

EN

Official Journal

of the European Communities

ISSN 0378-6986

C 285

Volume 38

28 October 1995

English edition

Information and Notices

Notice No

Contents

Page

I *Information*

Court of Auditors

95/C 285/01

Special report No 3/95 on the implementation of the intervention measures provided for by the organization of the market in the sheepmeat and goatmeat sector 1

EN

I
(Information)

COURT OF AUDITORS

SPECIAL REPORT No 3/95

on the implementation of the intervention measures provided for by the organization of the market in the sheepmeat and goatmeat sector

(95/C 285/01)

(Observations pursuant to Article 188 C(4), second indent, of the EC Treaty)

TABLE OF CONTENTS

	Paragraph reference
INTRODUCTION	1.1 — 1.4
THE SHEEPMEAT AND GOATMEAT MARKET	2.1 — 2.10
The world market	2.1 — 2.2
The internal market	2.3 — 2.7
Particular features of livestock-farming	2.8 — 2.10
COMMUNITY LEGISLATION	3.1 — 3.16
Introduction	3.1 — 3.2
Measures in the internal market	3.3 — 3.11
Premiums	3.3 — 3.8
Private storage	3.9 — 3.11
Measures concerning trade with non-member States	3.12 — 3.16
OBSERVATIONS ON THE EFFECTS OF THE COMMUNITY MECHANISM	4.1 — 4.28
The premium system	4.1 — 4.25
The effects of the premiums	4.2 — 4.7
Attempts to control production and budgetary expenditure	4.8 — 4.20
Need for greater selectivity of premiums	4.21 — 4.25
Private storage	4.26 — 4.28
OBSERVATIONS ON ADMINISTRATIVE MANAGEMENT	5.1 — 5.70
Role of the Commission	5.2 — 5.7
Application in the Member States of the premiums system	5.8 — 5.68
Recording of market prices	5.9 — 5.16
Administrative examination of applications for premiums	5.17 — 5.23
On-the-spot checks of producers	5.24 — 5.49
Penalties	5.50 — 5.55

Payment of premiums	5.56 — 5.58
Special case of fattening as heavy carcasses	5.59 — 5.65
Establishment of individual limits on premiums	5.66 — 5.68
Application of the private storage scheme	5.69 — 5.70
CONCLUSION	6.1 — 6.13
More selective and efficient aid	6.2 — 6.6
The need for reliable statistics	6.7 — 6.8
A more reliable system of collecting market prices	6.9
Greater supervision of the premiums	6.10 — 6.12
Possibility of abolishing the premium supplement for fattening as heavy carcasses	6.13
Greater supervision of private storage by the Member States	6.14
	<i>Pages</i>
ANNEX 1: Development of the COM in sheepmeat and goatmeat	30
ANNEX 2: Assessment of budget savings resulting from the introduction of the stabiliser with partial compensation thanks to the introduction of the 'rural' supplement	32
Reply from the Commission	34

INTRODUCTION

1.1. The Common Organization of the Markets (COM) in the sheepmeat and goatmeat sectors was introduced in June 1980 ⁽¹⁾. Although budgetary expenditure on this COM steadily increased during the first few years, it remained below 600 Mio ECU (*Table 1*). In 1988 it doubled, partly because of the accession of Spain and Portugal, and in 1991 it soared once again to 2 000 Mio ECU, which works out at approximately 1,7 ECU per kilo of meat produced in the European Union. This expenditure concerns almost exclusively (99,8 %) the premiums paid for the 80 million ewes and goats (*Tables 2 and 3*) owned by some 600 000 producers, only 17 % of whom may be regarded as specialists ⁽²⁾.

1.2. In 1984, the Court published a special report on the functioning of the common organization of the markets

in this sector ⁽³⁾ and again examined the ewe premium in its Annual Report concerning the financial year 1988 ⁽⁴⁾. Furthermore, the 'compensatory allowance' granted by the EAGGF Guidance Section for ewes and goats raised in less-favoured areas was the subject of observations in the Court's Annual Report concerning the financial year 1990 ⁽⁵⁾.

1.3. The aim of the enquiry was to examine the functioning of the COM since 1989 from the point of view of sound financial management along with the application of Community legislation in the various Member States, as well as also to follow up previous observations. The enquiry was therefore carried out at the Commission and the central and regional departments responsible for managing the instruments of the COM and also covered the beneficiaries of the measures in seven Member States accounting for more than 95 % of the expenditure, namely Greece, Spain, France, Ireland, Italy, Portugal and the United Kingdom.

1.4. As is shown by an examination of the administrative management of the measures taken within the framework of the COM, there is an inherent risk of irregularities in the system of premiums (paragraphs 5.8

⁽¹⁾ Council Regulation (EEC) No 1837/80 of 27 June 1980 (OJ L 183, 16. 7. 1980, p. 1).

⁽²⁾ No definition exists of the term 'specialised producer'. However, by way of information, it may be specified that for 17 % of all sheep and goat breeders in the Union this activity contributes at least 75 % of the value of total production. This figure is at least 85 % in the case of only 11 % of producers [source: Farm Accountancy Data Network (FADN)].

⁽³⁾ OJ C 234, 4. 9. 1984, p. 1.

⁽⁴⁾ OJ C 312, 12. 12. 1989, paragraphs 6.74 — 6.107.

⁽⁵⁾ OJ C 324, 13. 12. 1991, paragraphs 9.1 — 9.43.

— 5.68). Although this situation may have been improved by the introduction, after the enquiry had been carried out, of a means of identifying animals and a register for each producer, certain recommendations must be made straightaway (see paragraphs 5.42 — 5.49).

THE MARKET FOR SHEEPMET AND GOATMEAT

The world market

2.1. The most salient feature of the world market for sheepmeat and goatmeat, up to 1990, was the continuous growth in livestock numbers and in the production of the principal poles involved in this livestock-farming, namely China, the European Union, the former USSR, Australia, Pakistan, India and New Zealand. From the end of 1991, world production decreased very slightly, owing to a fall in the former USSR and to a slight drop in production in all of the countries of the Union (Table 4).

2.2. The main producing countries are also the principal consumers. New Zealand and Australia, which are largely in surplus, have a dominant share of international trade, the former exporting mainly to the European Union and the latter to the Middle East and North Africa⁽⁶⁾. The Union exports practically no sheepmeat.

The internal market

2.3. In 1992⁽⁷⁾, there were 98,6 Mio sheep and 12,0 Mio goats in the Union, compared with 95,5 Mio (an annual increase of 0,6 %) and 11,9 Mio (an annual increase of 0,3 %) in 1987 (see Tables 2 and 3).

2.4. Production in the Union reached 1,18 Mio tonnes in 1992, as described above (see Tables 5 and 6). The four main producing countries, namely, in order of volume, the United Kingdom, Spain, France and Greece, account for 80 % of production, a third of which is produced by the United Kingdom alone.

2.5. Since the early 1990s, per capita annual consumption has exceeded 4 kilos but varies quite widely, depending on the Member State, from 14 kilos in Greece to less than one kilo in Denmark, Germany and the Netherlands. Similarly, the product offered differs, the

average slaughter weight ranging from 10 kilos or less in Greece, Spain, Italy and Portugal to around 20 kilos or more in Belgium, Luxembourg, Denmark, Germany, Ireland, the Netherlands and the United Kingdom. France occupies an intermediate position with 17 kilos. The Community average is 14 kilos.

2.6. The rate of self-sufficiency increased from 71 % when the COM was introduced in 1980 to 83 % in 1992, the difference consisting primarily of imports from New Zealand of approximately 200 000 tonnes of meat by carcass weight, i.e. 80 % of the annually imported total. 95 % of this meat is imported in frozen form and is aimed at a sector of the market which is different from the market for Community meat, which is sold fresh or refrigerated at prices which are between 50 % and 60 % higher.

2.7. As regards intra - Community trade, the main exporter is the United Kingdom, where the price level is usually among the lowest in the Union, and the main importer is France (Table 7).

Particular features of livestock-farming

2.8. Sheep farming is often the only significant commercial activity in many areas where it is difficult to set up other sorts of economic activity. As a result, it contributes to sustaining rural population levels.

2.9. Depending on the region, flocks of sheep are kept to produce milk, as is almost always the case in Greece and Italy, or are used exclusively for meat production, as in Ireland and the United Kingdom. Spain, France and Portugal produce both. Until recently, the market for wool, a product not covered by the COM, was also significant. However, the use of new textiles has recently led to a build-up of sizeable world wool stocks and to a collapse in prices. In 1993, many European producers did not even manage to dispose of all their fleeces.

2.10. In general, goat farming can be found in even poorer areas, mainly in Greece, Spain, France, Italy and Portugal. The emphasis is placed on producing milk for the manufacture of cheese.

COMMUNITY LEGISLATION

Introduction

3.1. The COM in the sheepmeat and goatmeat sector is currently governed by Council Regulation (EEC) No

⁽⁶⁾ 'Le marché des viandes et des produits avicoles. Les marchés des ovins', Office national interprofessionnel des viandes, de l'élevage et de l'aviculture (OFIVAL), 1993, pages 31—35.

⁽⁷⁾ The information contained in paragraphs 2.3 to 2.7 is based on EUROSTAT statistics (CRONOS database).

3013/89 of 25 September 1989⁽⁸⁾. The intervention mechanism is based on the fixing by the Council, for each marketing year⁽⁹⁾, of a basic price for one hundred kilogrammes of sheep carcasses and is adjusted for each week of the year so as to take account of the seasonal variations which characterize the market.

3.2. The objectives of the COM are to stabilize the markets and to guarantee a fair standard of living for the agricultural population concerned⁽¹⁰⁾. The measures taken in the internal market with the aim of making it easier to gear supply to market requirements are the granting of premiums to producers and intervention in the form of aid for the private storage of meat. Furthermore, a single system governing trade at the external borders of the Community contributes to stabilizing the Community market by ensuring that fluctuations in prices on the world market do not destabilize the prices charged within the Union⁽¹¹⁾.

Measures taken in the internal market

Premiums

3.3. Over a period of almost fifteen years, a system of premiums, the amounts of which varied depending on the Member State or group of Member States, has evolved into a system where the amount of each premium is identical throughout the Union (see Annex 1). Apart from the premiums provided for under the COM examined below, there are other forms of aid such as compensatory allowances, which are financed under the EAGGF Guidance and for which annual expenditure on sheep and goats corresponded to 5 to 10 % of COM expenditure (100 to 180 Mio ECU).

3.4. According to the definition adopted by the Council in 1993⁽¹²⁾, females of the ovine and caprine species which have produced at least one litter or are at least one year old are eligible for the premiums provided that the

producer concerned owns at least ten animals⁽¹³⁾ and within the limits of the quota of entitlements to the premium which has been attributed to him or which he has acquired (see paragraphs 4.14 — 4.16). Previously, females which had been covered for the first time were also eligible but those to be culled were not⁽¹⁴⁾. However, it was impossible to distinguish between these two categories when the audit was carried out on the spot. Although the new definition adopted may thus improve the inspection procedure, it is nevertheless likely to encourage the producer to keep old unproductive animals for longer, so as to receive the premiums, which cannot but be detrimental to the overall health of the flocks in question.

3.5. The amount of the premium paid to 'producers of heavy lambs', i.e. those who do not market milk or ewe's milk products, is first fixed by the Commission after the end of each marketing year so as to offset the loss of income corresponding to the difference between the basic price and the weighted average price recorded in the markets representative of the Union. The amount of this premium varies each year; it was 17 790 ECU per ewe for the marketing year 1994 (1992: 18 616 ECU; 1993: 20 898 ECU)⁽¹⁵⁾.

3.6. This premium is paid at the rate of 80 % for the other categories of producer⁽¹⁶⁾, namely:

- a) 'producers of light lambs', i.e. those who market milk or products based on ewe's milk. However, if they can prove that they fatten as heavy carcasses at least 40 % of the lambs born on their holdings, they are entitled, under certain conditions, to receive the full premium based on the number of fattened lambs (see paragraphs 5.59 — 5.65);

⁽⁸⁾ OJ L 289, 7. 10. 1989, p. 1.

⁽⁹⁾ The period in question runs from the first Monday in January to the day before the first Monday in January the following year.

⁽¹⁰⁾ Third recital of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽¹¹⁾ Eighth recital of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽¹²⁾ Council Regulation (EEC) No 2070/92 of 30 June 1992 — (OJ L 215, 30. 7. 1992, p. 63) amending Council Regulation (EEC) No 3493/90 of 27 November 1990 (OJ L 337, 4. 12. 1990, p. 7).

⁽¹³⁾ Article 1 of Council Regulation (EEC) No 3493/90 of 27 November 1990 (OJ L 337, 4. 12. 1990, p. 7).

⁽¹⁴⁾ Article 1 of Council Regulation (EEC) No 872/84 of 31 March 1984 (OJ L 90, 1. 4. 1984, p. 40). Females to be culled are those which are not used for breeding and which are to be sold for slaughter.

⁽¹⁵⁾ The amounts concerned are paid in the majority of the Member States. However, as paragraph 3.3 indicates, the amount of the premiums was not identical for all of the Member States. Consequently, in 1992 producers of heavy lambs in certain Member States or parts thereof received a premium of 23, 130 ECU.

⁽¹⁶⁾ Article 5 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1), as amended by Council Regulation (EEC) No 2069/92 of 30 June 1992 (OJ L 215, 30. 7. 1992, p. 59).

b) producers of goatmeat, if they are located in certain regions ⁽¹⁷⁾.

3.7. As part of the 'rural' measures introduced by Council Regulation EEC No 1323/90 of 14 May 1990 ⁽¹⁸⁾, producers located in certain less-favoured areas receive an additional amount of 5,5 ECU per eligible animal in the case of producers of heavy lambs and 3,8 ECU in the case of producers of light lambs and producers of goatmeat (see paragraphs 4.9. — 4.11.).

3.8. Premiums are therefore paid for about 70 % of all sheep and goats in the Union (99 % of in-lamb hoggets and ewes) (Tables 2 and 3). On the basis of the information sent by the Member States to the Commission for the 1992 marketing year, it appears that 22 % of the 80 million animals for which premiums were requested and which belong to some 600 000 producers are part of flocks of fewer than 100 animals which are eligible for the premiums (4 % for fewer than 20 head), 54 % belong to flocks of 101 to 500 eligible animals and 24 % to flocks of more than 500 animals. The management and checking of the premiums is therefore likely to entail considerable administrative costs. Neither the competent authorities of the Member States visited nor the Commission possess information in this connection.

Private storage

3.9. Aid for private storage consists in paying the producer, who is usually a meat dealer, a certain sum which is intended to enable him to postpone, for a period of between 3 and 7 months, the introduction of lamb onto the market.

3.10. When the weekly weighted average price of sheep carcasses and the market price of a quotation area, i.e. of a Member State or of Northern Ireland, are between 90 % and 70 % of the seasonally adjusted basic price,

⁽¹⁷⁾ According to Article 5 (5) of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1), these regions are:

- the whole of Greece and Portugal (except for the Azores and Madeira) and certain regions of France (Corsica), Spain (Andalusia, Aragon, the Balearic Islands, Castile-La Mancha, Castile-Leon, Catalonia, Extremadura, Galicia (with the exception of Corunna and Lugo), Madrid, Murcia, La Rioja, Valencia and the Canaries) and Italy (Lazio, Abruzzo, Molise, Campania, Apulia, Basilicata, Calabria, Sicily and Sardinia);
- the mountain and hill areas, notification of which was sent to the Commission by each Member State pursuant to Article 3 (3) of Council Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas (OJ L 128, 19. 5. 1975, p. 1).

⁽¹⁸⁾ OJ L 132, 23. 5. 1990, p. 17. The current amounts are stipulated by Council Regulation (EEC) No 1743/91 of 13 June 1991 (OJ L 163, 26. 6. 1991, p. 44).

aid for private storage may be granted by the Commission in the area in question on the basis of the opinion of the 'Management Committee for Sheepmeat and Goatmeat' ⁽¹⁹⁾. However, where the figure is below 85 % of the basic price, this aid must be granted in accordance with a tendering procedure. ⁽²⁰⁾

3.11. Where the market price of a quotation area is less than 70 % of the seasonally adjusted basic price for two consecutive weeks, the Commission is required to decide whether or not to open the tendering procedure. Here again, the decision on the amount of aid and the accepted quantities is taken on the basis of the opinion of the 'Management Committee for Sheepmeat and Goatmeat'.

Measures relating to trade with non-member States

3.12. Subsequently to the Court's audits in the Member States, the Council decided to declare the tendering procedure necessary only at below 70 % of the seasonally adjusted price and to eliminate the obligation to open this procedure, leaving it to the Commission to assess the need for it in future in the light of the market situation ⁽²¹⁾.

