Member States concerned, a more effective system of control was devised which appears to have prevented a recurrence.

SECTION III - DEFLECTIONS OF TRADE AND SPECULATIVE TRADE FLOWS CONNECTED WITH THE SYSTEM OF COMPENSATORY AMOUNTS

These are not irregularities but economically unjustified trade flows which do not serve the fundamental objectives of the common agricultural policy.

These operations are made possible by imperfections or gaps in the Community rules which need to be remedied.

This need is, moreover, already provided for by Article 7(4) of Regulation EEC No 283/72 which states: "the Member States shall consult each other for the purpose of closing any gaps which become apparent in the course of application of the provisions in force and which prejudice Community interests".

A. Speculative trade flows connected with the system of MCAs

Problem of the coefficients used in calculating the MCAs

In 1973 there was an abnormal traffic in beef and veal to take advantage of the monetary compensatory amounts levied on imports to, and granted on exports from the Federal Republic of Germany.

When imported into this Member State, which had revalued its currency, the goods, forequarters of beef, were subject to the payment of a monetary compensatory amount of 53,65 DM per 100 kg.

After importation these forequarters were separated at the shoulder under veterinary supervision and reexported to France as "cuts of beef, fresh or chilled, unboned", thus qualifying for a monetary compensatory amount of 121,07 DM per 100 kg.

In certain cases, the true nature of the operation was disguised by a false declaration of origin and, in order to certify that the goods re-exported to France originated in the Federal Republic of Germany, false veterinary stamps were affixed to the cuts.

The difference between the MCA levied and the MCA granted was clearly excessive and rendered the cutting operation, which is not in fact very expensive, abnormally profitable. This difference resulted from the way in which the compensatory amount was calculated. The MCA payable for each type of meat, e.g. unboned cuts, is obtained by applying a coefficient to the basic MCA fixed for live animals. The solution was therefore to reduce this coefficient, which was in fact done by Commission Regulation No 2930/73 of 26 October 1973 (see annex No II) (1).

B. Deflection of trade connected with the system of ACAs

1. The "Beef Carrousel"

a) Description of the "beef carrousel"

The "beef carrousel" is the term used for a deflection of trade systematically organized by traders in the continental Member States who found it more profitable to export beef and veal through the United Kingdom with the assistance of British traders rather than trade directly with each other.

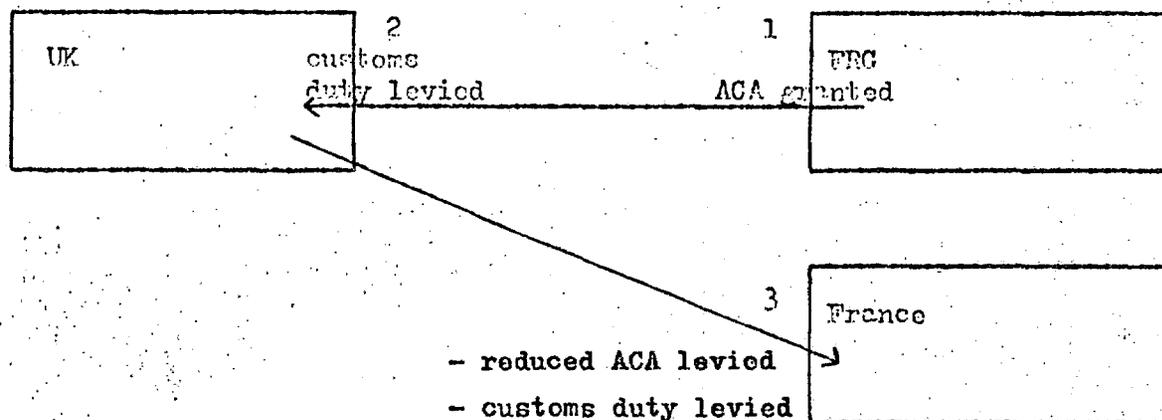
As the goods were carried from one of the continental Member States to the United Kingdom then returned to one of the aforementioned states, the accession compensatory amounts (ACAs) were first applied as a subsidy then as a charge.

The profit made on this operation resulted from the discrepancy between the subsidy paid on exports from the Continent to the United Kingdom and

(1) When investigating the milk products sector, the Committee discovered that a similar distortion was created by the method of calculating the compensatory amounts applicable to "fat-free yoghurt" and "yoghurt containing fat".

the charge levied on re-entry of the goods to the Continent. This discrepancy arose from a loophole in the Community rules.

Schematic description of the route taken and the successive granting and levying of accession compensatory amounts (1)



Exports from the Federal Republic of Germany

An accession compensatory amount (ACA) is granted, corrected as required by the amount of the customs duty levied on imports into the United Kingdom.

Duties on imports into the United Kingdom are "specific", calculated by weight and representing only a negligible amount. (In the case of boned meat, however, an ad valorem duty is levied.)

The rate of the duty depends on the presentation of the meat. If the duty is less than 1 u.a./100 kg, it is not taken into account and the whole of the accession compensatory amount is granted.

(1) The plan does not take into account the system of MCAs, as the operators' profit is derived solely from the application of the system of accession compensatory amounts.

Imports into the United Kingdom

The customs duty is levied.

Imports into France (or to any other Member State on the Continent)

An ACA, reduced to take account of the customs duty is levied as well as the customs duty itself.

The distortion causing unjustified profits for the operators lies in the discrepancy between the method of calculating the amount of the customs duty and the duty actually levied.

The customs duty actually levied is an ad valorem duty calculated on the basis of the actual price of the goods while the theoretical amount of the customs duty which is subtracted from the accession compensatory amount is calculated on the basis of the guide price in force in the United Kingdom. The guide price is frequently higher, however, than the actual price of the goods.

b) Example of the profit obtainable on such operations

At the meeting of the Management Committee for Beef and Veal on 5 September 1975 the United Kingdom Delegation gave a specific example of the profit obtainable on the beef carousel.

This example, given below, assumes that the operation involves unbored cuts of fresh or chilled meat with a selling price of 64,20 u.a./100 kg (1) (£ 350/ton). The figures quoted apply to the period following the alteration of the coefficient used to calculate the ACA, which had already made deflections of trade less profitable.

(1) at the prevailing reference of 1.86369 UC = £

u.u./100 kg

1) Subsidy on exports from the Federal Republic of Germany to the United Kingdom	
a) ACA for unboned cuts of meat (12.39 x 2.05)	25.40
b) Plus amount of customs duty	0.00 (1)
c) ACA subsidy (a + b)	25.40
d) Minus the customs duty actually levied in the United Kingdom	0.48
e) Net subsidy	24.92
2) Duty levied on imports into France from the United Kingdom	
a) ACA	25.40
b) Theoretical French customs duty (8% x 97.55 x 2.05)	16.00
c) ACA actually levied (a - b)	9.40
d) Customs duty actually levied (64.20 x 8%)	5.14
e) Total charges actually levied (c + d)	14.54
3) Difference between the subsidy on exports from the Federal Republic of Germany and charges on imports into France	
(1) (e) - (2) (e)	10.38
	(£ 56.59/ton)

c) Reform adopted

Alteration of the basis for calculating the amount of customs duty to be subtracted from the compensatory amount

Commission Regulation (EEC) no. 2582/75 of 10 October 1975 fixed the sums to be levied as accession compensatory amounts in order to prevent deflections

(1) In theory, 0.48 u.u./100 kg, but it is not taken into consideration for the calculation of accession compensatory amounts because it is less than 1 u.u./100 kg.

of trade in the beef and veal sector.