3.13. Community legislation lays down that imports of meat into the territory of the Union shall be subject to a levy which is nevertheless limited to the amounts fixed in voluntary restraint agreements in respect of exports to the Union or in agreements negotiated under the GATT with non-member States. ⁽²²⁾

3.14. Voluntary restraint agreements have been signed with twelve countries and have been re-negotiated several times. In 1989 and 1990, the quantities which could be exported by some of these countries were reduced and, for exports of frozen meat from Argentina, Australia, New Zealand and Uruguay a price-monitoring procedure as compared with the price on the importing Member State market (guide prices expressed in percentage of this

⁽¹⁹⁾ This Committee is composed of representatives of the Member States and is headed by a representative of the Commission. It is established and governed by Articles 29 to 31 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽²⁰⁾ The general provisions for granting private storage are established in Article 7 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽²¹⁾ Council (EC) Regulation No 1886/94 of 27 July 1994 (OJ L 197, 30. 7. 1994, p. 30) amending Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽²²⁾ Articles 9 and 14 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

price) was introduced. Import levies, which had previously been 10 %, were abolished for the twelve non-member States. The quantities which may be exported to the Union under these agreements total 275 000 tonnes of frozen meat, i.e. approximately 20 % of the annual consumption of the Union. Some of them include a sub-limit for refrigerated meat.

3.15. Following the revision of the GATT agreement which came into force on 1 July 1995, the quantities that could be exported to the Union at rates of zero duty were generally maintained. However, the previous sub-limit for refrigerated meat was abolished. Outside the parameters of these agreements, imports into the Union are free but a system of charges based on the levies in force during the period 1986-88 is applied.

3.16. The basic Regulation also lays down that, insofar as it is necessary to allow the export of products governed by the COM, the difference between the prices of these products on the world market and the prices in the Union may be covered by an export refund which may be adjusted depending on the destinations concerned ⁽²³⁾. In practice, no export refunds are granted for the products covered by the COM.

OBSERVATIONS ON THE EFFECTS OF THE COMMUNITY MECHANISM

The premium system

4.1. Since the mid 1980s, production prices have fallen whilst budgetary expenditure on the COM in sheepmeat and goatmeat has risen. Various measures, including the establishment of a panoply of regulations which aimed to limit expenditure and production, have been applied in an attempt to restrict this trend.

The effects of the premiums

Premiums and the development of prices and meat production

4.2. Over the last twenty years, the production and consumption of sheepmeat and goatmeat has increased (see *Table 5*) while market prices have fallen. *Table 8* shows that the basic price fixed by the Council has remained fairly stable, at between 428,0 ECU in 1984 and 418,5 ECU in 1993 and has not followed the

variations in the Community weighted average market price, which has tended to fall, especially since 1987 and increasingly quickly since 1989. Since the COM was created in 1980, prices have fallen by 27 %, a figure which rises to more than 37 % in Greece and Ireland. The growing difference between the two prices (a basic price 15 % higher than the average market price in 1984 and 62 % higher in 1993), combined with the increase in the number of animals receiving premiums, has resulted in Community expenditure soaring.

4.3. As the COM does not include any mechanism for supporting the market by making purchases on the open market and as private storage has been implemented only to a very limited degree (see paragraphs 4.26. — 4.28.), the meat produced has to find a buyer on the market, if necessary by reducing its price. However, as premiums compensate for a loss of income (see paragraph 3.5), they have largely eliminated the effect of these reductions on production (*Graph 1*), which has thus continued to increase regularly. The increased production could only be disposed of by cutting prices, for which compensation was once again automatically provided by the increase in the amount of the premium. Given that the basic price remained stable, the mechanism for fixing the amount of the premiums therefore creates a vicious circle in which premium and prices influence each other, a phenomenon which prevents the market from playing its proper role of establishing a balance between supply and demand.

4.4. *Table 9* illustrates this mechanism and shows that consumption of this type of meat has increased whilst beef and veal consumption has decreased ⁽²⁴⁾. Although the Community measures concern the primary market, i.e. the market which determines the price paid by slaughterers and traders to producers, the falls in price mentioned above have merely served to stimulate consumption. The fact is that the number of distributors of these types of meat is high in the Member States which are major producers, which allows competition full play in the market where final consumption occurs. As was observed in France ⁽²⁵⁾, significant falls in production prices have merely served to improve the competitiveness of sheepmeat and goatmeat in relation to other meats, even though these falls have not led to equivalent price cuts for the consumer.

4.5. Furthermore, variations in market prices between the various Member States have remained considerable

⁽²³⁾ Article 16 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽²⁴⁾ See the Court's special report No 3/94 on the implementation of intervention measures provided for by the organisation of the market in the beef and veal sector (OJ C 356, 14. 12. 1994, paragraph 2.2 and graph 2.4).

⁽²⁵⁾ See the report by the Committee of Enquiry into the functioning of the sheepmeat and beef and veal markets, Assemblée Nationale Française, Paris, p. 248.

(see Table 8), a fact which is indicative of the wide differences of production and consumption in the Union. Although the standard deviation of market prices fell from 73,5 in 1980 to 53,5 in 1992 (- 27,2 %), and to 35,0 in 1993 (a difference of a further 25,2 %), this development is due to the monetary readjustments which were made during the year rather than to a convergence of market prices. The fact remains, however, that the convergence of market prices within the framework of the COM is one of the keys to implementing the single market ⁽²⁶⁾.

Support for the production of sheepmeat and goatmeat and producers' incomes

4.6. As was indicated in paragraph 1.1, budgetary expenditure more than tripled between the first years of the COM, when it remained below 600 Mio ECU, and 1993, when it reached 2 209,8 Mio ECU (Table 1). This expenditure per kilo of meat produced is currently 1,7 ECU, i.e. more than three times the expenditure incurred in respect of beef and veal (0,55 ECU) and much more than the expenditure incurred in respect of pigmeat (0,01 ECU) (Table 10).

4.7. As regards changes in the incomes of producers of sheepmeat and goatmeat in the financial years 1986/1987 to 1991/1992, Table 11 shows that, for the whole of the European Union, operating income after subsidies increased by 59 % in current ECUs and 18 % in real terms.

The attempts to control production and budgetary expenditure

4.8. From the late 1980s, several mechanisms were successively introduced with a view to controlling

production and budgetary expenditure. The limited success of these mechanisms resulted in the introduction of a system of quotas for entitlements to the premium, which has applied since the 1993 marketing year.

The stabilizer and premium supplements relating to the 'rural' measures

4.9. In 1988, the Council decided ⁽²⁷⁾ that, in view of the possibilities of disposing of stocks on the markets of the Union and given the Union's international commitments, it was important not to encourage production of sheepmeat and goatmeat as soon as the herd exceeded a given level. The chosen level was the number of ewes in the Union on 31 December 1987, i.e. 63,4 Mio head, the figure published by Eurostat in March 1988. Should the level be exceeded, the premiums had to be decreased proportionally ⁽²⁸⁾. This mechanism, known as the stabilizer, led to a reduction in the basic price, which is compared to the weighted average price recorded on the markets which are representative of the Union so as to calculate the loss of income for which the premiums compensate. However, as the stabilizer has remained at 7 % of the basic price since the marketing year 1993 ⁽²⁹⁾, it has lost some of its effectiveness.

4.10. As from the marketing year 1991, in order to ensure that this reduction did not have any unfavourable consequences in the areas defined in Article 3 paragraphs (3), (4) and (5) of Council Directive 75/268/EEC of 28 April 1975 ⁽³⁰⁾ on farming on mountains and certain less-favoured areas, the premium supplements referred to in paragraph 3.7 were granted to producers located in these regions as part of the 'rural' measures, which only served to stimulate production and drive down market prices.

4.11. If a comparison is made between the savings made as a result of the stabilizer and the expenditure incurred due to the premium supplement under the 'rural' measures, it emerges that minor budgetary savings were

⁽²⁶⁾ Initial provision was made annually to fix not only a basic price for fresh or frozen lamb and sheep carcasses but also a reference price. This reference price was taken into consideration when the amount of the premium was fixed. It had been fixed at a different level from the basic price so as to establish a single Community reference price by bringing national reference prices closer together in equal stages during a period of four years (Article 3 (4) (b) of the first basic Regulation of the CMO, Council Regulation (EEC) No 1837/80 of 27 June 1980 (OJ L 183, 16. 7. 1980, p. 1)). The basic price was taken into consideration when the intervention measures were applied and the amount of the import levies was fixed.

At the end of a convergence period of four years which aimed progressively to adjust production and marketing structures in the various Member States, the concepts of a single reference price and a regional reference price were abolished (Article 1 of Council Regulation (EEC) No 871/84 of 31 March 1984 (OJ L 90, 1. 4. 1984), p. 35)), after which the amount of the premium was calculated... only by reference to the basic price which, moreover, was single.

⁽²⁷⁾ Council Regulation (EEC) No 1115/88 of 25 April 1988 (OJ L 110, 29. 4. 1988, 36) amending Council Regulation (EEC) No 1837/80 of 27 June 1980 (OJ L 183, 16. 7. 1980, p. 1), the first basic Regulation of the COM. This point is currently included in Article 8 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽²⁸⁾ This reduction was calculated by reducing the loss of income by 1 % of the basic price for every 1 % by which the guaranteed maximum level was exceeded.

⁽²⁹⁾ Article 8 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1), as amended by Council Regulation (EEC) No 2069/92 of 30 June 1992 (OJ L 215, 30. 7. 1992, p. 59).

⁽³⁰⁾ OJ L 128, 19. 5. 1975, p. 1.

made. For each of the 1992 and 1993 marketing years, for example, these savings can be put at approximately 50 Mio ECU (see Annex 2). However, in 1992, the number of animals for which the premium was paid, the total number of ewes and the production of meat had settled at a higher level than in 1987, by 21 %, 12 % and 17 % respectively.

The limits on premiums per producer

4.12. In 1989, new measures were adopted so as to limit the progression of budgetary expenditure. Payment of the full premium was limited to 1 000 animals per producer in less-favoured areas and 500 in the other regions⁽³¹⁾. Above this figure, the producer received only 50 % of the value of the premiums. However, it should be pointed out that the number of animals concerned by this capping was only 2 % of the total in respect of which premiums were paid. The scope of the measure was therefore inevitably somewhat limited, even if, as the Court pointed out in its Annual Report concerning the financial year 1991⁽³²⁾, 'most large-scale producers have so organised themselves as to avoid being paid anything less than the full rate for their entire flock'.

4.13. These limits were abolished starting from the marketing year 1995⁽³³⁾, as a decision had been taken to cull more animals in view of the persistent increase in production.

Individual limits or 'quotas' of entitlements to the premium

4.14. As part of the 1992 reform of the CAP, an individual limit on entitlements to the premium was allotted to the producers to whom the premium was granted in the 1991 marketing year and who also submitted an application for the 1992 marketing year⁽³⁴⁾. Since the 1993 marketing year, the premium has been paid up to the number of animals for which it was paid for the 1991 marketing year. However, by using a

conversion coefficient, the Member State can increase this number of entitlements by referring to the 1989 or 1990 marketing year if the number of premiums paid during one of these marketing years is larger than in 1991.

4.15. According to the Regulations⁽³⁵⁾, each Member State must establish an initial national reserve by charging a levy of at least 1 % and no more than 3 % of the sum of the individual limits of the producers whose holdings are located on its territory. This reserve is used to grant entitlements to certain producers and, in particular, to those who did not submit an application in 1991 and those who submitted an application for the first time in 1993. An additional reserve of 1 % of the sum of the individual limits for producers in less-favoured areas was added in order for each Member State to use this reserve to grant entitlements to producers in the areas in question.

4.16. A system for transferring entitlements to the premiums was also created⁽³⁶⁾. At the time of the Court's enquiry, this system was only in its early stages and could therefore not be examined in this report.

4.17. At this stage, it must be stressed that the number of entitlements to the premium established in the Union is 77 million, corresponding to 69 million ewes, i.e. 29 % above the 63,4 Mio fixed in 1988 as a threshold beyond which production should not be encouraged (see paragraph 4.9) and, on the other hand, 8 million goats. This increase constitutes a very significant retreat from the aim of rebalancing the market.

4.18. The quota system makes the administrative management of the premiums much more cumbersome. However, it should stabilise budgetary expenditure unless market prices were to fall. Although the initial information available is still provisional, it reveals a slight reduction in the number of sheep and goats in the Community between 1992 and 1994 (Tables 2 and 3). However, it will be necessary to observe at a later date and on the basis of longer-term trends to what extent budgetary expenditure has been influenced by the introduction of the quotas.

4.19. Although the mechanism aims to limit meat production, it does not necessarily guarantee control of

⁽³¹⁾ Article 5 (7) of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽³²⁾ OJ C 330, 15. 12. 1992, paragraphs 2.103 — 2.105.

⁽³³⁾ Council Regulation (EEC) No 233/94 of 24 January 1994 (OJ L 30, 3. 2. 1994, p. 9) amending Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽³⁴⁾ Article 5a of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1), as amended by Council Regulation (EEC) No 2069/92 of 30 June 1992 (OJ L 215, 30. 7. 1992, p. 59).

⁽³⁵⁾ Article 5b of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1), as amended by Council Regulation (EEC) No 2069/92 of 30 June 1992 (OJ L 215, 30. 7. 1992, p. 59).

⁽³⁶⁾ Commission Regulation (EEC) No 3567/92 of 10 December 1992 (OJ L 362, 11. 12. 1992, p. 41) fixes the procedures for applying individual limits, national reserves and transfers of entitlements.

it. It implies a limitation of production only if the producer considers that the premium is needed to rear ewes or goats. However, although the premium accounts for income totalling 50 % of the value of the meat produced annually by a ewe on the basis of the weighted average price recorded on the markets which are representative of the Union, producers are faced with market prices and production costs which are very different. Moreover, in certain regions they earn income from aspects of livestock farming other than meat production, which has a strong influence on the profitability of their activities. Consequently, even if the premium remains an appreciable source of income, the producer's decisions may be dictated by factors other than an individual limit on entitlements to the premium.

4.20. Thus, on holdings which produce milk, the income per ewe before subsidies is equivalent, on average, to 3,2 times that of holdings which do not produce milk (Table 12). An identical conclusion may be drawn in respect of holdings where goats are reared (Table 13). However, of the 80 million animals in respect of which the ewe and goat premiums are applied for each year, 30 % concern sheep-breeders who declare that they market milk and 10 % concern goat-breeders (see also paragraph 5.3).

Need for greater selectivity of the premiums

4.21. Although the system of quotas for entitlements to the premium may lead to better control over budgetary expenditure, the fact remains that the level of budgetary expenditure is very high, in particular when it is compared, per kilo of meat produced in the Union, with the level in other COMs in the meat sectors.

4.22. For many producers, sheep and goat farming is marginal since it is merely a complement to cattle farming, dairy, cereal or fruit production and market-gardening, a fact which, in this case, casts doubts on the need for aid in the form of premiums as income support. For example, in a third of the nearly 600 000 holdings covered by the Farm Accountancy Data Network (FADN) which produced sheep or goats in 1991/1992, sheep and goat production accounts for less than 10 % of the value of total agricultural production; for almost 60 % of these producers, the figure is less than one third.

4.23. Furthermore, if the increase over the period 1986-1992 in the number of ewes for which the ewe premium was paid (Table 2) is examined for all of the Member States in which less than 50 % of the ewes are

located in less-favoured areas, it is observed that the annual rate of growth of this figure is 12,1 %. For all of the Member States in which more than 50 % of the ewes are located in less-favoured areas, this rate is, by contrast, only 5,7 %. This increase shows that sheep production is developing in Member States which submit proportionally more applications in regions which are not considered less-favoured.

4.24. Premiums encourage a fall in market prices, and increase competition between these meats, and, in particular, the surpluses of beef and veal which the Union has managed to dispose of only at a cost which was a considerable burden on the Community budget⁽³⁷⁾. The ewe premium should therefore be more of an incentive and aim essentially to support the incomes of producers who breed sheep and goats in regions where it is not profitable to practice other agricultural activities, in particular, livestock-farming.

4.25. Furthermore, greater selectivity in respect of the ewe and goat premiums comes up against the criticisms already made by the Court, in particular in its Annual Report concerning the financial year 1990⁽³⁸⁾, namely the extension in the Member States of areas declared to be less-favoured in accordance with Council Directive 75/268/EEC and the fact that very broad less-favoured areas contain very varied situations, some of which no longer necessarily justify less-favoured area status. The Court noted that, in view of the financial advantages of classification as a less-favoured area, 'it is therefore understandable that there should be growing pressure from both farming and political circles in the Member States for a continuous extension of the less-favoured areas, aimed more at increasing the number of farmers able to benefit from certain financial advantages than at compensating for specific handicaps'.

Private storage

4.26. Aid for private storage plays a marginal role in the management of the COM, as shown by an average level of annual expenditure of 3,0 Mio ECU from 1991 to 1993 for quantities of meat ranging from 2 000 to 3 000 tonnes, i.e. from 0,2 to 0,3 % of the Community's annual production.

⁽³⁷⁾ From 1992 to 1993, budgetary expenditure on the COM in the beef and veal sector reached 4 304, 4 416 and 3 894 Mio ECU compared with an average of 2 500 Mio ECU for the previous decade. This development is due to the sizeable increase in expenditure on export refunds and public storage.

⁽³⁸⁾ OJ C 324, 13. 12. 1991, paragraphs 9.21 — 9.22.