This regulation made a distinction between products originating from animals slaughtered in Ireland and the United Kingdom on the one hand and those from animals slaughtered in other countries on the other.

For products in the first category the old system was maintained. But for the second category new accession compensatory amounts were fixed using the weighted average of prices recorded in representative markets in Ireland and the United Kingdom as the basis for calculating the amount of customs duty to be subtracted from the accession compensatory amounts.

The extremely theoretical basis provided by the guide price was thus replaced by a more realistic basis in the form of the average market price.

The Commission has recently decided that as a result of a reduction in the level of ACAs there is no longer a risk of carousel trading. Regulation 2582/75 has therefore been cancelled, with effect from 15 March 1976, by Regulation 537/76.

2. Other deflections of trade

The Committee has been informed of another method which may be used to exploit the compensatory amount system by carousel trading in other sectors than beef and veal. This arises when there is to be a change of rate of accession compensatory amount (ACA) either as a result of one of the prescribed periodic adjustments, or to take account of the changes of the amounts of the levies which have repercussions on ACAs. Such changes are often predictable as to amount and operative date, so that goods could be sent from one member state to another immediately before the date of change to qualify for entitlement to ACA and returned to the original country after the date of change incurring a liability to pay ACA but at the new (lower) rate; or, by the use of advance fixing facilities, goods can be exported when the ACA refund is high and returned when the levy is low. For a commodity which is

of low bulk and high value the gross profit resulting from the reduction in ACA may be sufficient to provide the trader with a substantial net profit after meeting transportation and other expenses. Where there are corresponding changes in rates of monetary compensatory amount (MCA) at about the same time the profit would be increased.

Since the risk became apparent the Commission and the Member States have considered, whenever there is to be a change in rates and commodity by commodity, whether there was a likelihood of exploitation of this kind. If so, a proviso has been included in the amending Regulations to the effect that the previous rates of ACA and MCA continue to apply to transactions after the date of change which are a reversal of transactions before that date. In spite of these precautions, one case has been identified in the egg sector in which a very small loophole remained which was exploited by a trader with the result that the compensatory amounts he received exceeded those he paid by some 28,000 u.a.

SECTION IV - RECOMMENDATIONS

1. Verification of the authenticity of veterinary and customs documents

a) Veterinary certificates

In several cases false declarations as to the nature and quality of the goods presented were supported by the submission of falsified veterinary certificates.

The falsification of these certificates was not discovered until the veterinary and health inspections in the importing country.

Where goods have to undergo different types of inspections before export, the various competent bodies (customs, veterinary service) should make every effort to carry out frequent joint or simultaneous controls. Such overall checks could prove more fruitful than a series of partial checks at long intervals.

b) Customs documents

Irregularities concerning the falsification of customs documents (Community transit documents) become increasingly frequent.

Forged documents have been authenticated, moreover, with stolen customs stamps.

As a result all instructions concerning the security of official stamps must be strictly applied and any theft, loss or disappearance of a stamp must be automatically notified to the other Member States and to the Commission.

2. False declarations of weight

The Committee notes that direct consultation and co-operation between the authorities in some Member States has led to the rapid introduction of more effective control procedures. It welcomes such action and wishes to emphasise its value in combatting irregularities. It considers that all possible steps should be taken to encourage the development of such co-operation.

3. Application of the Community transit procedure

The Committee welcome the steps taken to improve control procedures in order to prevent a repetition of particular irregularities that have come to light. They feel however that in earlier cases preventive action would have been taken if the Community and national authorities had considered the possible financial consequences of certain actions and decisions - e.g. the use of bilateral control procedures in parallel with normal Community procedures, and changes in the reference rate of national currencies. They consider that experience in this sector has demonstrated the need for such

careful consideration by officials who can recognise where a weakening of control or the opening of a loophole might be an unintended consequence of an other action.

4. Method of calculation and means of granting and levying MCAs and ACAs

a) The exact cost of the processing operation must be borne in mind when selecting the coefficients used to calculate from the basic compensatory amount fixed for live animals, the amount applicable to processed products.

The same applies to the milk products sector and the difference between the compensatory amounts applicable to fat-free yoghurt and to yoghurt containing fat.

b) Beef carousel.

These operations, while not irregularities in the legal sense, were exploitations of the system and as far as the EAGGF was concerned did not achieve any economic purpose.

It has been shown that in the beef and veal sector the difference in compensatory amounts for exports from and imports to the Continent was caused by the use of a notional element⁽¹⁾ in the calculation of one of those amounts.

In principle, wherever import is immediately followed by export in intra-Community trade, without the goods in question entering the national commercial network of the importing country, the compensatory amount granted and that levied during such a two-fold operation should always be the same. This is more likely to be achieved by the use of actual rather than notional elements in calculating compensatory amounts and the Committee considers that the use of notional elements should therefore be avoided.

(1) It is the guide price which is used to calculate the amount of customs duty to be deducted from the basic compensatory amount.

The Committee notes that the safeguard measure has now been cancelled and it trusts that the Community and national authorities will keep a careful watch for any change in price levels that might re-open the opportunity for exploitation.

c) Other deflections of trade :

The Committee welcomes the action taken by the Commission and Member States to review the possibility of carousel trading and, where appropriate, introduce safeguards when there are changes in the rates of compensatory amounts. They note, however, that these reviews are an additional burden for the officials concerned, and they involve a judgment as to the likelihood of exploitation in each case and the possibility that Community funds will be lost because a loophole remains or is not closed completely.

The Committee therefore recommends that the Commission should examine the possibility of introducing a general (horizontal) regulation (perhaps of a declaratory nature) to establish the principle that transactions which consist of sending goods in circuits which have no economic justification but are intended to benefit from changes in the rates of compensatory amounts are contrary to the purposes of the C.A.P.

In such cases the rates of compensatory amount applicable to the first transaction should also apply to all subsequent movements of the same goods by the same or associated trader.

Such a regulation would demonstrate that transactions of this nature are contrary to Community law rather than the exploitation of a loophole or weakness.

The Committee thinks that while many traders may be prepared to seek out and exploit weaknesses in Community law, very few would resort to fraud and to a large extent therefore this particular problem would be eliminated.

5. Respect for the aims of Community legislation

Examination of the procedures for implementing the system of compensatory amounts has shown clearly that operators have made full use of every loophole in the Community rules in order to obtain undue advantages.

In this connection it should be remembered that the Council Resolution of 16 December 1975 (1) calls for the Community institutions to

"..... exclude any possibility of financial support being granted :

- for sham transactions,
- where the use of the subsidized products is clearly contrary to the aims of the Community Acts, to the extent that these aims are specified"

The Special Committee of Inquiry notes the work begun within the Commission departments to ensure respect for the principle of Community rules by applying the theory of "the misuse of law".

It considers nevertheless that in order to facilitate the work of the control organisation, and to put the traders on their guard against such practices, the purpose of the measures taken in the management of the C.A.P. should be mentioned in each item of Community Legislation passed in this area.

(1) Resolution on stricter prevention of and proceedings against irregularities in the financing of the common agricultural policy (OJ C 298 of 20 December 1975).

CHAPTER V - THE PREMIUM SYSTEMS

SECTION I - THE RULES

Having based the organisation of the market on the principle of price support the Council had to adopt a policy of granting premiums to producers in order, on the one hand, to regulate the market and, on the other, to supplement farmers' incomes.