4.27. Sheepmeat and goatmeat producers show very limited interest in private storage aid, as freezing the meat lowers the price by 40 %. Furthermore, the Management Committee, which is yet to take a decision on these operations (see paragraph 3.10), has reservations about the usefulness of this measure.

4.28. In practice, even if the tendering procedure had to be initiated when the market price of a quotation area was less than 70 % of the basic seasonally adjusted price for two consecutive weeks (see paragraph 3.11), the Management Committee was free as regards the final outcome of the procedure, i.e. the actual conclusion of private storage operations. Consequently, the tendering procedure regularly started with the publication of the Regulations and the submission of offers by companies in the cattle and meat sectors even when the Management Committee had no intention of declaring itself to be in favour of initiating a private storage operation. In the meantime, the relevant regulations have been amended (see paragraph 3.12).

OBSERVATIONS ON ADMINISTRATIVE MANAGEMENT

5.1. The implementation of the Regulations by the Commission and the Member States calls for a number of observations, which are set out below.

Role of the Commission

5.2. Although the Commission possesses information in the 'Farm Accountancy Data Network' (FADN) data base which would make it possible to monitor the development of producers' incomes, it does not use these data, for example, when the basic price for each marketing year is being fixed by the Council, even though the main objective of the COM is to guarantee a fair standard of living for the agricultural workers concerned.

5.3. The fixing of the value of the premium granted to 'producers of light lambs' and producers of goats at 80 % of the premium granted to 'producers of heavy lambs' is not based on any appraisal of the cost prices or selling prices of the marketed products of these specializations, whereas the profit margins of producers who market only meat are very different from the margins of those who also market milk products (see paragraph 4.20). Similarly, the 'rural' supplement paid to producers in certain less-favoured areas (see paragraph 3.7) is not based on an appraisal of these producers' incomes.

5.4. There are also shortcomings as regards the statistical data on applications for premiums which the

Member States are required to submit to the Commission by 31 July each marketing year⁽³⁹⁾. In practice, the Commission has all of the requisite data at its disposal only a year or so later.

5.5. Under the terms of the entry into force of the Regulations on individual limits on entitlements to the premium, the Commission was supposed to receive various sorts of information on the limits allocated in each Member State by 30 April 1993. It was only at the start of 1994 that an overall picture of the limits applied in each Member State, including the national reserve, started to take shape.

5.6. The Commission subsequently had to compare these data with the number of premiums granted following applications deemed admissible in the marketing year in question⁽⁴⁰⁾.

5.7. It is essential for the Commission to verify the exact number of premiums paid for this marketing year by referring to the information given in the EAGGF-Guarantee annual statements on the numbers of animals in respect of which the premium has been paid. It was in fact noted that, although the information on the number of premiums granted in a given marketing year is considered definitive, it is often amended several years after the close of the marketing year. As is shown by the report drawn up by the Commission in November 1993 on the state of the sheepmeat market⁽⁴¹⁾, i.e. after the entry into force of the quotas for entitlements to the premium, data on payments made in the 1990 and 1991 marketing years were considered provisional at the time or were still based on applications instead of on actual payments. Furthermore, in the case of certain Member States (Denmark, Ireland and Italy), for the year chosen as the reference point for the allocation of quotas, the figures contained in the statistical surveys on sheep and goats are significantly lower than the Commission's figures regarding the number of animals in respect of which the premiums were paid⁽⁴²⁾. This anomaly, which recurs in subsequent years, had already been observed during the investigation into the maintenance of suckler

⁽³⁹⁾ Article 3 (4) of Commission Regulation (EEC) No 3007/84 of 27. 10. 1984 (OJ L 283, 27. 10. 1984, p. 28), as amended by Commission Regulation (EEC) No 3984/89 of 20 December 1989 (OJ L 380, 29. 12. 1989, p. 28). This Regulation was recently replaced and the provision can now be found in Article 2 of Commission Regulation (EEC) No 2700/93 of 20 November 1993 (OJ L 245, 1. 10. 1993, p. 99).

⁽⁴⁰⁾ Pursuant to Article 4 of Commission Regulation (EEC) No 3567/92 of 10 December 1992 (OJ L 362, 11. 12. 1992, p. 41).

⁽⁴¹⁾ COM(93) 601 final of 24 November 1993, Annex 1.

⁽⁴²⁾ These two types of information are sent by the various departments of the Member States first to EUROSTAT and then to the Commission departments responsible for managing the COM.

cows, the results of which are given in the Court's Annual Report concerning the financial year 1989 ⁽⁴³⁾.

Application in the Member States of the premiums system

5.8. Examination of the application of the premiums system in the Member States will start with an examination of the collection of market prices and will be followed by observations on the various stages of processing the applications, i.e. administrative checks, on-the-spot checks of producers, penalties and payments. Lastly, two particular points will be examined, namely fattening to produce heavy carcasses and the establishment of individual limits on entitlements to the premium.

Collection of market prices

5.9. As the premiums paid are intended to compensate for a loss of income measured by the difference between the basic price fixed by the Council and the weighted average price observed on the markets which are representative of the Union, the collection of market prices is a basic feature of the system.

5.10. In each market representative of each quotation area, market prices must be collected ⁽⁴⁴⁾ for Community standard fresh or frozen sheep carcasses, i.e. the carcasses of lambs which were no more than one year old at the time of slaughter, with an acceptable fat content and an actual or estimated carcass weight of at least 12 kilos ⁽⁴⁵⁾. Sub-categories are sometimes determined by the Member State on the basis of carcass weight, as in Greece, Spain, France, Italy and Portugal. In France, categories are still based on the degree of fat cover and the conformation of the carcass. When the collection of prices is based on the live weight of the animals, the live weight must be converted into carcass weight by means of a coefficient.

5.11. The average price for the quotation area is then established on the basis of the weightings adopted beforehand for categories of carcass and representative markets.

5.12. On Thursday at the latest, for the previous week, notification of these prices is sent to the Commission, which then establishes the average weighted price on the markets which are representative of the Union.

5.13. In practice, these prices are collected in many different ways, which may vary within a given Member

State: they may be gathered in slaughterhouses by a representative, who may or may not be a permanent official of a public authority, as the Court observed in Greece, Spain and Ireland; they may be compared in each representative market by a committee including participants in the various stages of production, as is the case in France; they may be collected from breeders and intermediaries over the telephone, as in Italy; they may be collected by a representative of a public authority in a market for live animals, as was observed in Portugal; or, lastly, they may be sent to the authority responsible for collecting them by the person who holds the auction in the market, as is the case in the United Kingdom.

5.14. The Court examined the collection of market prices for a few weeks chosen at random in a number of representative markets and noted an absence of documents (in Greece and Italy) or the presence of documents which did not make it possible to establish the price of a representative market from the prices collected on that market (Spain and Portugal). In such circumstances, it is not possible to check retrospectively whether the prices and data provided have actually been collected.

5.15. Furthermore, anomalies were noted in the prices actually sent to the Commission: confusion between two weeks in Greece; an error in the prices calculated at a slaughterhouse in Ireland; prices received from a slaughterhouse which had been reduced by the Department of Agriculture in Ireland before being sent to the Commission; and prices sent by a chamber of commerce which had been reduced by the 'Ministero per il Coordinamento delle Politiche Agricole, Alimentare e Forestali' in Italy. These reductions in prices collected on the representative markets have the effect of increasing in value of the premiums and, consequently, in the expenditure charged to the Community budget.

5.16. Lastly, it appeared that the system for collecting market prices and sending them to the Commission is checked neither by the Community nor by the national authorities.

Administrative examination of applications for premiums

5.17. Applications for premiums must be submitted to the authority responsible for the territory where the holding is located, during one, or possibly two, periods fixed between the first of November prior to the marketing year in question and the thirtieth of April following this marketing year. With regard to Italy, the Regulations state that applications may be centralized, in which case the authority responsible for the territory where the holding is located must receive a copy of each application ⁽⁴⁶⁾.

⁽⁴³⁾ OJ C 313, 12. 12. 1990, paragraphs 4.2.1 — 4.2.32.

⁽⁴⁴⁾ Pursuant to Article 4 of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1), as the application procedures are defined in Commission Regulation (EEC) No 1481/86 of 15 May 1986 (OJ L 130, 16. 5. 1986, p. 12).

⁽⁴⁵⁾ Council Regulation (EEC) No 338/91 of 5 February 1991 (OJ L 41, 14. 2. 1991, p. 2).

⁽⁴⁶⁾ Article 1 (2) of Commission Regulation (EC) No 2700/93 of 30 September 1993 (OJ L 245, 1. 10. 1993, p. 99) as amended by Commission Regulation (EEC) No 80/94 of 18 January 1994 (OJ L 16, 19. 1. 1994, p. 1).

5.18. The administrative examination of the applications is carried out in a regional or local office of the Ministry of Agriculture of the Member State, except in Italy, where it is carried out by computer by a consortium of several specialist data-processing companies acting on behalf of the body responsible for making payment. In Portugal, applications are sometimes submitted to agencies of financial bodies or to two professional organizations and are forwarded directly to the central body responsible for making payment without being sent to the local authorities. This procedure is contrary to the Regulations (see paragraph 5.17.) and implies that the authorities in question play no part in the administrative examination of the applications.

Checks in respect of the ownership and eligibility of the animals

5.19. Administrative checks are generally confined to comparing the application form with the form from the previous year and to ensuring it is complete. The ownership and eligibility of the animals in respect of which the premiums are applied for are not checked (see also paragraphs 5.32 — 5.36).

5.20. Furthermore, it was not possible in any of the regions visited to verify whether there were checks in respect of the non-marketing of milk or milk products made from ewes' milk by making a comparison with the data provided by processors or distributors on the marketing of these products, as required by Community legislation⁽⁴⁷⁾. However, as indicated in paragraphs 3.5 and 3.6, the amount of the premium varies by 20 % depending on whether or not the producer markets these products.

Checking locations in less-favoured areas

5.21. If a holding is situated in a less-favoured area, that enables the producer to obtain a premium supplement under the 'rural' measures, as indicated in paragraph 3.7. A producer is regarded as being in a less-favoured area if at least 50 % of the agricultural area used to produce sheep and/or goats⁽⁴⁸⁾ is in areas defined as such by the Member States, in accordance with Council Directive 75/268/EEC of 28 April 1975⁽⁴⁹⁾. Where not all of the holding is located in a less-favoured area, checks must also be carried out not only as to the observance of the 50 % threshold but also as to the actual ownership of the parcels of land or the right to use them. The effectiveness of the checks will depend, in particular, on the information to be provided in the application form and the supporting documents to be attached thereto.

⁽⁴⁷⁾ Article 4 (2) of Commission Regulation (EEC) No 2700/93 (OJ L 245, 1. 10. 1993, p. 1).

⁽⁴⁸⁾ Article 2 of Council Regulation (EEC) No 3493/90 of 27 November 1990 (OJ L 337, 4. 12. 1990, p. 7).

⁽⁴⁹⁾ OJ L 128, 19. 5. 1975, p. 1.

5.22. However, the information that producers must provide in their applications varies from one Member State to another. In Greece, France and Italy, a producer must indicate the total area of his holding and must merely declare whether at least 50 % of the area of land used for sheep and goat breeding is in a less-favoured area. In the United Kingdom, producers are only required to indicate the total area of the holding located in a less-favoured area. In these various cases, except where information is provided in addition to the application, as discussed below, it is therefore not possible to verify, when the administrative checks are carried out, the fulfilment of the requirement that a holding should be located in a less-favoured area in order to benefit from the resulting advantages when the holding in question is located on the edge of an area which is not less-favoured. By contrast, in Spain, Ireland and Portugal producers must indicate the various production units which make up their holdings and the respective areas thereof. However, where additional documents are not attached to the applications, the checks do not make it possible to verify the information provided and, in particular, the actual ownership of these parcels or of the right to use them.

5.23. However, in Scotland and Ireland, more thorough checks are carried out to ensure that at least 50 % of the area of holdings used for breeding sheep is located in a less-favoured area. Producers are in fact required to attach to their applications copies of the land-registry plans of their holdings. In Scotland, they are required to indicate areas which are less-favoured and those which are not, on the basis of which information the area used for breeding sheep is calculated, excluding, for example, buildings, roads, woods and other areas not used for breeding livestock.

On-the-spot checks of producers

5.24. A producer must keep the animals in respect of which he submitted his application on his holding for 100 days starting from the last day of the period for submitting applications⁽⁵⁰⁾. During this period, the Member States carry out on-the-spot inspections to check the accuracy of the information given by the producer in his application. These inspections must concern a minimum number of applications, which the Commission fixed at 10 % of the number of producers⁽⁵¹⁾.

⁽⁵⁰⁾ Article 1 (3) of Commission Regulation No 2700/93. (OJ L 245, 1. 10. 1993, p. 9).

⁽⁵¹⁾ Previously, this measure had been enshrined in an unpublished Commission decision; it is now included in Article 6 (3) of Commission Regulation (EEC) No 3887/92 of 23 December 1992 (OJ L 391, 31. 12. 1992, p. 36) laying down implementing provisions for the integrated system of management and control concerning certain systems of Community aid.

5.25. In all the Member States visited except Italy, the central authorities responsible for managing the premiums system possess statistics on the number of inspections carried out, broken down by region.

5.26. On-the-spot checks of producers are carried out by representatives of the regional or local offices of the Ministry of Agriculture of each Member State. They give rise to the following observations.

Organization of on-the-spot checks

5.27. The Regulations introduced in 1992 on the integrated administration and inspection system for certain systems of Community aid⁽⁵²⁾ stipulate that on-the-spot checks must cover at least a significant sample of the applications, the sample to be determined, in particular, on the basis of a risk analysis. As this system came into force in 1994 for the ewe and goat premiums, a trend emerged in the means of selecting producers who are required to be checked on the spot in the Member States where the Court's audits were carried out in 1994.

5.28. The basic practice is that producers are selected on the basis of anomalies discovered when the administrative check of the applications takes place or those discovered in previous marketing years. Other criteria may be taken into account.

5.29. In Greece, the inspectors from the Directorates of Agriculture of the *nomoi* also check a sample of producers selected at random on the basis of their identification numbers. An identical system has been introduced in Ireland.

5.30. In Italy, with effect from the 1993 marketing year, rules were established for selecting producers to be checked on the spot including, in particular, a selection on the basis of the number of animals in respect of which the application was made. However, the producers to be checked on the spot are definitively determined by the central authorities: the local offices receive the respective data but do not possess data on the other producers. The system should provide for a mechanism which would make it possible to increase the number of checks when a significant rate of anomalies is observed. Furthermore, although the producers to be checked on the spot were mainly selected on the basis of the anomalies which appeared in their applications, these anomalies were ignored when checks were carried out at the time of the Court's audit visit. The inspectors responsible for the on-the-spot check did not take any action to provide a solution to the problem.

5.31. In Portugal, various selection criteria were introduced, including the size of the flock/herd and the

existence within a given holding of production units located in different inspection areas. However, as in Italy, an increase is not envisaged in the number of checks to be carried out locally when a significant anomaly rate is observed.

Checking of information provided by producers

5.32. Ownership of the animals, in the absence of any system of identification and fold register, must be assumed: the fact is that it is necessary to assume that the person presenting the ewes or goats for inspection is the owner. However, scepticism is sometimes permissible, in particular when animals are far from the holding site, on parcels not specified in the application, contrary to the requirements of the Regulations⁽⁵³⁾, or when the inspector from the Member State has to postpone the check because the animals cannot be presented immediately.

5.33. However, in certain Member States, there are practices which reduce this risk. In Ireland, a large number of flocks are identified by a mark or coloured letters in one or more specific places on the animal. The producer is asked to describe the mark of his flock in the application for the premium. In Portugal, a system of sheep marking also exists. The producer is required to indicate in his application the mark of his flock. In such cases, it is therefore important that correct use should be made of this information when the inspection is carried out and that the presence of animals not bearing this mark should be explained by the producer. However, when on-the-spot checks were carried out, it emerged that some unmarked animals had been accepted by national inspectors, in particular after the number of marked animals counted was found to be smaller than the number of original applications.

5.34. The eligibility of the animals (see paragraphs 3.4 and 3.8) cannot be checked satisfactorily when they are being counted, as the person who carries out the on-the-spot checks must often rely, for the same reasons as those given in paragraph 5.32, on the producer's declarations. In cases of uncertainty, the inspector from the Member State should always ask the producer whether he has a lambing notebook or any other relevant document, on the basis of which he should determine the age of the animals on the last day of the retention period. This practice was not encountered. Nevertheless, in Italy and Spain, ewe-lambs which were too young were discounted by the inspectors only after the Court's auditors had reminded them of their obligations in this respect.

5.35. Counting ewes is sometimes difficult, given the difficulty of channelling the animals. However, this

⁽⁵²⁾ Article 6 (4) of Commission Regulation (EEC) No 3887/92 (OJ L 391, 31. 12. 1992, p. 36).

⁽⁵³⁾ Article 5 (1) of Commission Regulation (EEC) No 3887/92 (OJ L 391, 31. 12. 1992, p. 36).

operation is made easier by facilities which make it possible to immobilize the animals or by the presence of staggered passages which facilitate counting, as was the case on several farms in Ireland and the United Kingdom visited during the audit. Otherwise, the check often has to be carried out by two people and it is estimated that a margin of error of 1-2 % may exist when counting takes place. In one region of Italy, there was even a case where the inspector, who was unable, after several attempts, to count part of a flock, made a rough estimate of the number of animals present.

5.36. Furthermore, in Ireland, a hole is punched by the inspector in one of the animal's ears in a place which is specified in the instructions for on-the-spot audits and which changes each year. In Portugal, when the animals are counted, they must be sprayed with a specific colour. As a result of these procedures, each animal is considered individually and the auditor genuinely has, on this occasion, the possibility of assessing the eligibility of the animal.

5.37. As regards checking to ensure that at least 50 % of the area of the holding used for the breeding of sheep or goats is located in a less-favoured area, it was noted that although administrative checks are generally very weak (see paragraphs 5.21 — 5.23), in cases examined in Spain, Portugal and part of the United Kingdom, they were not subject to inspection when the on-the-spot audit was carried out.

5.38. Furthermore, it was noted in Spain, in the case of an application made by six producers who had declared themselves a grouping and some of whose land was located in a less-favoured area, that satisfactory checks as to the actual existence of this grouping were not carried out. This case shows that it is therefore not impossible to bring together producers whose land is not located in a less-favoured area and producers whose land is located in a less-favoured area, with the result that all of the producers benefit from the premium supplement paid as part of the 'rural' measures, provided that the producers in question merely state in their applications that they constitute a group.

Unannounced on-the-spot checks

5.39. The Regulations lay down that inspections shall be carried out unannounced. Advance warning limited to the strict minimum necessary may be given but may not exceed forty-eight hours⁽⁵⁴⁾.

5.40. In practice, genuine unannounced checks can be carried out only early in the morning or late in the evening when the animals have returned to the fold. During the day, it is highly likely that they will not be found in nearby grazing fields. Rounding them up and herding them to the producer's facilities, which is

necessary for the reasons set out in paragraph 5.35, may then take an hour or more. This difficulty explains why in many cases, and especially in regions in less-favoured areas where livestock-farming is extensive, producers are usually informed the day before the check and a specific time is arranged in accordance with the Regulations.

5.41. As at the end of 1994 there were still no regulatory constraints as regards proof of actual ownership of the animals, announcing an on-the-spot check considerably reduces its effectiveness.

Register of movements

5.42. Only as from the marketing year 1995 will each holding be required to keep a register of sheep and goats⁽⁵⁵⁾. This register must include at least:

- (a) the total number of sheep and goats on the holding each year on a date to be fixed by the competent authority;
- (b) an up-to-date statement of the number of females on the holding which are more than twelve months old or which have produced offspring before this age;
- (c) the movements of sheep and goats (origin, destination, mark and date).

5.43. Previously, a Member State which had set up a register system could carry out no more than half of the requisite minimum number of on-the-spot checks outside the retention period but during the year concerned⁽⁵³⁾. Of the Member States visited as part of the enquiry, only the United Kingdom had set up such a system.

5.44. As well as providing a system of identification and a means of verifying the ownership and eligibility of the animals in respect of which the premium has been applied for, the register must also make it possible, when checks are carried out outside the retention period, to ascertain whether the animals were actually on the holding during this period.

5.45. The examination carried out in the United Kingdom of the system for continuously recording the movements of sheep revealed shortcomings in the register and difficulties with carrying out the on-the-spot check.

5.46. The fact is that, contrary to the provisions of the Regulations, it emerged that the register used did not contain information on the number of animals which had

⁽⁵⁴⁾ Article 6 (5) of Commission Regulation (EEC) No 3887/92 (OJ L 391, 31. 12. 1992, p. 36).

⁽⁵⁵⁾ Article 4 (1) b of Council Directive No 92/102/EEC of 22 November 1992 (OJ L 355, 5. 12. 1992, p. 32).

died from natural causes or *force majeure*. Where this information was available, it was entered in the register separately by the producer. Although these losses were neither formally disclosed nor accounted for in the register, when checks were carried out after the retention period, a producers's declaration was considered sufficient for animals to be recorded not as missing but as having died from natural causes.

5.47. As regards the audit method, it emerged that the officials responsible for the on-the-spot checks did not have any standard method for checking whether the number of ewes in respect of which the premium had been applied for tallied with the number of animals present throughout the retention period. Cases arose where the check was incomplete and where the conclusions were mistaken. The fact is that the records of the number of animals counted on the holding and the movements recorded (births, purchases, deaths and sales) need to be consulted, so as to determine whether the number of animals in respect of which the application was made actually tallied throughout the retention period with the number of animals on the holding. In order to carry out this accounting task, the use of a standard reconciliation sheet to be drawn up at the beginning and end of the retention period would be certain greatly to improve the quality of the checks and would subsequently make it possible to retrace the steps taken.

5.48. Furthermore, certain inspectors check only the register of movements whereas others extend the scope of their checks to the documents upon which the figures included in the register are based. However, if checks are to be satisfactory, the underlying documents (invoices, receipts etc.) need to be examined.

5.49. Lastly, although in the United Kingdom the keeping of a register in accordance with the provisions of the Regulations was a prerequisite for granting the premium, it emerged that where the producer's register did not provide for recording deaths from natural causes and where these deaths were not recorded in another document, the register was nevertheless declared satisfactory by the auditor of the Member State in his audit report. It also emerged that where an on-the-spot check discovered that a producer does not keep a register of movements, he was granted a period of grace so as to enable him to draw up such a register, whereas the auditor himself ought usually to draw up a reconciliation sheet himself on the basis of the underlying documents which must be in the producer's possession when the inspection is carried out.

Penalties

5.50. Community legislation lays down that, where the number of animals which are recognised as eligible is lower than the number of animals in respect of which the

application was made, various penalties contingent upon the size of this discrepancy must be applied⁽⁵⁶⁾.

5.51. However, where animals have died from natural causes, the premium is not subject to any penalty and is paid on the basis of the number of animals which were actually eligible, provided that the producer informed the competent authority in writing no later than 10 days after he recorded the loss. In practice, this time-limit is difficult to check, as it is often difficult to establish when the producer recorded the loss.

5.52. In France, a document issued by a third party (the certificate of removal by the knacker's yard) makes it possible to determine the date on which the dead animal was removed. However, where no notification of loss is provided, as required by the Regulations, the provision of a knacker's certificate when the on-the-spot check is performed is considered valid notification, even if the certificate indicates that the removal took place more than 10 days prior to the date of the check which, in this case, was the date when notification was provided. This means that although this practice should have been penalised, no penalty was applied.

5.53. However, the authorities responsible for setting up the premiums system in France sought to make it easier to provide notification of losses from natural causes by providing the producer not only with application forms but also with pre-printed notification forms for indicating the number of ewes lost.

5.54. A similar practice was observed in Greece. However, in the regions visited, notification of losses from natural causes is very rare.

5.55. In the United Kingdom, as was explained in paragraph 5.46, in the course of checks performed outside the retention period, the Member State auditor occasionally registers missing animals as having died from natural causes solely on the basis of the producer's statement, so as to establish the number of animals on the holding during the retention period.

Payment of the premiums

5.56. Before the end of each half-year, the Commission estimates the foreseeable amount of the premium and, on this basis, the Member States are authorised to pay a half-yearly advance payment of 30 % of the

⁽⁵⁶⁾ Article 11 of Commission Regulation (EEC) No 3887/92 (OJ L 391, 31. 12. 1992, p. 36).

premium⁽⁵⁷⁾. The definitive amount of the premiums is fixed the following year, after the end of the marketing year, and the balances of the premiums must then be paid by 15 October⁽⁵⁸⁾.

5.57. The fact that certain Member States make advance payments and others do not (Belgium, Denmark, Italy, Luxembourg and the Netherlands) clearly has a bearing on the effectiveness of the premium in terms of support for incomes, with the result that producers throughout the Union do not receive equal treatment.

5.58. An examination of the 1991 and 1992 marketing years reveals considerable differences in the time taken to pay producers. If the Member States' monthly payments are considered and if the average time taken to make payment is calculated and weighted by the amounts paid, the result is that there is a difference on average of at least eight months between those Member States which pay their producers most quickly, i.e. France and Ireland, and those which pay the latest, i.e. Denmark and Italy. Compared with the fastest Member States, Spain, Portugal and the United Kingdom pay on average slightly less than one month to two months later, Germany from three to four months later and the other Member States, namely Belgium, Greece, Luxembourg and the Netherlands, from four to seven months later. Producers in the various Member States are therefore not being treated equally.

Special case of fattening to produce heavy carcasses

5.59. As indicated in paragraph 3.6, producers of light lambs receive a premium which is 20 % lower than the one received by producers of heavy lambs, as the latter producers do not market milk or products based on ewe's milk. However, the system of fattening lambs to produce heavy carcasses still enables producers of light lambs to receive the full premium on the basis of the number of lambs fattened for heavy carcasses.

5.60. In order to check the Council's main requirement for lambs to be recognized as having been fattened as heavy carcasses, namely that they should be fattened for at least 45 days and attain a minimum average live weight in the case of lambs weighing 25 kilogrammes⁽⁵⁹⁾, producers must fulfil a certain number of obligations with a view to ensuring that abuses do not occur⁽⁶⁰⁾:

- (a) each producer must submit a declaration that fattening has begun for each batch of lambs;
- (b) the holder of the lambs that are fattened, regardless of whether he is the producer or a specialized fatterer, must keep an up-to-date fattening register including the following information:
 - (i) for each batch brought in for fattening: the number of the batch, the number of lambs, the date fattening began, the indelible identification mark and the holding of origin;
 - (ii) for each batch leaving after fattening: the date, the average weight and the composition of the batch (the number of lambs from each batch brought in which subsequently leave).

5.61. About 800 000 premiums are paid each marketing year as part of this special system, mainly in France and Spain but also to a small extent in Portugal and Greece.

5.62. In France, when a fattening house was visited, it was not possible to check compliance with the regulatory requirements governing the duration of fattening and the average weight of the lambs as there was no exit register. It was also noted that when one producer sold his lambs for fattening to a company with workshops in various *départements*, the address given in the declaration of fattening was that of the head office of the company in question. As a result, it was not possible subsequently to check the fattened lambs concerned as their actual destination is now unknown.

5.63. In Greece, the producers who were visited kept the register specifically for the current marketing year. Of these producers, the only one already to have fattened lambs as heavy carcasses during a previous marketing year had obtained the premium supplement without keeping this register.

5.64. In Portugal, in the only case examined, that of a holding which belongs to the Ministry of Agriculture and which has practised this type of fattening for several years, no register was kept.

5.65. Lastly, although the local authorities which check the system are required to inspect the fattening houses of at least 10 % of declarants in each marketing year, in none of the Member States whose systems the Court examined, namely those referred to above, did the national authorities possess statistics in this connection. In France, it even emerged that in the two *départements* visited, no on-the-spot check in respect of fatteners had yet been carried out.

Establishment of individual limits on premiums

5.66. In each of the Member States visited, the introduction of the quota system, which was under way

⁽⁵⁷⁾ Article 5 (6) of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

⁽⁵⁸⁾ Article 5 (2) of Commission Regulation (EEC) No 2700/93 of 30 September 1993 (OJ L 245, 1. 10. 1993, p. 99).

⁽⁵⁹⁾ Council Regulation (EEC) No 3901/89 of 12 November 1989 (OJ L 375, 23. 12. 1989, p. 4).

⁽⁶⁰⁾ Commission Regulation (EEC) No 2814/90 of 28 September 1990 (OJ L 268, 29. 9. 1990, p. 35).

at the time, proved to be laborious in view of the mass of information to be processed and the number of notifications issued, sometimes without any computer system. Consequently, even in the simplest cases (producers who had not applied to benefit from the national reserve or the additional reserve), it was rarely possible to notify producers of quotas 15 days or more before the deadline for submitting the applications of the Member State, as laid down by the Regulations ⁽⁶¹⁾.

5.67. In Greece, where the period for submitting applications ended early (15 February), in the simplest cases, notification was given of individual limits on entitlements to the premium by posting them on the notice-boards of producers' cooperatives within the prescribed time. In Spain, in the regions visited, limits were first attributed only in June and July 1993, i.e. well after the deadline for submitting applications. In France, the deadline for submitting applications was 15 February and notification was given of these limits only during March and April. In Ireland, notification of the quotas did not begin until the end of April 1993 even though the deadline for submitting applications was 12 March. In Italy, although provisional notification was given of quotas within the prescribed time to producers who had submitted an application in 1991, it was still necessary subsequently to check whether they had submitted an application in 1992. In Portugal, some 20 % of producers had not received their quota by the deadline for submitting applications. Similarly, in the United Kingdom, notification was not given by the deadline for submitting applications.

5.68. Once limits had been allocated in the simplest cases, a decision still had to be taken on applications for funds from the national reserve. As a result, the Member States found themselves for a very long time in provisional and sometimes confused situations which led to delays in the management of the applications concerning the 1993 marketing year and the payment of the premiums.

Application of the private storage system

5.69. Despite its limited financial significance (see paragraph 4.26), private storage was examined in two Member States (Spain and Ireland). Various problems were observed.

5.70. In Spain, a check at a company was carried out by the Court outside the holding period for the meat. Despite the requirements of the Regulations ⁽⁶²⁾ and the fact that the operation had been inspected three times by

the staff of the body responsible for making payment, it emerged that the trader did not keep stock records. As these records are required, *inter alia*, to indicate, for each contract, which products have been placed in private storage, it was therefore impossible to be certain that the products submitted by the trader when checks were carried out during the holding period for the carcasses were the same products as those that had been traded. It was also impossible to check the dates on which the meat was placed in or taken out of stock, and thus the observance of the length of the holding period for the carcasses.

5.71. In Ireland, it was also noted that the trader who was audited did not keep stock records. When the documentation on previous contracts with the same trader was examined, it was noted that the dates on the documents had been crossed out and changed and were sometimes contradictory, making it impossible to check compliance with the requirements of the Regulations. It was also noted in the case of one of the operations examined that although the numbers of the seals on the lorries leaving the boning plant did not tally with the numbers on the same lorries upon arrival at the storage site, no explanation was provided. The competent authorities in the Member States subsequently provided only partial information on the dates in the documents in question and they justified the discrepancies between the seal numbers by explaining that the meat had had to be frozen outside the company's storage plants, with the result that two journeys were needed between the boning plant and the storage site.

CONCLUSION

6.1. The observations which were formulated in the Court's report concerning the financial year 1988 mainly showed that a number of provisions in the Regulations were geared neither to the actual circumstances of sheep breeding nor to inspection practicalities. These provisions included the definition of an 'eligible ewe', which has since been amended. Other amendments were made, as the Court had proposed: the requirement that deaths from natural causes should be declared, the grading of penalties, the minimum frequency of on-the-spot checks and specifications as regards the register of movements of the animals.

More selective and effective aid

6.2. The fact that budgetary expenditure on ewe and goat premiums soared from less than 600 Mio ECU during the first years of the COM to 1 932 Mio ECU in 1994 led, several years ago, to the introduction of a panoply of measures intended to control this expenditure but which have had limited success (paragraphs 1.1 and 4.8 — 4.20). The quotas of entitlements to the premium which may stabilize budgetary expenditure and which came into force as from the 1993 marketing year constitute the final stage

⁽⁶¹⁾ Article 2 (3) of Commission Regulation (EEC) No 3567/92 of 10 December 1992 (OJ L 362, 11. 12. 1992, p. 41).

⁽⁶²⁾ Article 13 (3) of Commission Regulation (EEC) No 3446/90 of 27 November 1990 (OJ L 333, 30. 11. 1990, p. 39).

of these measures (paragraphs 4.14. — 4.20). This development was inevitable, as the basic price remained stable and differed considerably from the average market price: in 1993 the basic price and the basic price as adjusted by the stabiliser corresponded, respectively to, 162 % and 150 % of the average market price. It may be explained by reference to the mechanism for establishing the amount of the premiums, which, by automatically compensating for price falls, deprives the market of its proper role of adjusting supply to demand. A vicious circle is created, as falls in production prices are charged to the Community budget (4.2 — 4.4). The Court therefore recommends that the Commission should re-examine this mechanism, since it has proved to be particularly unsuitable when the basic price does not closely follow the average market price.

6.3. Furthermore, this mechanism, by encouraging falls in market prices, contributes to increasing competition with beef and veal, the surpluses of which have been a considerable burden on the Community budget (paragraph 4.24). Moreover, budgetary expenditure per kilo of sheepmeat and goatmeat produced in the Union is currently more than triple the corresponding figure for beef and veal (paragraph 4.6). Lastly, sheep production in Member States which submit proportionally more applications for premiums in regions deemed to be less-favoured (paragraph 4.23) is increasing in relative terms.

6.4. In view of this situation, it therefore appears necessary for the Commission to carry out a study of the alternatives to the present system. More specific objectives must be pursued, clearly defined and periodically appraised (paragraph 5.2) by progressively limiting the aid granted in this sector to support for the incomes of producers who breed stock in less-favoured regions where it is not profitable to carry on other breeding activities and where this aid may therefore contribute to sustaining the rural population. In this context, the Commission should also introduce criteria for safeguarding the environment and for town and country planning.