Two major premium systems, partly financed by the Guarantee Section of the EAGGF, were set up :

- for the 1974/75 marketing year premiums were granted for the orderly marketing cattle for slaughter,
- for the 1975/76 marketing year premiums were paid to producers of bovine animals (slaughter premium; premium for retention of cattle; premium for the birth of calves).

In both cases the premium systems were not applied uniformly, derogations being granted to certain Member States.

After making substantial changes to the system in force during the 1975/76 marketing year, the Council extended its validity to the 1976/77 marketing year, but three Member States only have decided to operate it.

A. Premium for the orderly marketing of cattle for slaughter

(Council Regulation (EEC) No. 1967/74 and Commission Regulation (EEC) No. 2163/74)

In order to encourage the orderly marketing of bovine animals for slaughter and avoid massive slaughtering in the autumn, Member States were authorized to grant a premium from 1.8.1974 to 28.2.1975, up to a maximum unit amount that varied according to the month, for the slaughter of all adult bovine animals, excluding cows, that met certain criteria as to weight and conformation.

1. Maximum amount of the premium and amount borne by the EAGGF

The maximum amounts applicable were as follows : August 20 u.a.; September 30 u.a.; October 42 u.a.; November 42 u.a.; December 52.50 u.a.; January 1975 - 65 u.a.; February 1975 - 73.50 u.a.

The measure was finally extended until 30 April 1975 (March - 80 u.a.; April - 80 u.a.).

The Guarantee Section of the EAGGF financed expenditure up to amounts that varied by month and by Member State, as shown in the table below.

1 9 7 4						u.a./head
	Aug	Sept	Oct	Nov	Dec	
Ireland	10	15	21	21	26,25	
Germany and Denmark	0	0	0	28	33,25	
Other Member States	0	0	0	21	26,25	
1 9 7 5						u.a./head
	Jan	Feb	March	April		
Germany and Denmark	37,60	37,65	30	30		
Other Member States	37,80	51,45	30	30		

In practice Luxembourg is the only Member State to have applied the maximum authorized during the entire marketing year. Germany and Denmark fixed the unit amounts at the level borne by the EAGGF. The United Kingdom, Netherlands and Belgium granted the maximum premium authorized until 28 February 1975. Ireland did likewise until 7 October 1974.

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2. Geographical field of application and derogations

Neither France nor Italy applied the system described above.

From 7 October 1974 Italy was authorized to apply, instead of the above-mentioned premium, a premium for the retention of bovine animals which finally was not implemented.

With respect to France and Italy account was taken of the amounts that were not disbursed for orderly marketing premiums when fixing the unit amount of the premium for the retention of cows and the birth of calves (see below).

Lastly, some Member States were authorized to grant supplementary national aid (in Ireland an interest rate subsidy on loans advanced for the retention of young cattle, and in the United Kingdom a variable national premium).

3. Detailed rules

In order to grant the premium, Member States had to institute various controls at different stages of the procedure. In particular they had to ensure that :

- the animals presented met certain criteria (e.g. minimum weight : 330 kg);
- the producer in fact received the premium;
- the premium was granted only to animals of Community origin or animals that had been fattened for at least three months in the Community;
- proof of slaughter was duly provided (by return of the control copy T5 or by an attestation of slaughter) in cases where eligible animals were exported from one Member State to another for slaughter;
- in cases where meat from animals that had received the premium was bought in by an intervention agency the premium was refunded. Each Member State could decide not to permit such meat to be bought in by the intervention agency.

It was necessary to mark the animals or the meat to avoid a double payment of premiums for the same animal, and to ensure that, when buying in, the intervention agency was in full knowledge of the facts and asked the seller to refund the premium :

- in the case of live animals, where the premium was granted not at the time of slaughter but when the animal was first offered for sale for slaughter;
- in the case of meat from animals that had been granted a premium. Where no system of marking such meat was applied, proof that meat offered to an intervention agency did not derive from an animal to which a premium had been granted was provided in the form of a certificate accompanying the animal throughout all transactions up to selling into intervention.

In practice, only the United Kingdom granted a premium when the animals were first offered for sale for slaughter. Furthermore, in the United Kingdom the premium was automatically deducted at the time of buying in by the intervention agency (1).

B. Premiums for the producers of bovine animals

(Council Regulation (EEC) No. 464/75, Commission Regulation (EEC) No. 848/75)

The Council decided to set up a new system of premiums for producers of bovine animals for the 1975/76 marketing year.

In this case the premium was granted for the slaughter, during the period from 1 May 1975 to 29 February 1976, of certain adult bovine animals of Community origin other than cows.

1. Amount

During this period the Guarantee Section of the EAGGF paid a premium of 28 u.a. per head while the Member States were authorized to grant a supplementary national premium of a maximum of 52 u.a. per head.

(1) - The Netherlands and Denmark also adopted this system during the 1975/76 marketing year in respect of the premium for the slaughter of adult cattle.

The marketing year was extended until 14 March 1976 (Commission Regulation (EEC) No. 457/76). The Community premium was not paid during the period 1 - 14 March 1976 but the maximum amount of the supplementary national premium was raised to 77.06 u.a. for that period.

2. Rules for granting the premium

The rules for granting this premium were very similar to those described above in respect of the orderly marketing premium.

However, an important relaxation of the controls applied should be pointed out. It concerned the procedure whereby proof of slaughter had to be provided in respect of animals which were the subject of an application for premiums in Member State A and which were sent to Member State B for slaughter.

In similar circumstances the orderly marketing premium had been granted only on production of proof of slaughter (declaration of slaughter provided for in Council Regulation No. 1967/74, control copy of the Community transit document T5 or, failing that, attestation of slaughter provided for in Commission implementing Regulation No. 2163/74).

The same provisions (1) were adopted in respect of the slaughter premium and Commission implementing Regulation No. 848/75 still required in the first instance production of the T5 control copy or, failing that, of an attestation of slaughter. But this last regulation added that if the proof of slaughter could not be provided in accordance with the above rules within three months of the completion of customs export formalities, the exporting Member State could grant the premium against proof that such formalities had been completed.

In these circumstances there was no longer any incentive for operators to verify that slaughter had indeed taken place in the country of destination and the least demanding requirement became the normal practice.

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1) - Council Regulation (EEC) 464/75 of 27 February 1975 provides for the production of a declaration of slaughter or other equivalent official declaration; Commission implementing Regulation No. 848/75 adopted on 1 April 1975 provides for production of the T5 control copy or, failing that, of an attestation of slaughter.

3. Geographical field of application and special system

The system described above was not applied in Italy and France.

- (a) France was authorized to grant a premium for the retention of cows which was granted only up to a maximum of 15 cows per holding (5 cows in the case of producers for whom agriculture was not the main source of income) and on condition that the recipient retained on his holding until 15 November 1975 at least as many cows as were taken into consideration for granting the premium.

The unit amount charged to the EAGGF was 9.941 u.a. per head and the supplementary national premium was 18.462 u.a. per head (total premium: FF 160 per head).

- (b) Italy applied a system of calving premiums. The premium was granted for all calves born during the 1975/76 marketing year. It amounted to 56 u.a., charged to the Guarantee Section of the EAGGF. It was paid in two equal instalments, one at birth and the other 12 months later if the calf was still alive.

C. System applicable during the 1976/77 marketing year

After making some changes in the rules for granting premiums the Council extended the validity of two of the premium systems described above to the 1976/77 marketing year.

1. Slaughter premium (Council Regulation (EEC) No. 797/76 of 6 April 1976)

Two significant changes were made in the system previously applied:

- (a) premiums may be granted only in respect of animals born and raised in the Community and slaughtered in the Member State granting the premium.

By way of derogation, however, the United Kingdom may grant a premium for animals born and raised in that Member State and slaughtered in Ireland on condition that a certificate is provided as proof of slaughter.

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- (b) Beef from the categories of animal eligible in the Member State granting the premium may not be bought in by the intervention agencies of other Member States.

Only in the Member State which grants the premium may the intervention agency buy in such meat, on condition that the premium is refunded.

The new premium, for which a maximum amount is fixed (45 u.a. per head) is financed from national funds until 1 September 1976. As from 1 September 1976 the EAGGF will bear 25% of the expenditure.

2. Premium for the birth of calves (Council Regulation (EEC) No. 620/76 of 19 March 1976 and Commission Regulation (EEC) No. 734/76 of 31 March 1976)

For a further period of twelve months a premium is granted for any calf born in Italy on condition that the calf is still alive six months later.

The unit amount of the premium (28 u.a.), which is half what it was the previous year, is to be borne entirely by the EAGGF Guarantee Section and paid in one instalment.

3. The premium system for the retention of cows was not extended.

SECTION II - IRREGULARITIES

Only one Member State notified the Commission of irregularities under the procedure for granting slaughter premiums during the 1975/76 marketing year. They all concern animals that were slaughtered in the Member State that granted the premium.

No irregularities were reported in connection with animals which had been the subject of intra-Community trade although the risk of irregularities and the difficulty of exercising control were even greater in this case.

1. False declarations of weight

Member States were responsible for laying down the categories, qualities and lower weight limits of the animals entitled to premiums. The rules merely provided that the minimum weight may not be lower than 330 kg live weight.

In the case in point, conditions as to weight that were more rigorous than the minimum requirements laid down by the Commission and which varied according to the breed and sex of the animals had not been complied with in many instances.

2. False declarations of kind : cows declared as heifers

The slaughter premium for 1975/76 could be granted only for adult bovine animals for slaughter of Community origin other than cows. Cows were declared as heifers in order to obtain the premium.

3. Applications without any basis

In this case :

- applications for premiums were submitted for non-existent animals, or
- several applications for premiums were submitted for one and the same animal. Here, several slaughter cards were made out for the same animal; on these cards were entered the numbers of different ear tags which had been applied previously for purposes other than the granting of premiums (veterinary inspections, for example).

All the above irregularities were discovered during inspections carried out after the grant of the premiums.

4. Irregularities connected with the system of granting premiums when the animals were first offered for sale

In one Member State the relevant authorities suspected that fictitious sales were registered to provide a basis for claiming premiums. Cases where irregularity was suspected were investigated and, where appropriate, payment of the premium was refused.

SECTION III - DEFLECTIONS OF TRADE IN ANIMALS ON ACCOUNT OF DIFFERENCES IN THE APPLI-
CATION OF THE PREMIUM SYSTEMS BY MEMBER STATES

1. With respect to both the orderly marketing premium and the slaughter premium for adult bovine animals Member States were allowed some latitude as regards the amount actually paid to producers, in that Community regulations merely laid down the maximum amount of the premium on the one hand and the maximum amount borne by the EAGGF on the other. Thus the amount collected by the producer was not always the same throughout the Community.

Furthermore, the United Kingdom obtained authorization to grant a variable premium intended to make up the difference between the average price recorded each week on the internal market for certain animals and a target price.

2. Irregularities were suspected in connection with the application of the last mentioned special system. In July and August 1975 when the slaughter premium for adult bovine animals was being applied, the variable premium in Northern Ireland became so attractive (66.66 u.a. and 60.70 u.a. per head respectively) that animals were exported from Ireland to Northern Ireland in order to obtain the Community premium and the variable premium and it was suspected that they were then fraudulently returned to the Member State of origin.

This practice calls for the following comments :

- (a) it was facilitated by the fact that in Northern Ireland entitlement to the premium was acquired when the animal was first offered for sale rather than at the time of slaughter.
- (b) The result of smuggling these animals back into Ireland was that there was no guarantee that the animals would be slaughtered within the statutory 28 days following the date when they were first offered for sale.

3. This irregularity was brought to an end on 5th August 1975 by abolishing the option of granting the premium in Northern Ireland when the animals originating in Ireland were first offered for sale.

SECTION IV - DIFFICULTIES ENCOUNTERED IN CARRYING OUT CERTAIN PROCEDURES AND CONTROLS

The application of the premium system gave rise to two categories of problem in intra-Community trade : the first concerned the obtaining of proof of slaughter of eligible animals exported to another Member State for slaughter, and the second the sale into intervention of animals or carcasses on which premiums had been paid.

The application of the special systems in France and Italy also gave rise to control difficulties.

1. Proof of slaughter of animals exported to another Member State

In the event of the export of eligible animals to another Member State, it was the exporting Member State which granted the premium on presentation of proof that the animal had been slaughtered in the importing Member State (1).

Proof of slaughter consisted either of the control document T5 or of an attestation of slaughter.

This procedure has not functioned properly in particular in trade with a certain Member State which is a major importer of livestock, since the application of the system of orderly marketing premiums.

(1) - The clause under which two Member States may agree that, in trade between them, the premiums are to be paid by the Member State in which the animal is slaughtered applied only to the premium for the slaughter of adult bovine animals and was used only in trade between Ireland and the United Kingdom.

According to the explanation given by the competent authorities, the malfunctioning of this procedure was caused mainly by the physical impossibility of checking themselves the destinations, according to the regulation, of eligible animals. According to those services, there was a gap in the regulation due to the absence of an obligation on the part of the purchaser to provide proof of destination.

At all events, in order not to endanger the interests of producers in the exporting Member States, the regulation introducing the system of slaughter premiums for adult bovine animals laid down, at first on a provisional and exceptional basis and then for the whole marketing year, that the premium could be granted upon presentation of proof of the completion of customs export formalities (see Section I, B.2.). Consequently, there was no further likelihood of the normal procedure being applied, and there was no longer even any point in operators presenting a T5 control copy at the frontier.

2. Verification that the premium was not combined with intervention buying (see Section I, A.3.).

This could be more easily verified in the case of animals which had been slaughtered and which were offered for intervention in the Member State which granted the premium. In several Member States, the reimbursement of the premium was automatically required when any carcase from an animal eligible for premium was offered for intervention.

However, verification was more difficult in the case of exports to another Member State of carcasses or of animals for slaughter. It required :

- effective communication between the Member States of information about their respective schemes and procedures and in particular of specimens of the statutory marks placed on the live animals or on the meat. This exchange of information took place within the Management Committee for Beef and Veal but it does not seem to have resulted in the communication of sufficient information to the officials responsible for checking such marks;

- a proper appreciation of the significance of the marking used on the animals and carcasses. Member States do not generally grant much recognition to the system of marking used by their partners. Some Member States even refused to buy in any meat, including meat with any visible marks, obtained from male animals and heifers originating in certain Member States.

This risk of the combination of the premium with intervention buying was all the greater in that the largest volume of imports was effected by Member State which did not apply the system of slaughter premiums and which declared itself unable to take effective measures to avoid duplication of aid.