6.5. In this connection, it is essential that the Commission should propose a redefinition of the notion of a 'less-favoured area' and that the attribution of this status and checks in respect thereof should be carried out with great rigour. The criteria for defining these areas must be reviewed as quickly as possible so as to take account of the actual conditions in which livestock is bred (paragraph 4.25).

6.6. The role of the premiums as support for producers' incomes must also be improved by ensuring that the premiums are paid more quickly. There are major

differences in this respect between Member States (paragraphs 5.56 — 5.8, 5.58).

The need for reliable statistics

6.7. The Member States must pay closer attention to the statistical information they send to the Commission and must ensure that the deadlines for submitting this information are observed. For its part, the Commission should improve checks to ensure that the Member States fulfil the Regulatory requirements in this connection (paragraph 5.4).

6.8. In the context of the establishment of individual limits on entitlements to the premium, it is vital that the discrepancies between the figures drawn from the statistical enquiries and those on the number of animals in respect of which the premium is awarded should be clarified. It is also necessary for the Commission departments responsible for managing the premiums system and for clearing the corresponding accounts to base their checks in respect of the quotas distributed by each Member State for the 1993 marketing year on the numbers of animals which have benefited from the premium as indicated in the EAGGF-Guarantee annual statements by the Member States for the reference year they have chosen (paragraphs 5.5 — 5.7).

A more reliable system for collecting market prices

6.9. The introduction of the system for collecting market prices, which is the basis for determining the amount of the premium, has proved defective. Given the errors which were noted, the authorities of the Member States and the Commission should, in future, carry out checks in respect of this price collection, which is not the case at present. There should also be a minimum of formality when collecting prices in the representative markets, so as to make it possible to trace the source of the information and to ensure that the prices which are collected are actually charged on the market (paragraphs 5.9 — 5.16).

Greater supervision of the premiums

6.10. The premiums system as observed by the Court evinces disparate management procedures and weak internal checks, in that administrative checks are very limited (5.17 — 5.23) and, when on-the-spot checks are carried out, documentary proof of ownership of the animals and of the eligibility thereof is very scarce (5.32 — 5.36). These weaknesses are exacerbated by the fact that, in the majority of cases, these on-the-spot checks are not unannounced (5.39 — 5.41). Furthermore, losses of animals from natural causes are not always declared or are sometimes accepted in an irregular manner (5.50 —

5.55). Although the generalised introduction currently under way of a register for each producer and of formal identification of the animals may improve this situation, certain recommendations may be made straightaway as a result of this survey and of the examination of the system set up by the United Kingdom (paragraphs 5.42 — 5.49):

- (a) the Commission should ensure that the register prescribed by each Member State complies with Community legislation and that there is only one such register within a given Member State;
- (b) when the on-the-spot checks are carried out, the register must be inspected on the basis of the supporting documents so as to ascertain not only the ownership and eligibility of the presented animals, which must be identified, but also the number of losses from natural causes;
- (c) a standard report on the on-the-spot checks must be used which clearly specifies the steps to be taken if the on-the-spot check has been carried out outside the retention period.

6.11. The checks to ensure that holdings at the edge of an area which is not less-favoured are located in a less-favoured area should be improved by requiring the producer, on the one hand, to indicate in his application the various production units which make up his holding and the area of each unit and, on the other hand, to

attach to his application such supporting documents as make it possible to check the information contained therein (paragraphs 5.21 — 5.23).

6.12. Lastly, the Commission should take initiatives which aim to increase the rigour with which the Regulations are applied so as to ensure that all of the Union's breeders are treated in a similar way.

Possibility of abolishing the premium supplement for fattening for heavy carcasses

6.13. The system of fattening to produce heavy carcasses is too complex and is not properly adhered to either by the producers or by the local authorities responsible for checking it. Furthermore, it enables some producers to benefit, subject to certain limits, from a 100 % premium instead of 80 % thereof, even though income from marketing meat is only incidental for them when compared with income from marketing milk (paragraph 4.20). Consequently, the Commission should examine the possibility of abolishing the supplement (paragraphs 5.59 - 5.65).

Greater supervision of private storage by the Member States

6.14. Furthermore, even if the operations in question are infrequent, the Member States should physically check whether stock records are kept, as required by the Regulations, so as to make it possible to check that the requisite procedures were actually observed (paragraphs 5.69 — 5.70).

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 14 September 1995.

For the Court of Auditors

p.p. André J. MIDDELHOEK

President

Constantinos ANDROUTSOPOULOS

Member of the Court

Table 1: breakdown of the budgetary expenditure of the COM in sheepmeat and goatmeat by EAGGF financial year

		(Mio ECU)														
	(¹)	1980	1981	1982	1983	1984	1985	1986	1987 (²)	1988	1989	1990	1991	1992	1993	1994
Belgium	I	0,0	0,0	0,0	0,0	1,2	0,6	0,7	1,0	1,7	1,4	1,4	1,5	1,7	1,4	1,5
	II												0,0	0,3	0,3	0,1
	TOT.												1,5	1,9	1,7	1,6
Denmark	I	0,0	0,0	0,0	0,1	0,6	0,4	0,4	0,9	1,9	0,4	1,4	2,0	2,7	4,7	2,2
	II												0,0	0,0	0,0	0,0
	TOT.												2,0	2,7	4,7	2,2
Germany	I	0,0	0,0	1,8	3,7	11,7	11,6	11,8	18,7	34,7	25,9	27,4	25,2	32,9	17,1	45,4
	II												19,4	26,7	45,3	7,8
	TOT.												44,6	59,6	62,4	53,2
Greece	I	0,0	0,0	0,0	1,2	1,7	11,5	20,7	99,5	161,5	184,6	156,5	229,5	187,4	198,2	185,2
	II												0,0	30,5	54,1	36,0
	TOT.												229,5	217,8	252,3	221,2
Spain	I	0,0	0,0	0,0	0,0	0,0	0,0	0,0	105,7	331,4	350,2	361,6	538,8	424,6	394,4	347,2
	II												59,1	99,8	98,3	65,8
	TOT.												597,9	524,4	492,7	413,0
France	I	0,0	0,0	11,8	0,6	0,0	46,9	140,8	58,0	190,3	196,3	239,6	135,7	162,6	220,3	155,1
	II												26,1	37,1	49,8	25,7
	TOT.												161,8	199,8	270,2	180,8
Ireland	I	0,0	4,0	8,8	11,4	35,3	57,4	62,0	62,0	81,3	88,4	190,2	104,3	160,0	173,4	126,2
	II												13,4	0,0	26,2	19,9
	TOT.												117,7	160,0	199,6	146,1
Italy	I	0,0	0,0	0,0	0,2	0,5	4,9	21,7	23,7	69,9	122,7	66,8	141,6	227,6	182,5	210,2
	II												0,0	0,0	26,1	42,8
	TOT.												141,6	227,6	208,6	253,0
Luxembourg	I	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1
	II												0,0	0,0	0,0	0,0
	TOT.												0,1	0,1	0,1	0,1
Netherlands	I	0,0	0,0	1,1	2,0	6,5	4,7	4,9	0,0	28,5	16,5	18,1	1,1	43,0	19,1	18,8
	II												0,0	0,0	0,1	0
	TOT.												1,1	43,0	19,2	18,8
Portugal	I	0,0	0,0	0,0	0,0	0,0	0,0	0,0	10,9	41,1	42,7	35,3	69,3	54,8	52,1	82,1
	II												8,3	6,7	6,2	22,2
	TOT.												77,6	61,5	58,3	104,3
United Kingdom	I	53,5	187,5	228,3	286,3	376,1	364,4	354,0	193,5	350,4	423,7	354,0	541,5	451,8	537,1	455,7
	II												49,7	65,2	103,0	82,2
	TOT.												591,2	517,0	640,1	537,9
Total	I	53,5	191,5	251,7	305,6	433,5	502,4	617,0	573,9	1292,8	1452,8	1452,3	1790,6	1749,2	1800,4	1629,8
	II												176,0	266,3	409,4	302,7
	TOT.												1966,6	2015,5	2209,8	1932,5

(¹) I: conventional expenditure under the COM (private storage and premiums).

II: expenditure under the 'rural' measure.

TOT.: total.

(²) The financial year 1987, closed for the first time on 15 October instead of 31 December, comprises only 9,5 months.

N.B.: owing to administrative difficulties encountered in the Member States which resulted in a delay in the payment of the premiums, an under-consumption of appropriations was recorded in 1993; appropriations totalling 350 Mio ECU were carried over under the conventional measures provided for by the COM and 46 Mio ECU under the expenditure relating to the 'rural' measure. In 1994, the under-consumption of appropriations was 460 Mio ECU and 48 Mio ECU respectively.

Source: EAGGF financial reports.

Table 2: number of ewes in respect of which the ewe premium was paid and number of sheep

(1 000 ewes)

Marketing year												Variation between 1986 and 1992		% of ewes in less-favoured areas in the 1992 marketing year	
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1 000 ewes	%		
Number of ewes in respect of which the ewe premium was paid															
Belgium	31	37	49	58	51	59	63	65	73 ⁽¹⁾	69	72	21	41,2	12,4	
Denmark	32	36	25	35	48	59	81	84	104 ⁽¹⁾	103	110	62	129,2	0,0	
Germany	471	675	738	872	945	1090	1159	1267	2027	2047	1912	967	102,5	42,2	
Greece	3710	2482	4000	2224	4676	6007	6032	6456	6686 ⁽¹⁾	6549	7157	2481	53,1	78,2	
Spain					13649	16056	17034	16869	16930	17134	17387	3738	27,4	82,9	
France	6869	0	7368	7848	7681	7938	7728	7584	7451	7409	7215	-466	-6,1	84,7	
Ireland	1794	1947	2158	2300	2709	3316	3943	4622	4622	4834	5157	2448	90,4	75,8	
Italy	530	310	784	2224	3259	3758	4399	5363	6721	8150 ⁽²⁾	9176	5917	181,7	81,5	
Luxembourg	1	1	2	2	2	3	3	3	4	4	4	2	100,0	100,0	
Netherlands	214	294	311	365	456	611	734	824	840	860	873	417	91,4	1,8	
Portugal					1378	2028	2151	2230	2146	2146	2237	859	61,8	89,1	
United Kingdom	13986	14368	14708	15781	16314	17459	18204	20440	21174	21019	19655 ⁽³⁾	4705 ⁽⁴⁾	28,8	68,1	
Total	27638	20150	30143	31709	51168	58384	61531	65807	68778	70324	70955 ⁽¹⁾				
Number of sheep															
In-lamb hoggets and ewes	—	44009	44439	45779	62178	67232	69725	70877	71226	71064	71239	9061	14,6		
Total number of sheep	—	62105	63400	63588	88024	95520	96924	98091	99379	98365	98619	10595	12,0		

⁽¹⁾ Figures based on requests for premiums.⁽²⁾ Provisional figures.⁽³⁾ Excluding Northern Ireland.⁽⁴⁾ Variation from 1986 to 1991.

N.B. In December 1993 and 1994, the number of in-lamb hoggets and ewes and the number of sheep reached 70,4 Mio and 69,2 Mio head (provisional figures) and 97,3 Mio and 97,0 Mio head (provisional figures) respectively.

Sources: Commission (DG VI) for the numbers of ewes in respect of which the ewe premium was paid and Eurostat for the number of sheep.

Table 3: number of goats in respect of which the goat premium was paid and number of goats

(1 000 goats)

	Marketing years							Variation between 1986 and 1992	
	1986	1987	1988	1989	1990	1991	1992	1 000 goats	%
Number of goats in respect of which the goat premium was paid									
Belgium									
Denmark									
Germany									
Greece	2 533	3 207	3 451	3 648	3 798	3 899	4 023	1 490	58,8
Spain	1 749	2 302	2 582	2 468	2 464	2 320	2 223	474	27,1
France	138	161	174	174	179	183	185	47	34,1
Ireland									
Italy		763	705	919	933	1 080 ⁽²⁾	1 254	491 ⁽³⁾	64,3
Luxembourg									
Netherlands									
Portugal	274	451	478	476	424	425	414	140	51,1
United Kingdom									
Total	4 835	6 884	7 390	7 685	7 798	7 907	8 099 ⁽¹⁾		
Number of goats									
Total number of goats	12 484	11 859	12 998	13 144	13 030	12 202	12 028	- 456	- 3,7

⁽¹⁾ All figures for 1992 are based on requests for premiums⁽²⁾ Provisional figures⁽³⁾ Variation from 1987 to 1992

N.B. In December 1993 and 1994, the total number of goats reached 12,1 Mio and 12,0 Mio head (provisional figures).

Sources: Commission (DG VI) for the number of goats in respect of which the goat premium was paid and Eurostat for the number of goats

Table 4: main producers of sheepmeat and goatmeat

(1 000 tonnes)

	1979-1981 ⁽¹⁾	1990 ⁽²⁾	1991 ⁽²⁾	1992 ⁽²⁾
China	434	1 068	1 182	1 252
European Union	910	1 152	1 221	1 177
Former URSS	857	1 010	935	798
Australia	635	722	743	742
Pakistan	284	622	665	713
India	456	583	624	624
New Zealand	568	541	584	618
World	7 433	9 747	9 951	9 916

⁽¹⁾ Average for 1979 to 1981.⁽²⁾ Provisional data, except for the European Union

Sources: FAO Yearbook — Production (June 1993).
For the European Union: EUROSTAT.

Table 5: supply balance sheet

(1 000 tonnes)

	1973 EUR 9	1974	1975	1976	1977	1978	1979	1980	1981 EUR 10	1982	1983	1984	1985	1986 EUR 12	1987	1988	1989	1990	1991	1992	
DOMESTIC TRADE																					
Gross domestic production	464	513	530	517	500	516	526	603	699	714	733	731	746	946	1 003	1 030	1 080	1 152	1 221	1 177	
- Consumption	786	767	833	805	776	791	807	848	933	982	973	958	982	1 182	1 235	1 248	1 320	1 415	1 438	1 423	
= Balance prior to external trade (1)	- 322	- 254	- 303	- 288	- 276	- 275	- 281	- 245	- 234	- 268	- 240	- 227	- 236	- 236	- 232	- 218	- 240	- 263	- 217	- 246	
Self-sufficiency (%)	59,0 %	66,9 %	63,6 %	64,2 %	64,4 %	65,2 %	65,2 %	71,1 %	74,9 %	72,7 %	75,3 %	76,3 %	76,0 %	80,0 %	81,2 %	82,5 %	81,8 %	81,4 %	84,9 %	82,7 %	
EXTERNAL TRADE																					
Imports of live animals	23	21	26	31	25	24	32	30	29	23	24	25	28	25	29	26	29	45	25	23	
- Exports of live animals	0	0	0	0	0	0	0	0	0	0	11	9	8	9	16	14	10	13	23	24	
= Balance for live animals (2)	23	21	26	31	25	24	32	30	29	23	13	16	20	16	13	12	19	32	2	-1	
Imports of meat	300	232	276	261	256	267	253	222	204	278	219	208	232	208	217	217	232	253	227	238	
- Exports of meat	0	1	4	3	8	6	10	8	7	5	0	10	6	2	4	16	13	18	16	1	
= Balance for meat (3)	300	231	272	258	248	261	243	214	197	273	219	198	226	206	213	201	219	235	211	237	
Total external balance (2) + (3)	323	252	298	289	273	285	275	244	226	296	232	214	246	222	226	213	238	267	213	236	
VARIATION IN STOCKS (1) + (2) + (3)	1	-2	-5	1	-3	10	-6	-1	-8	28	-8	-13	10	-14	-6	-5	-2	4	-4	-10	
Consumption (kg/head/year)	3,1	3,0	3,2	3,1	3,0	3,0	3,1	3,2	3,4	3,6	3,6	3,5	3,6	3,7	3,8	3,8	4,0	4,3	4,2	4,1	

Source: Cronos database (EUROSTAT).

Table 6: production and consumption of sheepmeat and goatmeat by Member State

(1 000 tonnes)

	(¹)	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Belgium and Luxembourg	P	4	5	4	4	3	4	4	4	4	3	4	3
	C	18	18	17	16	16	18	18	18	19	20	22	21
Denmark	P	0	0	0	1	1	1	1	1	1	1	2	2
	C	3	2	2	3	3	3	4	4	4	5	5	5
Germany	P	20	21	23	23	23	23	26	25	26	29	63	45
	C	48	52	54	49	53	51	53	53	62	67	74	82
Greece	P	119	121	119	120	121	106	124	127	128	128	124	129
	C	127	135	139	135	139	124	141	140	146	144	145	153
Spain	P						210	225	232	218	223	232	235
	C						212	227	224	227	249	255	263
France	P	175	188	178	174	173	162	159	151	151	177	169	156
	C	224	236	236	238	242	248	258	262	276	312	320	321
Ireland	P	40	42	40	41	49	47	49	50	64	85	91	91
	C	28	26	25	24	24	24	24	23	25	27	28	28
Italy	P	54	52	51	54	49	49	47	51	56	56	58	59
	C	83	83	81	86	89	86	89	93	102	103	106	106
Netherlands	P	21	19	21	18	18	18	21	20	21	30	31	28
	C	8	7	6	6	7	8	9	10	11	16	15	18
Portugal	P						25	27	28	28	28	30	27
	C						25	30	32	33	35	40	39
United Kingdom	P	266	266	297	295	308	301	320	341	384	391	417	402
	C	394	423	413	401	408	383	383	389	414	437	428	386
Total	P	699	714	733	731	746	946	1 003	1 030	1 080	1 152	1 221	1 177
	C	933	982	973	958	982	1 182	1 235	1 248	1 320	1 415	1 438	1 423

(¹) P = production.
C = consumption.