It has been noted, furthermore, that the period of large-scale imports of live animals into that Member State coincided with a considerable increase in buying-in operations by the intervention agency, and that no request was made for the reimbursement of premiums.

This underlines once more the disadvantages of the failure to give particular rules uniform application throughout the Community.

3. Other control problems

The control problems arising from the application of the premium for the retention of cows and the calving premium must not be underestimated.

Since these premiums were paid in two instalments two successive sets of controls had to be carried out thereby creating a heavy burden for the Member States concerned.

The Committee further noted that, because of administrative delays, the premium for the birth of calves was not paid until several months after the beginning of the 1975-76 marketing year. Because of this delay, premiums had to be back-dated.

The Committee has expressed a certain scepticism on the possibility of controlling backdated premiums and, although no irregularity has been

noted, would express its concern as to the possibility of ensuring that these systems are correctly applied.

It draws the Commission's attention to the desirability of an investigation in depth of the way in which these systems function.

SECTION V - CONCLUSIONS AND RECOMMENDATIONS

1. The main characteristic of the administration of the premium system is that it covers a large number of operations. The following figures, for illustrative purposes, give the number of animals for which, according to provisional estimates, a premium was granted in the various Member States during the 1975-1976 marketing year, from May 1975 to February 1976.

Premium for the slaughter of beef animals :

Germany	:	2.168.420
Belgium	:	683.000
Denmark	:	467.547
Ireland	:	595.308
Luxembourg	:	31.512
Netherlands	:	273.892
United Kingdom	:	2.920.898

Premium for the retention of cows :

France	:	8 100 000
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Premium for the birth of calves :

Italy	:	2 500 000
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2. The administration of the premium systems has been a major task for the authorities in the Member States. Problems have been encountered and there have been weaknesses in the administrative and control procedures with consequent scope for irregularity. However, a number of steps have

been taken to deal with the weaknesses that have emerged, both by modifications in the Regulations and improvements in national procedures; but not all the problems in the schemes for the 1974/75 and 1975/76 marketing years were resolved.

The lessons of the past have been taken into account in drawing up the arrangements for 1976/77 which appear to the Committee to be much more satisfactory from the point of view of control. But the safeguards which have been incorporated to prevent the full intervention price from being paid for animals on which premium has been paid must be strictly applied in all the Member States. The Committee understands that the Commission Services are due to carry out a comparative study of the premium and intervention schemes before the end of the year. They welcome this study which they feel could usefully be extended to embrace all aspects of the beef sector. The Committee considers that the level of expenditure in this sector in recent years more than justifies a full appraisal of the operation of all forms of support so that the effectiveness can be assessed and compared, together with the costs, the problems of control, and the risks of irregularities.

The general lessons to be learnt from the experience of these schemes seem to the Committee to be :

- a) the legislative authority of the Community should ensure that before any new schemes are introduced the national administrations have the capacity to implement them and to exercise effective control,
 - b) since problems are likely to be encountered in the administration of new schemes on the scale of those discussed in this Chapter, it is essential that they should be closely monitored at both Community and national levels so that weaknesses can be quickly identified and remedied,
- . / .

- c) unless there are compelling reasons to the contrary there should be uniformity of schemes and of their administration in all the Member States,
- d) full co-operation between the Member States is essential especially where the schemes can involve cross-frontier transactions.

CHAPTER VI -- MEASURES TO PROMOTE THE
CONSUMPTION OF BEEF AND VEAL

SECTION I - BACKGROUND LEGISLATION

To facilitate disposal of beef and veal surpluses, the Council and the Commission adopted several measures intended to promote consumption of this meat from July 1974 onwards.

1. Sale of beef and veal at reduced prices to certain categories of consumer (Council Regulation (EEC) No 1856/74, Commission Decision No 74/423/EEC)

Member States were authorized to grant an aid to consumers in receipt of social benefits to enable them to purchase fresh, chilled or frozen beef at reduced prices.

This authorization ran from 21 July 1974 to 6 April 1975.

Aid was to be granted in the form of coupons or equivalent documents of entitlement with a certain face value expressed in national currency, to be distributed free of charge to consumers for use in payment of an amount not exceeding 50% of the price of the meat purchased.

The maximum amount of aid granted was not to exceed 2 u.a. per person per month.

Member States were responsible for making the necessary arrangements to ensure satisfactory distribution of the coupons and supervise their use.

The EAGGF Guarantee Fund financed 50% of the expenditure incurred.

2. Advertising and publicity campaigns
(Council Regulation (EEC) No 1857/74)

Member States were authorized to promote, for 12 months from 18 July 1974, advertising and publicity campaigns designed to bring the consumer's choice more into line with the supply and demand position for beef and veal products (1).

The EAGGF Guarantee Fund financed 50%, subject to a ceiling, of the expenditure incurred in connection with these measures.

3. Sale at reduced prices of certain beef and veal and preserves thereof held by intervention agencies to certain institutions and bodies of a social character (Commission Regulation (EEC) No 2035/74)

To reduce the costs of storing meat held by intervention agencies, Member States were authorized to sell, to institutions and bodies which so requested, at reduced prices fixed in advance on a flat-rate basis, hindquarters of adult cattle, boned meat or beef and veal preserves held by intervention agencies.

As with sales at reduced prices to certain categories of consumer, Member States had to take the necessary measures to ensure that the products sold under this heading reached their proper destination. Accordingly, provision was made for administrative control of the meat purchased, deposit of a security by purchasers and preparation of accounts by beneficiary institutions.

(1) - A similar regulation was adopted in the sectors of pigmeat and poultry (Council regulation No 2930/74 of 18 November 1974).

SECTION III -- DETAILED RULES OF APPLICATION AND RESULTS OBTAINED

1. Detailed rules

- a) The sale at reduced prices to certain categories of consumer was an innovation in the beef and veal sector in that the price was reduced at the retail stage. It called for the institution of a complex system to identify the persons entitled, and for the distribution and supervision of the use of the coupons.

This Regulation was in fact applied only in France and the United Kingdom. In both countries the operations were carried out and supervised by one or more social ministries, who alone were in a position to identify the categories entitled, in conjunction with the intervention agencies.

The chief control measures were as follows:

- the distribution of coupons was entrusted to the pension funds in France and to the Social Security offices in the United Kingdom;
- unused coupons were destroyed;
- reimbursement centres' accounts were audited;
- coupons handed in by retail butchers were, after checking, subsequently destroyed by the authorities concerned.

By Commission decision No 75/28/CEE of 19 December 1974, France was authorized to implement that scheme in the overseas departments by selling preserves held by the intervention agency.

- b) Implementation of the information campaigns was left to Member States' discretion.
- c) Sales at reduced prices of certain beef and veal and preserves thereof held by intervention agencies to certain institutions and bodies of a social character were carried out in accordance with the disposition of Commission Regulation (EEC) No 216/69 for the disposal of frozen beef and veal bought in by intervention agencies. The greatest difficulty encountered was in making special arrangements to control the destination of meat sold in this way.

This Regulation was applied only in Italy and Belgium.

2. Cost of operations charged to EAGGF

- a) The cost to EAGGF of sales at reduced prices to certain categories of consumer is estimated at 36 million u.a.
- b) The cost to EAGGF of financing 50% of expenditure in connection with the information campaigns amounted to an additional 2.9 million u.a.
- c) Sales at reduced prices of meat and preserves held by intervention agencies resulted in an effective loss to EAGGF of 1.4 million u.a.

3. Effect on consumption

- a) Sales at reduced prices to certain categories of consumer:

An estimated 20-25% of those entitled in France and 85-90% of those entitled in the United Kingdom benefited from the measure.

In France 10 000 tons of meat, and 300 tons of preserves in the overseas departments, were disposed of in this way.

United Kingdom studies show that the consumption of beef and veal by all households increased by 26% in the first quarter of 1975 as against the first quarter in 1974, whereas the corresponding figure for pensioners receiving the aid was 67%.

- b) It is difficult to judge the effect of the information campaigns on the consumption of beef and veal.
- c) As a result of the sales of intervention beef and veal and preserves at reduced prices, 6 400 tons of meat were disposed of in Italy and 150 tons of preserves in Belgium; this does not necessarily indicate a rise in consumption.

SECTION III - CONCLUSIONS AND RECOMMENDATIONS

Although no cases of irregularity have been reported, there are clearly inherent dangers in any system which operates on the basis of preferential rates for certain categories of consumer (individual or group) and/or the use of coupons having a monetary value.

The Committee recognises, that such measures may have a part to play in promoting consumption. But no firm evidence has been provided of the effectiveness of past measures in relation to cost. The Committee thinks it desirable, therefore that cost/benefit studies should be carried out in order that the problems of control and the risk of loss can be put into perspective.

If, after due consideration, arrangements of this nature are to be introduced in future the Committee suggests that:-

- 1) such schemes should normally be of limited duration, for that considerably minimises the risk of irregularity,
- 2) special care must be taken in devising administrative and control procedures (e.g. by limiting the number of coupons issued at a time and their period of validity, and changing the colour periodically),
- 3) arrangements should be made for broad appraisals at regional and national levels of the effectiveness of the control procedures.

FINAL CONCLUSIONS AND RECOMMENDATIONS

In the preceding chapters the Committee has outlined, case by case and together with the analyses made of the various problems, the recommendations which it is submitting to the Commission.

In the introduction to this report, the Committee also made mention of the general conclusions and recommendations contained in its earlier reports on milk products, on the one hand, and on olive oil and oilseeds, on the other: improvement of the rules, improved cooperation and exchange of information between Member States and with the Commission, reinforcement and harmonization of penalties, adoption of a system for the recovery of sums wrongly paid and better training for inspectors.

The Committee's investigations confirm that these general recommendations hold good for the beef and veal sector and deserve to be stressed anew.

The most important general conclusions reached by the Committee following its investigations in the beef and veal sector fall under two broad headings:

~~improvement in the procedures for the implementation of the rules.~~

- improvement in the procedures for the implementation of the rules.

1. IMPROVEMENTS TO THE COMMUNITY RULES

The rules should be simplified wherever possible, standardized in certain respects and so formulated that their application does not lead to economically unjustified results.

A. Simplification of the rules

1. Consolidation of the rules in the agricultural sector

Given the number and complexity of the regulations applying to agriculture in general and the beef and veal sector in particular, the consolidation of such legislation should be a priority objective.

The Committee notes that a considerable effort has already been made towards this end, particularly in the cereals, egg, poultry-meat, pig-meat, and fish sectors, and takes the view that similar work should be pursued or initiated in the other sectors.

2. Adaptation of the rules to take account of the practical possibilities for administration and inspection

The Committee does not propose to express any opinion on the economic advisability of the various support measures because it concentrated on examining the problems from the point of view of administration and inspection only. The Committee recommends that as far as possible no regulations should be adopted which make for excessive administrative work or complicated inspection procedures, taking account of the capacity of existing services.

This recommendation effectively applies to all forms of support in the sector of beef and veal.

2.1. Public intervention and private storage aid

Both forms of intervention - buying-in by the public intervention agencies and private storage aid - should, as a general rule, be used for products which, by virtue of their presentation, lend themselves to relatively simple control procedures. The storage of boned and preserved meat presents such inspection and administrative problems that it should only be envisaged when essential for economic purposes.

The Committee has noted that the storage by a Member State of intervention meat outside its own territory is not specifically provided for in the Community regulations. The relevant regulation should be amended to deal with this point.

2.2. Export refunds

The rules should not provide for different rates of refund, depending on the characteristics or presentation of products, when the physical verification of the elements on which such differentiation is based is well nigh impossible in practice or where the rules do not specify the criteria for distinguishing between the various forms or presentations of the products.

This recommendation particularly applies to the following cases:

- distinction between pure-bred breeding animals and others (inadequate definition);
- percentage of visible fat, internal and external. (This criterion no longer figures in the rules; but before the change checks were practically impossible);
- boned cuts in respect of which the rate of refund may vary according to whether they are presented with or without the thin flank and the shin which must be packed separately (check virtually impossible in acceptable economic conditions).

2.3. Premiums. Social welfare measures

Both premiums and social welfare measures involve a very great number of operations, result in a very heavy administrative task and are difficult and expensive to monitor.

In some cases there has been a veritable "explosion" in the number of operations to be administered and monitored, so that certain Member States have had to make wide use of untrained auxiliary staff to carry out inspection work.

Having regard to these difficulties, the Committee considers that there should be cost benefit studies so that due weight can be given to all relevant factors - namely economic aspects, problems of control, and risks of irregularities - before the introduction or continuation of such schemes is decided upon.

The Community authorities should also ensure that especially in the initial stages the operation of such arrangements will be kept under close review so that any weaknesses are rapidly identified and remedied.

B. Standardization of the rules

The Committee found that considerable difficulties have resulted from the fact that the Community has several different sets of rules applying to the same subject and that Member States are free to adopt different procedures for the implementation of one and the same set of rules.

1. Generally speaking, many implementation problems could be solved by the adoption of a uniform system valid throughout the territory of the Community.

However, if different systems have to be introduced for economic reasons, as would seem to be the case with premiums, provision should be made to ensure that their coexistence does not cause extra control difficulties or increase the risk of irregularities.

2. Member States have been allowed some latitude in the choice of the implementing procedures for one and the same regulation (slaughter premium for certain adult bovine animals). (Granting of the premium at the time of the first marketing or at the time of slaughter; various arrangements to prevent the same animal qualifying both for the premium and for purchase by the intervention agency).

The Committee considers that greater standardization would have facilitated the control procedures.

C. Prevention of economically unjustified results

1. The Committee again (1) notes that, in consequence of the presentation or the degree of processing undergone, there have been differences in the rates of the monetary and accession compensatory amounts levied and those granted which have not always been economically justified. These differences have led to abnormal patterns of trade which have proved expensive for the EAGGF and demonstrate that the system of compensatory amounts has not been without influence on trade patterns.

A few examples from the preceding chapters may be recalled in this connection:

- different rates of monetary compensatory amounts resulting from the application of coefficients (for carcasses, quarters, cuts, etc.) which were not always a true reflection of actual processing costs;
- method of calculating the incidence of the customs duty for the adjustment of the accession compensatory amount in trade between the continental Member States, on the one hand, and Great Britain and Ireland, on the other.

2. The Committee recommends:

- 2.1. that, before the rates are fixed, even more detailed studies should be undertaken by the Commission and the Management Committees to gauge the economic impact of the measures envisaged;
- 2.2. that in intra-Community trade the principle of symmetry should be observed between the monetary and accession compensatory amounts granted on imports and levied on exports, or vice-versa, if it is clear that a product is being successively imported and exported

(1) This problem was mentioned in the Committee's earlier report on milk products, in connection with low-fat and high-fat yoghurts.

without entering the distributive network of the Member State concerned, and provided the principle of symmetry does not create advantages for operators.