Source: Cronos database (EUROSTAT).

Table 7: external trade by Member State

(1 000 tonnes)

		1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Belgium and Luxembourg	Imports	17	17	20	19	22	21	20	23	25	29	27	29	29
	of which intra EU	14	14	18	15	19	17	15	16	16	20	21	21	18
	Exports	3	4	7	7	9	7	6	9	10	12	9	11	10
	of which intra EU	3	4	7	7	9	7	6	9	10	12	9	11	10
Denmark	Imports	3	2	2	2	2	2	3	3	3	4	3	3	n/a
	of which intra EU	0	0	0	0	0	0	0	0	0	0	0	0	n/a
	Exports	0	0	0	0	0	0	0	0	0	0	0	0	n/a
	of which intra EU	0	0	0	0	0	0	0	0	0	0	0	0	n/a
Germany	Importaciones	33	35	36	31	37	35	33	34	42	51	39	45	47
	of which intra EU	8	8	6	4	3	3	3	5	6	4	4	8	10
	Exports	5	4	5	5	7	7	6	6	6	13	26	8	5
	of which intra EU	5	4	5	5	7	7	6	5	5	11	13	7	4
Greece	Imports	10	13	20	17	17	18	15	16	22	18	18	24	n/a
	of which intra EU	0	0	1	0	0	0	1	0	1	0	10	4	n/a
	Exports	0	0	0	1	0	0	0	1	2	1	0	0	n/a
	of which intra EU	0	0	0	0	0	0	0	1	0	0	0	0	n/a
Spain	Imports						9	13	20	22	31	31	35	32
	of which intra EU						4	9	8	10	17	16	23	27
	Exports						6	11	28	12	6	9	7	12
	of which intra EU						6	10	28	9	5	8	7	11
France	Imports	55	55	65	71	76	94	109	121	138	153	169	185	180
	of which intra EU	50	48	58	64	68	86	101	114	128	139	144	161	158
	Exports	6	7	7	7	7	8	10	10	13	17	19	20	19
	of which intra EU	5	6	2	6	6	8	9	9	11	16	17	19	18
Ireland	Imports	6	1	1	1	1	0	1	1	1	2	2	1	n/a
	of which intra EU	6	1	1	1	1	0	1	1	1	2	2	1	n/a
	Exports	18	17	16	18	26	23	26	28	40	60	65	95	n/a
	of which intra EU	18	16	16	18	26	23	26	28	40	60	65	69	n/a
Italy	Imports	29	31	30	32	40	37	44	45	49	51	49	49	44
	of which intra EU	6	9	11	10	12	11	13	15	18	18	20	11	25
	Exports	0	0	0	0	0	0	2	3	3	3	1	2	0
	of which intra EU	0	0	0	0	0	0	1	2	2	2	1	2	0
Netherlands	Imports	2	1	1	1	3	2	3	3	5	7	5	9	n/a
	of which intra EU	0	0	0	0	2	1	1	1	2	3	2	4	n/a
	Exports	15	13	16	13	14	12	15	13	15	21	21	19	n/a
	of which intra UE	15	13	16	13	13	12	15	13	15	21	21	19	n/a
Portugal	Imports						0	4	4	6	11	12	13	7
	of which intra EU						0	1	2	3	0	0	0	5
	Exports						0	0	0	1	1	1	1	0
	of which intra EU						0	0	0	1	0	0	0	0
United Kingdom	Imports	160	227	171	154	170	138	149	139	139	157	123	133	132
	of which intra EU	2	1	13	1	3	1	2	3	5	9	2	16	12
	Exports	42	41	64	63	59	71	91	98	111	105	113	159	143
	of which intra EU	35	36	50	51	47	58	71	77	77	84	82	111	n/a

n/a: not available.

Source: Cronos data base (EUROSTAT).

Table 8: basic price and market price of sheepmeat — loss of earnings

(ECU/100 kilos)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
BASIC PRICE	428,0	428,0	432,3	432,3	432,3	432,3	432,3	431,6	423,0	418,5
ADJUSTED BASIC PRICE ⁽¹⁾	428,0	428,0	432,3	432,3	432,3	410,7	402,1	401,4	393,3	389,2
MARKET PRICE:-										
Belgium	422,2	447,8	506,9	381,7	400,5	385,6	348,1	339,8	340,2	286,7
Denmark	308,6	326,0	323,4	271,9	286,5	283,6	254,4	238,8	219,6	204,4
Germany	340,3	344,1	340,1	304,4	330,5	323,4	260,8	259,8	272,9	259,1
Greece	508,2	488,1	434,6	429,2	469,8	438,6	393,0	387,2	372,7	307,7
Spain	417,6	473,9	387,8	344,4	331,9	357,7	350,8	305,3	329,2	284,7
France	404,9	381,8	351,9	314,4	319,3	310,3	284,6	293,7	284,9	275,8
Ireland	323,9	303,9	297,2	295,8	301,9	288,5	220,5	226,9	204,7	207,4
Italy	429,4	438,6	452,3	435,2	427,2	427,6	390,0	384,0	339,9	292,7
Netherlands	383,2	382,4	364,7	307,9	335,0	325,8	279,2	297,7	290,7	276,8
Portugal	401,7	446,3	349,4	302,5	305,3	316,0	318,1	306,0	325,1	303,3
United Kingdom	284,5	283,8	304,8	303,2	273,5	276,0	248,7	192,7	224,5	229,5
WEIGHTED AVERAGE	372,7	366,8	367,9	346,6	341,0	341,7	298,3	268,6	277,4	258,7
STANDARD PRICE DIVERGENCE	61,7	67,8	62,7	53,0	59,2	53,6	56,4	58,9	53,5	35,0
LOSS OF EARNINGS	55,3	61,2	64,4	85,7	91,4	90,6	134,0	162,9	145,6	159,8
ADJUSTED LOSS OF EARNINGS ⁽¹⁾	55,3	61,2	64,4	85,7	91,4	69,0	103,7	132,7	116,0	130,5
VARIATION IN LOSS OF EARNINGS		5,9	3,2	21,3	5,6	-0,8	43,4	28,9	-17,4	14,3
VARIATION IN ADJUSTED LOSS OF EARNINGS ⁽¹⁾		5,9	3,2	21,3	5,6	-22,4	34,8	29,0	-16,8	14,6
PRICE VARIATION		-5,9	1,1	-21,3	-5,6	0,8	-43,4	-29,7	8,7	-18,7

⁽¹⁾ Correction based on the stabiliser. In the case of Great Britain, 406,1 ECU in 1991, given a stabiliser of 5,9 % instead of 7 % for the rest of the Union.

Source: Commission (DG VI-D2)

Table 9: main data on the COM

	1987	1992	Variation
Budgetary expenditure (Mio ECU)	808 ⁽¹⁾	2 015	+149%
Animals awarded premium (1 000 head)	65 268	79 054	+ 21%
Basic price (ECU)	432,3	423,0	- 2%
Adjusted basic price (ECU)	432,3	393,3	- 10%
Market price (ECU)	346,6	277,4	- 33%
Production (1 000 tonnes)	1 003	1 177	+ 17%
Consumption (1 000 tonnes)	1 235	1 423	+ 15%
Earnings at current prices (ECU)	7 575	12 069	+ 59%

⁽¹⁾ In order for prices to be comparable on an annual basis, expenditure must include, in addition to the 573,9 Mio ECU shown in Table 1, 234,6 Mio ECU for the last months of 1987; in 1987, the EAGGF financial year was actually closed for the first time on 15 October instead of 31 December.

Table 10: comparison between budgetary expenditure and gross domestic production for the main meats

	1990			1991			1992		
	B+V	P	S+G	B+V	P	S+G	B+V	P	S+G
TOTALE EXPENDITURE (MIO ECU)	2 833	247	1 452	4 304	252	1 966	4 636	142	2 015
PRODUCTION (1 000 TONNES)	7 736	13 338	1 152	8 713	14 368	1 221	8 378	14 366	1 177
COST PER KG (ECU)	0,37	0,02	1,26	0,49	0,02	1,61	0,55	0,01	1,71

B+V: beef and veal.

P: pigmeat.

S+G: sheepmeat and goatmeat.

Sources: EAGGF financial reports and CRONOS database (EUROSTAT).

Table 11: Average earnings of producers of sheepmeat and goatmeat

	(ECU)					
	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992
PRODUCTS (1)	16 578	18 518	19 470	21 967	21 169	21 257
sheepmeat	7 923	9 880	9 899	10 098	9 437	9 746
ewe's milk products	5 198	5 591	6 611	8 543	8 371	7 414
goatmeat	1 338	1 162	984	1 167	1 117	1 414
goat's milk products	1 826	1 520	1 602	1 798	2 044	2 548
wool	293	365	374	361	200	135
EXPENSES (2)	10 923	12 142	12 341	13 758	13 756	14 169
MARGIN ON PRODUCTS (1) — (2)	5 655	6 376	7 129	8 209	7 413	7 088
MARGIN ON PRODUCTS IN CONSTANT ECUS (*)	5 655	6 152	6 560	6 905	5 832	5 233
SUBSIDIES (3)	2 106	2 603	3 338	3 513	3 976	4 886
MISCELLANEOUS (4)	-186	41	45	61	73	95
OPERATING INCOME (1) — (2) + (3) + (4)	7 575	9 020	10 512	11 783	11 462	12 069
OPERATING INCOME IN CONSTANT ECUS (*)	7 575	8 703	9 673	9 912	9 018	8 910

(*) In constant 1986 ECUs, based on a deflator weighted on the basis of the number of holdings in the sample and the average income by Member State and adjusted on the basis of the implicit indices of the prices of the G.N.P. to reflect market prices by Member State (see European Economy Vol 58, 1994, Table 26, p. 144).

Source: Farm Accountancy Data Network (FADN), Commission.

Criterion for selection of the sample: holdings where sheep and goat production accounts for at least 75 % of total production.

Table 12: income excluding subsidies of sheep producers depending on whether or not they market milk products

	(ECU)	
	without milk	with milk
Number of holdings in the sample selected	23 253	29 177
Number of ewes per holding	318	231
Number of other sheep per holding	107	37
PER EWE		
PRODUCTS (1)	57	113
Sheepmeat	57	40
Ewe's milk products	0	73
EXPENSES (2)	47	78
MARGIN ON PRODUCTS (1) — (2)	11	35
PER HOLDING		
MARGIN ON PRODUCTS	3 345	8 170

Source: Farm Accountancy Data Network (FADN), Commission

Criterion for selection of the sample: holdings in the EU in the accounting year 1991/1992 where sheep production accounts for at least 85 % of total production.

On the basis of the number of requests for premiums submitted, the total number of sheep in EU holdings that do not market or that do market ewe's milk products may be put at 380 000 and 220 000 units respectively, with no particular conditions concerning the value of their sheep production.

Table 13: income excluding subsidies of sheep producers who market only meat and goat producers who market meat and milk products.

(ECU)

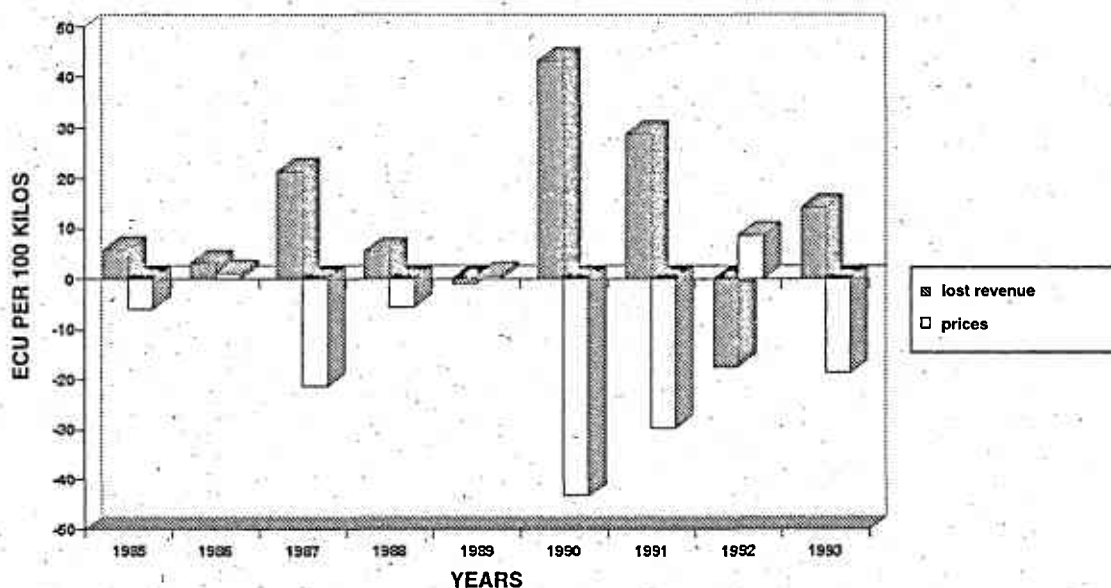
	sheep	goats
Number of holdings in the sample selected	271 197	681
Number of ewes or goats	133	60
Other sheep or goats	83	21
PER EWE OR GOAT		
PRODUCTS (1)	60	142
Sheepmeat or goatmeat	58	48
Goat's milk products		94
Wool	2	
EXPENSES (2)	65	83
MARGIN ON PRODUCTS (1) — (2)	- 6	58

Source: Farm Accountancy Data Network (FADN), Commission.

Criterion for selection of the sample: all holdings in the EU in the accounting year 1991/1992.

On the basis of the number of requests for premiums-submitted, the total number of sheep in EU holdings which do not market ewe's milk products and of goats may be put at 380 000 and 100 000 units respectively.

GRAPH 1:
VARIATIONS IN LOST REVENUE AND PRICES



ANNEX 1
DEVELOPMENT OF THE COM IN SHEEPMEAT AND GOATMEAT

1. Progress towards a single system of premiums

The premiums system has developed considerably since it was created in 1980, evolving gradually from a piecemeal system to a uniform system.

Initially, six regions were distinguished for the calculation of the ewe premium:

1. Italy
2. France
3. Denmark, Benelux and the F.R. of Germany
4. Ireland
5. the United Kingdom.

Following its accession to the Union, Greece was included from 1 January 1981 ⁽¹⁾.

In 1982, so as not to have to apply the variable slaughter premium in Northern Ireland in the same way as in the other regions of the United Kingdom, Northern Ireland ⁽²⁾ was added as a seventh region.

The unity of the third region was only apparent, because the premium payable per ewe was calculated separately for each individual Member State ⁽³⁾. At the request of those concerned, the size of the premium in Greece and Italy could equal the amount determined in region two if the lambs were not slaughtered before they were two months old ⁽⁴⁾.

A ceiling was placed on the premium during the periods when public storage measures were applied ⁽⁵⁾ and where the variable slaughter premium was applied ⁽⁶⁾ the overall amount of this premium was subtracted from the amount to be distributed in each region. This slaughter premium was applied only by the United Kingdom although not in Northern Ireland, as indicated above.

In 1984, the number of regions was reduced to six by extending region one to cover Greece ⁽⁷⁾ but, with the accession of Spain and Portugal, an extra region was added from 1 January 1986 comprising these two new Member States.

In 1988, a very important amendment ⁽⁸⁾ was decided by the Council in preparation for the establishment of a single market. It consisted essentially in determining a single premium to be granted to producers on the basis of a single loss of Community income. This standardisation was introduced on a transitional basis, the aim being to establish a single system of premiums for the 1993 marketing year at the latest.

⁽¹⁾ Council Regulation (EEC) No 3446/80 of 22 December 1980 (OJ L 359, 31. 12. 1980, p. 16).

⁽²⁾ Council Regulation (EEC) No 1195/82 of 18 May 1982 (OJ L 140, 20. 5. 1982, p. 22).

⁽³⁾ Council Regulation (EEC) No 899/81 of 1 April 1981 (OJ L 90, 4. 4. 1981, p. 26).

⁽⁴⁾ Council Regulation (EEC) No 1195/82 of 18 May 1982 (OJ L 140, 20. 5. 1982, p. 22).

⁽⁵⁾ The original legislation made provision, in addition to private storage, for purchases by intervention bodies, but only in Member States where a system for classifying carcasses had been introduced (Article 9 of Council Regulation (EEC) No 2644/80 of 14 October 1980 (OJ L 275, 18. 10. 1980, p. 8)). In this case, the purchased products could not originate from rams, ewes or in-lamb hoggets. The intervention price was fixed at 85 % of the seasonally adjusted basic price. In practice, public storage was used only in France when the COM in sheepmeat and goatmeat was first introduced. It was not used when the new Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1) was introduced.