This could discourage speculative operations such as those designated by the term "the beef carrousel";

- 2.3. that member States should be given the means to deal with speculative operations which are incompatible with the economic aims of the legislation. In the short term, this aim could be achieved if the theory of the "abuse of law" were more widely applied in order to refuse financial support in all cases where such abuse would be possible under present rules. Application of this theory to specific cases would, however, depend on the ability to demonstrate that the operation in question was not consonant with the aims of the legislation, which would limit its field of application.

In the longer term, Community legislation on the matter would seem the best way to achieve this aim. Thus, it would seem necessary to define systematically and clearly the arrangements for the application of each Community instrument providing for financial advantages in the light of its economic purpose. This is the implicit suggestion behind the "Council Resolution on stricter prevention of and proceedings against irregularities in the financing of the common agricultural policy" (1). In this Resolution the Council asks the Community institutions "to increase, to the greatest extent possible, their efforts to ensure that Community instruments exclude any possibility of financial support being granted:

- for sham transactions,
- where the use of the subsidized products is clearly contrary to the aims of the Community instruments, to the extent that these aims are specified".

(1) C/EEC C 298 of 30 December 1975.

Generally speaking, the Committee considers that the objectives referred to in A, B and C could be more easily achieved if there were more active involvement in drawing up regulations by representatives of the departments and agencies responsible for control.

II. IMPROVEMENTS TO THE DETAILED RULES FOR APPLYING THE REGULATIONS

A. Information and cooperation

1. Between the Member States and between the latter and the Commission

- 1.1. A certain number of shortcomings have been revealed as regards relations between Member States. These concern information on the types of document issued and on the stamps (e.g. customs, veterinary) and identification marks used (premium system).

The Committee recommends that, as is envisaged in a proposal for a Council Directive on mutual assistance by the competent authorities of the Member States in the field of direct taxation (1), the possibility should be examined of making available officials particularly from the supervisory departments of each Member State to all other Member States, for the purposes of liaison with their administration of origin

The Committee points out that, for many operations, the payments made or the levies collected in one Member State are affected by actions taken in other Member States. It therefore feels that any lack of awareness of the financial implications of such actions, in a Community context, constitutes an inherent danger of irregularities involving Community funds.

The Committee recommends that Member States take action to ensure that officials adequately understand the system in operation in other Member States and the financial implications of the documents or certificates which these officials provide.

1) OJEE C 94 of 27 April 1976.

1.2. As regards the Commission's information, the Committee considers that the distinction between irregularities taking place in connection with operations forming part of the system financed by the EAGGF Guarantee Section and those which lead to non-collection of own resources seems rather artificial, in particular on account of the institution of the system of monetary compensatory amounts which depending on the nature of the operation must be entered in the accounts either under own resources, or under the EAGGF Guarantee Section (cf. annex 3 concerning the accounting treatment of monetary and accession compensatory amounts).

Further, it is clear that frauds on levies, whereby products originating in third countries are introduced into the Community, can have the effect of aggravating market conditions in the Community and increasing the EAGGF Guarantee Section's support expenditure.

Therefore the Committee recommends either that a system similar to that laid down in Regulation No 283/72 be introduced in the field of own resources, or that the scope of Regulation No 283/72 be extended to include own resources.

2. Internal cooperation within each Member State

Within each Member State checks on the regularity of operations may be tightened up by improving liaison between:

- in certain cases, the supervisory departments and the paying agencies (perhaps by the use of data processing),
- the various supervisory departments (e.g. customs and veterinary authorities).

B. Improvement of inspection

1. Remedies for certain structural shortcomings

1.1. There should be a strengthen of supervisory staff for certain operations (e.g. buying-in by the intervention agency) or the carrying out of so-called "routine" checks (e.g. weight checks).

1.2. Weighing instruments should be modernized and the procedures for regular and thorough inspection should be strictly implemented.

1.3. Studies on the statistical indicators of international trade flows are of great importance in directing control to certain "sensitive" products.

The Committee recommends that the work undertaken by certain Member States in this sphere should be taken up generally and intensified.

2. Independence of inspections

The Committee considers that in some Member States the external checking of operations carried out by intervention agencies, completely independently of these agencies, should be increased.

3. Reinforcement of certain specific controls

The Committee has had to stress on several occasions in the preceding chapters that, in view of the possibility of irregularities, particularly rigid supervision should be applied to :

- stock control,
- deboning,
- if applicable, the manufacture of preserves.

As regards public stocks, the Committee stresses the importance which it attaches to the preparation of systematic programmes of physical stocktaking and the general application of the principle of the financial responsibility of cold stores for the stocks entrusted to them, defined in a formal way under legally enforceable contracts.

Moreover, the importance of the check of export operations should be stressed, in so far as these operations have financial consequences. Traditionally, customs inspections have been primarily concerned with import operations.

C. Standardization of procedures

The Committee found that in certain cases the coexistence of different procedures within the Community increased difficulties as regards control and made it easier to carry out irregular operations.

This applies to :

- the existence of a simplified customs procedure applicable to direct trade between two Member States, in so far as the combined use of this procedure with that of Community transit has enabled certain operators to carry out irregular operations;
- the diversity of marking systems used in the various Member States.

The Committee recommends that the Commission and the Member States confer together with a view to progressively standardizing these procedures.

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Lastly, the Committee has collected information that gives rise to increasing concern over irregularities during Community transit, in particular by the use of false or forged T1 and T3 documents. While for the moment confining itself to the recommendations in Chapter III (see page 55 under E) the Committee reserves the right to examine this problem more thoroughly and to present more detailed recommendations at the time of the next report on the wine sector.

PAYING OFFICERS IN THE MANAGEMENT OF THE BEEF
AND VEAL MARKET

Country	Intervention Board	Trade regulations
GERMANY	<ul style="list-style-type: none">- Einfuhr- und Vorratsstelle für Schlachtvieh Fleisch und Fleischerzeugnisse Frankfurt / Main- from 1/7/1976: Bundesamt für Ernährung Frankfurt/Main	Hauptzollamt Hamburg-Jonas Hamburg (authorizing officer) Bundeskasse bei der Oberfinanzdirektion Hamburg (paying officer)
BELGIUM	Office Belge de l'Economie et de l'Agriculture (OBEA) 82, rue de Trèves 1040 Bruxelles	Office Central des Contingents et Licences (OCCL) 24-26, rue J.A. De Mot 1040 Bruxelles
DENMARK	Direktoratet for Markedsordningerne EF-Direktoratet Torvegade 2, DK - 1400 København K	idem
FRANCE	Office National Interprofessionnel du Bétail et de la Viande (ONIBEV) 8-10, bd. de Vaugirard Paris 75738	idem
IRELAND	Department of Agriculture & Fisheries Upper Merrion Street Dublin 2	idem
ITALY	Azienda di Stato per gli Interventi nel Mercato Agricolo (AIMA) Via Palestro, 8 00185 Roma	Intendenza di Finanza della Provincia di Roma Via Benaglia, 25 00153 Roma

Country	Intervention Board	Trade regulations
LUXEMBOURG	Ministère de l'Agriculture 1, rue de la Congrégation Luxembourg	(authorizing officer)
	idem	
	Caisse Générale de l'Etat 3, avenue de la Liberté Luxembourg	(paying officer)
		idem
NETHERLANDS	Voedselvoorzieningsin- en verkoopbureau Kouvenderstraat 229 Hoensbroek	Produktschap voor Vee en Vlees 275, Sir Winston Churchillaan Rijswijk (Z.H.)
UNITED KINGDOM	Intervention Board for Agricultural Produce (IBAP) Fountain House Reading RG 1 - P.Box 69	idem

BEEF AND VEAL - COEFFICIENTS USED FOR CALCULATING MCA's
ACA's AND LEVIES

Heading number	Description	Coefficients		
		MCA	ACA	Levies
1	2	3	4	5
01.02	Live animals of the bovine species, including animals of the buffalo genus: A. Domestic species: I. Pure-bred breeding animals (a) II. Other: a) Calves b) Other: 1. 2. other	-	-	-
	MEAT			
02.01 (continued)	A. II. Of bovine animals: a) Of domestic bovine animals: 1. Fresh or chilled: aa) Of calves: 11. Carcasses and half-carcasses 22. Separated or unseparated forequarters..... 33. Separated or unseparated hindquarters..... bb) Of adult animals: 11. Carcasses, half-carcasses or "compensated" quarters: aaa) Carcasses of a weight of not less than 180 kg but not more than 270 kg and half-carcasses or "compensated" quarters, of a weight of not less than 90 kg but not more than 135 kg, with a low degree of ossification of the cartilages (more especially those of the symphysis pubis and the vertebral apophyses), the meat of which is of a light pink colour and the fat of which, of extremely fine structure, is white to light yellow in colour (a)..... bbb) Other 22. Forequarters: aaa) Of a weight of not less than 45 kg but not more than 68 kg, with a low degree of ossification of the cartilages (more especially those of the vertebral apophyses), the meat of which is of a light pink colour and the fat of which, of extremely fine structure, is white to light yellow in colour (a) bbb) Other.....	1,90 1,52 2,28 1,90 1,52	1,90 1,52 2,28 1,90 1,52	1,90 1,52 2,28 1,90 1,52

Heading number	Description	Coefficients		
		MCA	ACA	Levies
1	2	3	4	5
	33. Hindquarters: aaa) Of a weight of not less than 45 kg but not more than 68 kg (not less than 38 kg but not more than 61 kg in the case of 'Pistola' cuts), with a low degree of ossification of the cartilages (more especially those of the vertebral apophyses), the meat of which is of a light pink colour and the fat of which, of extremely fine structure, is white to light yellow in colour (a) bbb) Other	2,28	2,28	2,28
	cc) Other cuts of beef and veal: 11. Unboned (bone-in) 22. Boned or boneless	1,90 2,17	2,05 2,70	2,85 3,26
02.01	A. II. a) 2. Frozen: aa) Carcases, half-carcases, or "compensated" quarters bb) Forequarters cc) Hindquarters dd) Other: 11. Unboned (bone-in) 22. Boned or boneless: a) Forequarters, whole or cut into a maximum of five pieces, each quarter being in a single block; "compensated" quarters in two blocks, one of which contains the forequarter, whole or cut into a maximum of five pieces, and the other, the hindquarter, excluding the tenderloin, in one piece b) Crop, chuck and blade and brisket cuts (b) c) Other b) Other	1,00 0,80 1,25 1,00 1,25 1,25 1,25 1,25	1,00 0,80 1,25 1,00 1,25 1,25 1,35 1,35	1,00 0,80 1,25 1,50 1,25 1,25 1,72 1,72
02.06	Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked C. Other: I. Of domestic bovine animals: a) Meat: 1. Unboned (bone-in) 2. Boned or boneless	1,90 2,17	2,05 2,70	2,85 3,26

Choice of coefficient

Originally, for calculation of the monetary compensatory amounts in the beef and veal sector, the same coefficients were adopted as were used for calculating levies.

The chief concern when calculating levies was to ensure adequate protection at the common frontier, which could be changed depending on the presentation of the goods (carcasses, pieces, etc.).

However, amendments have gradually been made.

Amendments

1. Experience has shown that in intra-Community trade the differences in the level of the coefficient could lead to the development of speculative trade flows (cf. the abnormal trade in beef and veal between France and Germany described in the second paragraph of II B 1).

The Commission, by Regulation No 2930/73 of 26 October 1973, which entered into force on 29 October 1973, has made the following amendments :

		Old coefficient	New coefficient
	02.01 A II a) 1 cc)		
11	Fresh or chilled cuts (bone-in)	2,85	1,90
22	Fresh or chilled boned cuts	3,26	2,17
	02.01 A II a) 2 dd)		
11	Frozen meat, unboned cuts	1,50	1,00
22	ccc) Other	1,72	1,25

2. Regulation No. 1038/74 of 3 May 1974 (which entered into force on 6 May 1974) aligned the coefficients in respect of calves and veal with those applicable to adult bovine animals and beef.

		Old coefficient	New coefficient
	Live calves	1,00	1,00 (same basic amount as for adult bovine animals)
	02.01 A II a) 1 aa)		
11	Carcases or half-carcases	1,56	1,90
22	Forequarters	1,20	1,52
33	Hindquarters	1,92	2,28

METHOD OF ACCOUNTING FOR ACCESSION COMPENSATORY AMOUNTS (A.C.A.)

Intra-Community trade	grant levy	to be accounted for as intervention pursuant to Regulation No 3536/73 to be accounted for as a levy under Article 128 (a) of the Act of Accession
Trade with non-member countries	grant/levy	<p>I. in the case of imports :</p> <ol style="list-style-type: none"> 1. The import charge is increased or reduced by the A.C.A. (Articles 55 and 47 of the Act). 2. The A.C.A. may not exceed the import charge (Article 55 (6) of the Act), except by way of derogation by the Council. In the event of the A.C.A. being granted, the contraction may therefore not give rise to a payment being made to the importer. <p>II. in the case of exports :</p> <ol style="list-style-type: none"> 1. The refund is increased or reduced by the A.C.A. (Articles 55 and 47 of the Act). 2. If the refund is less than the A.C.A. to be deducted, or if no refund is applicable, the difference or the total compensatory amount may be charged under Article 56 of the Act : charge by way of a levy (Article 2 (a) of the Decision of 21 April 1970).

METHOD OF ACCOUNTING FOR MONETARY COMPENSATORY AMOUNTS (M.C.A.)

Intra-Community trade	Grant and levy	The M.C.A. from part of the interventions (Article 7 (2) of Regulation No 974/71)
Trade with non-member countries	levy	<ol style="list-style-type: none">1. The M.C.A. charged are agricultural levies (Art. 2 (a) of the Decision of 21 April 1970)2. However, the M.C.A. charged on exports are deducted from the refund (Article 4a (1) (b) of Regulation No 974/71 (contraction)). <p>Where the M.C.A. charged exceeds the refund, or where no refund is applicable, the difference accounted for as a levy (Article 2 (a) of the Decision of 21 April 1970).</p>
	grant	<ol style="list-style-type: none">1. The M.C.A. granted form part of the refunds (Article 7 (1) of Regulation No 974/71).2. However, the M.C.A. granted on imports are deducted from the charge on imports (Article 4a (1) (a) of Regulation No 974/71) (contraction)). <p>Where an M.C.A. to be granted on imports exceeds the charge on imports (exemption provided for in the second subparagraph of Article 4a (2)), the difference is accounted for as a refund.</p> <p>[The application of the second subparagraph of Article 4a (2) is, however, suspended for the time being.]</p>