⁽⁶⁾ In regions where purchases by the intervention bodies were not applied, the Member State concerned could grant a variable premium for the slaughter of sheep when the prices recorded on its representative markets were below a guiding level of 85 % of the basic price. This premium corresponded to the difference in question. The size of the premium was fixed each week by the Commission for the week commencing twenty-one days after the week in which the price was fixed. An equivalent amount was received when live animals, or meat which was fresh, refrigerated, frozen, salted, dried, smoked or in brine, left the territory of the Member State. This amount was equivalent to the premium fixed for the week during which the products concerned left the territory. However, Commission Regulation (EEC) No 3191/80 of 9 December 1980 (OJ L 332, 10. 12. 1980, p. 14) and subsequent Regulations established that this amount should not be received upon export from the Community.

⁽⁷⁾ Council Regulation (EEC) No 871/84 of 31 March 1984 (OJ L 90, 1. 4. 1984, p. 35) amending the basic regulation.

⁽⁸⁾ Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1) replacing the preceding basic regulation.

As part of the transitional measures, the number of regions was reduced to four for the 1990 marketing year and to two for the 1991 and 1992 marketing years: the United Kingdom and the rest of the Union. Provision was also made for a progressive reduction in the variable premium applied by the United Kingdom within Great Britain.

As from the beginning of the 1992 marketing year, the United Kingdom, at its request, was allowed to stop paying the variable premium for the slaughter of sheep and to apply exclusively the other premiums⁽⁹⁾.

2. Other important developments

In addition to the developments mentioned above, the system of premiums experienced a number of other significant developments:

- the introduction, in certain regions starting from the 1986 marketing year, of the premium for producers of goatmeat⁽¹⁰⁾;
- the amendment in 1992 of the definitions of 'eligible ewe' and 'eligible goat' so as to make it easier to carry out checks⁽¹¹⁾;
- the introduction of the collection of market prices for 'Community standard quality'⁽¹²⁾ and the introduction of a table of classification for sheep carcasses⁽¹³⁾;
- the introduction of a distinction between producers of light lambs, producers of heavy lambs and the fattening of lambs to produce heavy carcasses⁽¹⁴⁾.

⁽⁹⁾ Commission Regulation (EEC) No 3246/91 of 7 November 1991 (OJ L 307, 8. 11. 1991, p. 16).

⁽¹⁰⁾ Council Regulation (EEC) No 3523/85 of 10 December 1985 (OJ L 336, 14. 12. 1985, p. 2) amending Council Regulation (EEC) No 1837/80 of 27 June 1980 (OJ L 183, 16. 7. 1980, p. 1).

⁽¹¹⁾ Council Regulation (EEC) No 2070/92 of 30 June 1992 (OJ L 215, 30. 7. 1992, p. 63). The preceding definition established by Council Regulation (EEC) No 3524/85 of 10 December 1985 (OJ L 336, 14. 12. 1985, p. 5) was formulated as follows: any female sheep/goat which has been put to the ram/buck for the first time or which has lambed/kidded at least once, excluding cull ewes/goats, and is kept on the holding at the date on which the application for the premium is made.

⁽¹²⁾ Article 4 (1) of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1). The concept was defined by Council Regulation (EEC) No 338/91 of 5 February 1991 (OJ L 41, 14. 2. 1991, p. 2).

⁽¹³⁾ Council Regulation (EEC) No 2137/89 of 23 July 1992 (OJ L 214, 30. 7. 1992, p. 1).

⁽¹⁴⁾ Article 4 (2) and (3) of Council Regulation (EEC) No 3013/89 of 25 September 1989 (OJ L 289, 7. 10. 1989, p. 1).

ANNEX 2

EVALUATION OF BUDGETARY SAVINGS RESULTING FROM THE INTRODUCTION OF THE STABILISER WITH PARTIAL COMPENSATION FROM THE INTRODUCTION OF THE 'RURAL' SUPPLEMENT

There follows a comparison for the 1992 and 1993 marketing years of the situation without the stabiliser and the premium supplements under the 'rural' measures and the situation where the stabiliser and the supplement are applied, the aim being to evaluate the budgetary savings resulting from the introduction of these factors.

To this end, the various premiums are calculated with and without the stabiliser and then the balance is calculated between the savings resulting from the introduction of the stabiliser and the amount entered in the accounts under the 'rural' measures.

1. 1992 marketing year

1.1. Impact of the stabiliser

	Observations	Without	With
1. Basic price	R (EEC) 1742/91 ⁽¹⁾	422,95	422,95
2. Basic price — stabiliser of 7 %	R (EEC) 1829/92 ⁽²⁾	422,95	393,34
3. Market price	see Table 8	277,4	277,4
4. Loss of income	(2) — (3)	145,55	115,94
5. Processing coefficient	R (EEC) 502/93 ⁽³⁾	0,16	0,16
6. Heavy lamb premium	(4) * (5)	23,29	18,55
7. Light lamb premium	(6) * 80 % ⁽⁴⁾	18,63	14,84
8. Goat premium	(6) * 80 % ⁽³⁾	18,63	14,84

N.B.: points 1 to 4: in ECUs per 100 kilos
points 6 to 8: in ECUs per lamb or per goat

1.2. Calculation of net budget balance

1.2.1. Saving made as a result of the fall in the value of the premiums ⁽⁵⁾

Heavy lambs:

50,5 Mio ewes * (23,29-18,55) ECU = 239,4 Mio ECU

Light lambs:

20,4 Mio ewes * (18,63-14,84) ECU = 77,3 Mio ECU

Goats:

8,1 Mio goats * (18,63-14,84) ECU = 30,7 Mio ECU

Total saving: 347,4 Mio ECU

1.2.2. Additional cost resulting from the introduction of the 'rural' supplement ⁽⁵⁾

Heavy lambs:

36,8 Mio ewes * 5,5 ECU = 202,4 Mio ECU

⁽¹⁾ OJ L 163, 26. 6. 1991, p. 42.

⁽²⁾ OJ L 185, 3. 7. 1992, p. 21.

⁽³⁾ OJ L 54, 5. 3. 1993, p. 8.

⁽⁴⁾ See paragraph 3.6.

⁽⁵⁾ The numbers of animals are those in respect of which a premium was applied for and not those in respect of which a payment was made. However, the difference may be considered minimal. These figures correspond to those contained in Tables 2 and 3. Nevertheless, more detailed information has been obtained from the Commission (DG VI-D-2).

Light lambs:

16,9 Mio ewes * 3,8 ECU = 64,2 Mio ECU

Goats:

7,2 Mio goats * 3,8 ECU = 27,4 Mio ECU

Total additional cost: 294,0 Mio ECU

1.2.3. Net budget balance

347,4 Mio ECU - 294,0 Mio ECU = 53,4 Mio ECU

2. 1993 marketing year

	Observations	Without	With
1. Basic price	R (EEC) 279/93 ⁽⁶⁾	418,53	418,53
2. Basic price — stabiliser of 7 %	R (EEC) 2069/92 ⁽⁷⁾	418,53	389,23
3. Market price	see Table 8	258,62	258,62
4. Loss of income	(2) — (3)	159,91	130,61
5. Processing coefficient	R (EEC) 502/94 ⁽⁸⁾	0,16	0,16
6. Heavy lamb premium	(4) * (5)	25,59	20,90
7. Light lamb premium	(6) * 80 % ⁽⁴⁾	20,47	16,72
8. Goat premium	(6) * 80 % ⁽⁴⁾	20,47	16,72

N.B.: points 1 to 4: in ECUs per 100 kilos.
points 6 to 8: in ECUs per lamb or per goat.

2.2. Calculation of net budget balance

2.2.1. Saving made as a result of the fall in the value of the premiums ⁽⁹⁾

Heavy lambs:

50,5 Mio ewes * (25,59-20,90) ECU = 236,8 Mio ECU

Light lambs:

20,4 Mio ewes * (20,47-16,72) ECU = 76,5 Mio ECU

Goats:

8,1 Mio goats * (20,47-16,72) ECU = 30,4 Mio ECU

Total saving: 343,4 Mio ECU

2.2.2. Additional cost resulting from the introduction of the 'rural' supplement ⁽⁹⁾

The calculation is the same as in paragraph 1.2.2.

Total additional cost: 294,0 Mio ECU

2.2.3. Net budget balance

343,7 Mio ECU - 294 Mio ECU = 49,7 Mio ECU

⁽⁶⁾ OJ L 33, 9. 2. 1993, p. 10.

⁽⁷⁾ OJ L 215, 30. 7. 1992, p. 59.

⁽⁸⁾ OJ L 64, 8. 3. 1994, p. 4.

⁽⁹⁾ In the absence of statistics for 1993, the 1992 figures are given for the numbers of animals in respect of which premiums were applied for.

REPLY FROM THE COMMISSION TO THE SPECIAL REPORT BY THE COURT OF AUDITORS ON THE IMPLEMENTATION OF THE INTERVENTION MEASURES PROVIDED FOR BY THE ORGANIZATION OF THE MARKET IN THE SHEEPMEAT AND GOATMEAT SECTOR

OBSERVATIONS ON THE EFFECTS OF THE COMMUNITY MECHANISM

The premium system

The effects of the premiums

Premiums and the development of prices and meat production

4.1 to 4.3 The Court's remarks are correct: the premium is the difference between the institutional price (basic price) and Community market prices.

However, as the Court mentions in points 4.8 to 4.20, the Commission dealt with this situation by proposing to the Council the introduction of a stabilizer that would set a limit on the guarantee granted to producers, in line with the level of output. The Council adopted this measure, which came into force for the 1990 marketing year. The stabilizer now stands at 7%, which represents a decline of about 30% in the level of the premium granted to producers. The Council also agreed, on a Commission proposal, to tighten up these arrangements by setting individual quantitative ceilings on the granting of aid.

As a result of these two factors, the overall expenditure of the sector has been kept to some ECU 2 billion; since the two measures were introduced, the danger of ballooning expenditure has become remote.

Support for the production of sheepmeat and goatmeat and producers' incomes

4.6 and 4.21 In view of the differences between the dates when intervention agencies actually pay premiums to producers, it is helpful to consider comparative expenditure by marketing year, alongside that by budget year (see the Table in Annex I).

The differences between expenditure in support of sheepmeat and that for other types of meat arise in particular from the fact that sheepmeat is a product that is bound under the GATT; ⁽¹⁾ consequently, quantitative restrictions and import levies could not be introduced. The common organization of the market was therefore

established on the basis of a system of deficiency payments intended to subsidize production as a whole.

The attempts to control production and budgetary expenditure.

The stabilizer and premium supplements relating to the 'rural' measures

4.9 The stabilizer continues to work effectively, even though it is limited to 7%. Considerable savings have been made possible, as the tables provided by the Court highlight: ECU 347,4 in 1992, and ECU 343,7 in 1993. Net savings were much less (ECU 53,4 million in 1992 and ECU 49,7 million in 1993), since the 'rural' premium was granted at the same time to producers in less-favoured areas.

Individual limits or 'quotas' of entitlements to the premium

4.14 to 4.22 The 1992 reform led to the introduction of a system of individual quotas. This system was needed to close the sector to access by beef producers who have exhausted the possibilities of expansion in their own sector (e.g. into milk production), since the reform in the beef sector introduced the notion of density beyond which premiums were no longer granted. For each sheep producer, the number of eligible ewes is included in the density calculations; this has a major impact on intensive producers of other animal products (milk and beef fattening) who embarked upon sheep production in the 1980s.

At present, according to the Commission's information (which is not yet verifiable statistically), it would appear that many of these intensive producers have ceased sheep production because, their density is such (they often have a good milk quota) that ewe production would increase it beyond the threshold. This would have been especially the case in the Netherlands, where the number of ewes expanded sharply in the 1980s. It now seems to be declining, and it is believed that some of the ewe quota has not been taken up. Sheep production seems to be shifting into holdings in extensive regions, which would be likely to reduce output; so the selectivity which the Court would like to see resulting from the premium seems to be operating (control of desertification).

⁽¹⁾ i. e. it can no longer be protected by quantitative restrictions or variable levies above the level at which they are bound.

4.20 The Commission would point out that the main regions for milk production and goat production are the most difficult in the Community.

Need for greater selectivity of the premiums

4.23 The Commission would point out that the tendency observed from 1986 to 1992 seems to have changed in more recent years. In 1994, 75% of sheep and 88% of goats were located in less-favoured areas.

4.24 The Commission does not think that the approach suggested by the Court is politically desirable, especially if it meant that the premium would be discontinued for other regions; the inevitable result would be abandoning of an activity that does, after all, account for about a quarter of Community output. In the Commission's view, this suggestion undermines the basic thinking behind the support scheme chosen for this sector.

For the above reasons, the Commission does not think it a good idea to follow the Court's suggestion.

OBSERVATIONS ON ADMINISTRATIVE MANAGEMENT

5.1 Despite being very short-staffed at this level, the Commission has made a great effort in its audit missions to control expenditure on sheep and goat premiums, especially for 1993 and 1994, for which accounts are in the process of clearing. During the 1994 retention period, there were missions to Ireland, the United Kingdom (Northern Ireland), Portugal and Spain. Further missions are planned to Germany, France, Italy and the United Kingdom (Wales and Scotland) for the 1995 retention period.

There were also missions outside the retention period to France and Greece in 1994, and missions are to take place under the audit programme for 1995 during the retention period in Spain, Greece and Italy.

The Commission has also paid special attention to the introduction of quotas, since 1993. However, there will be no financial implication before the accounts for that year are cleared in 1996. Financial implications will probably be apparent when the 1994 accounts are cleared.

Apart from the Court's observations, the EAGGF fraud prevention unit organized missions to the United

Kingdom, Greece, and Spain, which led to major financial adjustment when accounts were cleared for 1989 (see pages 253-259 of the summary report).

Role of the Commission

5.2 As this sector represents such a small proportion of Community output (less than 5%), the statistics available from the FADN are not sufficiently accurate.

5.3 In view of the major regional disparities in output, it is extremely difficult to define 'standard' costs for the production of sheepmeat and ewes' milk. The information available to the Commission diverges widely, as does that put forward by the Member States when the point was discussed by the Council. The Council opted for a compromise decision (80% of the premium granted to light lambs).

5.4 The Commission recognizes that this is so. It is doing all it can to remedy the situation by continually drawing the Management Committee's attention to the importance of submitting data in good time.

If the delay were to have budgetary consequences, the Commission would apply the new arrangements for reduction or suspension of advances introduced by the decision on budgetary discipline.

5.7 The Commission will investigate the anomalies observed by the Court.

Application in the Member States of the premium system

Collection of market prices

5.15 The Court's observations concerning the apparent reductions in prices collected on representative markets in Ireland and Italy, which could lead to an increase in the amount of the premium, will be specifically investigated as part of the clearance of 1994 accounts.

Administrative examination of applications for premiums

5.18 Portugal: the facts observed by the Court had already been noted during a mission by the EAGGF in July 1990. The Member State was informed in writing following this mission, and the Commission has repeatedly drawn the attention of the Portuguese

authorities to this problem, in order that the necessary changes should be made to the control system.

Checks in respect of the ownership and eligibility of the animals

5.19 This problem should be solved by the application of Directive 92/102, which requires animals to be identified.

5.20 The remarks concerning failure to check on non-marketing of milk or milk products made from ewes' milk, by making a comparison with the data provided by processors or distributors, are dealt with for France and Spain in the context of clearance of accounts for 1993.

Checking locations in less-favoured areas

5.21, 5.22, 5.37 and 5.38 The Commission shares the Court's views on the shortcomings of the methods used by national departments in most of the Member States to establish the justification for claims by producers on the edge of a less-favoured area to supplementary premium and the right to hold a herd of 1 000 head payable at 100%.

Where the EAGGF is not aware of the precise inspection methods introduced by the Member States, they will be asked to describe the methods, and any review procedures. All weak points will be dealt with when accounts are cleared.

Organization of on-the-spot checks

5.27 to 5.31 The Commission's experience is similar to the Court's. Remarks have been made to the Member States concerned on failure to use risk analysis when selecting recipients to check up on. Measures will be taken when accounts are cleared.

In connection with point 5.30, we would point out that the Commission made the same remark to Italy and Portugal in the course of missions carried out under the integrated system.

Checking of information provided by producers

5.32 to 5.36 The solution to the problem of individual identification of sheep is not yet operational, as no reliable and economical technique is at present available.

The Commission and especially the EAGGF have been and still are working on an effective system based on electronic identification (the systems adopted by the Member States are provided for in Directive 92/102).

The Court's remarks in point 5.33 on Portugal are similar to the remarks the EAGGF made to Ireland, Spain and the United Kingdom.

On the problem of counting (5.35), the EAGGF asked the United Kingdom to take corrective measures, since it was using methods of approximate counting that did not comply with Community rules.

Unannounced on-the-spot checks

5.39 to 5.41 The Commission agrees with the Court's remarks. Experience has shown that, for inspections in this sector to be effective, they should not be announced beforehand, although some warning is required to give time to group the animals. As provided for in Community rules, advance warning should be limited to the strict minimum necessary.

Register of movements

5.42 to 5.44 The measures provided for in the identification system and by Directive 92/102, as well as other control arrangements such as the register, are based on EAGGF experience on the ground. From 1995, the register will be compulsory on all holdings.

5.45 to 5.46 United Kingdom: the shortcomings observed by the Court had already been revealed by the examination carried out by the EAGGF in May 1990; they led the Commission to apply a financial correction of 4% of expenditure when accounts for 1989 were cleared, and to reinforce Community legislation on the register of movements.

5.47 As regards the United Kingdom, information at the EAGGF's disposal implies that the regulation requirement for 10% of inspections to be carried out during the retention period was complied with.

The Commission does not feel that all controls by the Member States were of totally satisfactory quality.

5.49 United Kingdom: this type of observation was also made in the course of the EAGGF enquiry. It should be borne in mind that, since then, Commission departments have considered this problem in depth, and that there is at present a requirement under Directive 92/102 to record death from natural causes.

Penalties

5.50 to 5.55 The Commission has made financial corrections for the Member States that did not impose sanctions and penalties to combat fraud and irregularities. Significant corrections are under consideration for Ireland for 1992 and 1993.

Special case of fattening to produce heavy carcasses

5.59 to 5.65 Investigations are being made in France and Spain, in the framework of the procedure for clearance of accounts for 1993 and 1994, into the requirement to inspect fattening premises of at least 10% of producers submitting a declaration in each marketing year.

Establishment of individual limits on premiums

5.66 to 5.68 In the course of inspection missions, the EAGGF also discovered the facts referred to by the Court. Some of the difficulties were largely due to teething problems, and the situation is improving.

Application of the private storage system

5.69 to 5.71 In view of the use of the risk analysis method, and of the limited importance of the measure in terms of expenditure, the EAGGF has not examined the application of this system. However, the Member States referred to in the Court's report will be asked about the facts alleged, and requested to take steps to ensure that their traders comply with requirements for full stock records. Future control missions for the purpose of clearance of accounts will incorporate monitoring of the measures taken.

CONCLUSION

More selective and effective aid

As mentioned under points 4.1 to 4.3, the Commission reacted to the situation described by the Court, where the burden of falling producer prices is transferred to the Community budget, by introducing a stabilizer limiting

the guarantee granted to producers. Moreover, individual quantitative limits have been introduced on aid granted. This has enabled expenditure in this sector to be brought under control.

6.4 The Commission would point out that there are areas outside the less-favoured regions where sheep farming is feasible, because of their limited natural potential.

As mentioned under point 4.24, the Commission takes the view that the Court's suggestion would lead to a radical change in the philosophy of the support arrangements in the common organization of the market.

6.5 The Commission notes the Court's request for greater rigour in the classification of 'less-favoured areas'.

6.6 The Commission has asked the Member States to pay the premiums promptly, and at all events by 15 October. From 1994, following the adoption of the budgetary discipline measures, the Commission has been able to impose arrangements whereby expenditure paid after the deadline laid down in the rules is not recognized.

The need for reliable statistics

6.7 In the framework of the management committees, the Commission has repeatedly drawn the attention of the Member States to the need to comply with deadlines for submitting statistical information; it will continue to do so.

6.8 Although the Commission has made progress on this matter in all the Member States, it has not yet achieved its aim of comparison, with results accepted by the Member State, between the number of animals in receipt of premium for the reference year (according to declarations of annual expenditure) and the number declared by the national authorities.

The problem is due to:

- the failure of certain Member States (in particular, Germany, Spain, Greece and Portugal) to comply with the requirements of the memorandum as regards declaration of expenditure;
- unclear or late replies from certain Member States;
- different reference years chosen by different Member States.

The 'clearance of accounts' missions programme has included, since the middle of 1994, an examination of the system of ewe quotas, both in terms of the number of animals to be accepted and in terms of the extent to which present management complies with the rules, and a series of on-the-spot checks relating to the sheep/goats premium, which will be completed at the end of June 1995.

The statistical conclusions of the EAGGF have been sent to all the Member States except Greece and Italy, where investigations are to begin in October/November to finalize the allocation of supplementary quota. The figures for Denmark, Belgium and Luxembourg were verified without comment.

Greater supervision of the premiums

6.10 (a) The Commission is making sure that the national legal provisions are being adopted by each Member State on the basis of Article 4 of Directive 92/102 relating to the identification and registration of animals. However, it would point out that the legal basis is a Directive, which lays down only the results to be achieved by the Member States (Article 189 of the EC Treaty), but does not enable detailed rules to be laid down with a view to establishing a single register in the Member States.

(b) The Commission takes the view that at each on-the-spot check (even outside the retention period), the inspector or veterinarian must be able to compare the

data in the register with the animals present on the holding. The register should reflect at all times the situation of the holding, i.e. it must show variations and correspond to reality; the register cannot be inspected on the basis of supporting documents unless such documents exist; checking the register should always take second place to physical controls.

(c) The Commission is considering whether to introduce rules for a standard report on checks.

6.12 The Commission has always paid special attention to the need for the rules to be applied in the same way throughout the Community, so as to ensure that all of the Union's farmers are treated in the same way. To this end, the Commission is carrying out a comparative analysis of the national provisions applied in the various Member States to identify possible disparities.

Possibility of abolishing the premium supplement for fattening for heavy carcasses

6.13 The system of fattening to produce heavy carcasses, which the Court criticizes, results from a policy decision taken by the Council at the time of the 1989 reform. However, the Commission notes the Court's remarks concerning the inadequacy of controls at the level of the Member States.

Sheepmeat and goatmeat: expenditure by marketing year
(ECU million)

	1988 marketing year	1989 marketing year	1990 marketing year	1991 marketing year	1992 marketing year	1993 marketing year
(1) Premiums	1 151,5	1 124,1	1 627,7	1 549,4	1 629,4	1 620,7
(2) Slaughter premiums	2,6	227,4	138,2	261,8	-0,2	0
(3) Private storage	0	0	0	3,0	2,5	3,9
Total 1+2+3	1 154,1	1 351,4	1 765,9	1 814,2	1 631,7	1 624,6
(4) 'rural' measures	0	0	0	226,5	460,1	351,4
Total 1+2+3+4	1 154,1	1 351,4	1 765,9	2 040,7	2 091,8	1 976,0

Remark: 1993 figures are still provisional.

Expenditure is included up to March 1995 only.

SALES AND SUBSCRIPTION PRICES

Annual subscription (including normal postage)							Single copies (**)		
Price	'L + C' paper version (*)	'L + C' microfiches (*)	Recruitment notices (**)	OJ Supplement (Notices and public contracts) calendar year 1995	'Annex — Debates of the European Parliament' (March—February)	'Annex — Debates of the European Parliament' (March—February) microfiches	1—32 pages	33—64 pages	More than 64 pages
ECU	600	420	30	550	228	174	6	12	Price determined case by case

Special mailing charges are invoiced separately. The *Official Journal of the European Communities* and all other European Communications publications on sale, whether periodical or otherwise, may be ordered at the sales offices listed below. Catalogues are sent free of charge on request.

N.B.:

The subscription to the *Official Journal of the European Communities* also includes the 'Directory of Community Legislation in Force and other Acts of the Community Institutions' (two editions per year).

(*) Only joint subscription (including delivery) are available to the L (Legislation) and C (Information and Notices) series of the *Official Journal of the European Communities*.

(**) The notices of open competition, which are published as annexes to the C series, are basically available free of charge from the Commission's offices in the Member States. For regular delivery of all notices of competition on a subscription basis a charge is made to cover postage.

SALES AND SUBSCRIPTIONS

BELGIQUE / BELGIË

Moniteur belge / Belgisch Staatsblad
Rue de Louvain 42 / Leuvenseweg 42
B-1000 Bruxelles / B-1000 Brussel
Tel. (02) 512 00 26
Fax (02) 511 01 84

Jean De Lannoy
Avenue du Roi 202 / Koningslaan 202
B-1060 Bruxelles / B-1060 Brussel
Tel. (02) 538 51 69
Fax (02) 538 08 41

Autres distributeurs / Overige verkooppunten
Librairie européenne / Europese boekhandel

Rue de la Loi 244 / Wetstraat 244
B-1040 Bruxelles / B-1040 Brussel
Tel. (02) 231 04 35
Fax (02) 735 08 60

Document delivery:

CREDOC

Rue de la Montagne, 34 / Bergstraat, 34
Boite 11 / Bus 11
1000 Bruxelles / 1000 Brussels
Tel. (02) 511 69 41
Fax (02) 513 31 95

DANMARK

J. H. Schultz Information A/S
Harstedvang 10-12
DK-2620 Albertslund
Tlf. 43 63 23 00
Fax (Sales) 43 63 19 69
Fax (Management) 43 63 19 49

DEUTSCHLAND

Bundesanzeiger Verlag
Breite Straße 78-80
Postfach 10 05 34
D-50445 Köln
Tel. (02 21) 20 29-0
Fax (02 21) 2 02 92 78

GREECE / ΕΛΛΑΔΑ

G.C. Eleftheroudakis SA
International Bookstore
Nikis Street 4
GR-10563 Athens
Tel. (01) 322 63 23
Fax (01) 323 98 21

Γ.Κ. Ελευθερουδάκης ΑΕ
Διεθνές Βιβλιοπωλείο
Νίκης 4
105 63 Αθήνα
Τηλ. (01) 3226 323
Τελεφ. (01) 3239 821

ESPAÑA

Boletín Oficial del Estado
Tratado, 29
E-28071 Madrid
Tel. (01) 538 22 95
Fax (01) 538 23 49
Mundi-Prensa Libros, SA
Castelló, 37
E-28001 Madrid
Tel. (01) 431 33 99 (Libros)
431 32 22 (Suscripciones)
435 36 37 (Dirección)
Fax (01) 575 39 98

Suursäli:

Libreria Internacional AEDOS

Consejo de Ciento, 391
E-08009 Barcelona
Tel. (93) 488 34 92
Fax (93) 487 76 59
Libreria de la Generalitat de Catalunya
Rambla dels Estudis, 118 (Palau Moja)
E-08002 Barcelona
Tel. (93) 302 68 35 / 302 64 62
Fax (93) 302 12 99

FRANCE

Journal officiel
Service des publications des Communautés européennes
26, rue Desaix
F-75727 Paris Cedex 15
Tél. (1) 40 58 77 01/31
Fax (1) 40 58 77 00

IRELAND

Government Supplies Agency
4-5 Harcourt Road
Dublin 2
Tel. (01) 661 31 11
Fax (1) 478 06 45

ITALIA

Licosa SpA
Via Duca di Calabria 1/1
Casella postale 552
I-50125 Firenze
Tel. (055) 64 54 15
Fax (055) 64 12 57

GRAND-DUCHÉ DE LUXEMBOURG

Monographies:
Messageries du livre
5, rue Raiffeisen
L-2411 Luxembourg
Tél. 40 10 20
Fax 49 06 61

Abonnements:

Messageries Paul Kraus
11, rue Christophe Plantin
L-2339 Luxembourg
Tél. 49 98 888
Fax 49 98 88 444

NETHERLAND

SDU Servicecentrum Uitgeverijen
Postbus 20014
NL-2500 EA 's-Gravenhage
Tel. (070) 37 89 880
Fax (070) 37 89 783

ÖSTERREICH

Manz'sche Verlags- und Universitätsbuchhandlung
Kohlmarkt 18
A-1014 Wien
Tel. (1) 531 610
Fax (1) 531 61-181
Document delivery:
Wirtschaftskammer
Wiedner Hauptstraße 63
1045 Wien
Tel. (0222) 501 05-4356
Fax (0222) 502 06-297

PORTUGAL

Imprensa Nacional Ld.
Casa da Moeda, EP
Rua D. Francisco Manuel de Melo, 5
P-1092 Lisboa Codex
Tel. (01) 387 30 02/385 83 25
Fax (01) 384 01 32

Distribuidora de Livros Bertrand, Ld.
Grupo Bertrand, SA
Rua das Terras dos Vales, 4-A
Apartado 37
P-2700 Amadora Codex
Tel. (01) 49 59 050
Fax (01) 49 60 255

SUOMI / FINLAND

Akatemien Kirjakauppa
Keskuskatu 1
PO Box 128
FIN-00381 Helsinki
Tel. (0) 121 41
Fax (0) 121 44 41

SVERIGE

BTJ AB
Traktorvägen 13
S-22100 Lund
Tel. (046) 18 00 00
Fax (046) 18 01 25

UNITED KINGDOM

HMSO Books (Agency section)
HMSO Publications Center
51 Nine Elms Lane
London SW9 5DR
Tel. (071) 873 90 90
Fax (071) 873 84 63

ICELAND

BOKABUD
LARUSAR BLÖNDAL
Skólavörðustíg, 2
101 Reykjavík
Tel. 11 56 50
Fax 12 55 60

NORGE

Narvesen Info Center
Bartrand Narvesens vei 2
PO Box 8125 Etterstad
N-0602 Oslo 6
Tel. (22) 57 33 00
Fax (22) 68 19 01

SCHWEIZ / SUISSE / SVIZZERA

OSEC
Stämpfenbachstraße 85
CH-8035 Zürich
Tel. (01) 365 54 49
Fax (01) 365 54 11

BALGARIA

Europress Klassika BK Ltd
66, bd Vilsho
BG-1463 Sofia
Tel./Fax 2 52 74 75

ČESKÁ REPUBLIKA

NIS ČR
Havelská 22
CZ-130 00 Praha 3
Tel. / Fax (2) 24 22 94 33

HRVATSKA (CROATIE)

Mediastade
P. Hatza 1
4100 Zagreb
Tel. (041) 430 392
Fax (041) 454 522

MAGYARORSZÁG

Euro-Info-Service
Hornvöd Europa Haz
Margitsziget
H-1138 Budapest
Tel./Fax 1 111 60 61
1 111 62 16

POLSKA

Business Foundation
ul. Krucza 38/42
PL-00-512 Warszawa
Tel. (22) 621 99 93, 628-26-82
International Fax & Phone
(0-39) 12-00-77

ROMÂNIA

Euromedia
65, Strada Dionisie Lupu
RO-70184 Bucuresti
Tel./Fax 1-31 29 646

RUSSIA

CCEC

9,60-Ietiya Otkrybrya Avenue
117312 Moscow
Tel./Fax (095) 135 52 27

SLOVAKIA

Slovak Technical Library
Nám. slobody 19
812 23 Bratislava 1
Tel. (7) 52 20 452
Fax (7) 52 95 785

CYPRUS

Cyprus Chamber of Commerce and Industry
Chamber Building
38 Givris Digenis Ave
3 Delgiorgis Street
PO Box 1455
Nicosia
Tel. (2) 44 95 00/45 23 12
Fax (2) 45 96 30

MALTA

Miller distributors Ltd
PO Box 25
Malta International Airport
LQA 05 Malta
Tel. 66 44 68
Fax 67 67 99

TURKIYE

Pres A.S.
Istiklal Caddesi 469
80050 Tünel-Istanbul
Tel. (1) 520 92 96-528 55 66
Fax (1) 520 64 57

ISRAEL

ROY International
31, Habarzel Street
69710 Tel Aviv
Tel. 3 497 802
Fax 3 497 812

EGYPT / MIDDLE EAST

Middle East Observer
41 Sherif St.
Cairo
Tel./Fax 39 39 732

UNITED STATES OF AMERICA / CANADA

UNIPUB
4611-F Assembly Drive
Lanham, MD 20706-4391
Tel. Toll Free (800) 274 48 88
Fax (301) 459 00 56

CANADA

Subscriptions only
Uniquement abonnements
Renouf Publishing Co. Ltd
1294 Algoma Road
Ottawa, Ontario K1B 3W8
Tel. (613) 741 43 33
Fax (613) 741 54 39

AUSTRALIA

Hunter Publications
58A Gipps Street
Collingwood
Victoria 3066
Tel. (3) 417 53 61
Fax (3) 419 71 54

JAPAN

Procurement Services Int'l (PSI-Japan)
Koru Dome Postal Code 102
Tokyo Kojimachi Post Office
Tel. (03) 3234 6921
Fax (03) 3234 6915

Sub-agent
Kinokuniya Company Ltd
Journal Department
PO Box 55 Chitose
Tokyo 156
Tel. (03) 3439-0124

SOUTH AND EAST ASIA

Legal Library Services Ltd
Orchard
PO Box 0523
Singapore 9123
Tel. 24 32 498
Fax 24 32 479

SOUTH AFRICA

Safo
5th Floor, Export House
Kor Maudie & West Streets
Sandton 2145
Tel. (011) 883-3737
Fax (011) 883-6569

OTROS PAISES / ANDRE LANDE / ANDERE LÄNDER / ΑΛΛΕΙ ΧΩΡΕΙ / OTHER COUNTRIES / AUTRES PAYS / ALTRI PAESI / ANDERE LANDEN / OUTROS PAISES / MUUT MAAT / ÖVRIGA LANDER

Office des publications officielles des Communautés européennes
2, rue Mercier
L-2985 Luxembourg
Tel. 29 29-1
Fax 48 85 73/48 88 17



OFFICE FOR OFFICIAL PUBLICATIONS OF THE EUROPEAN COMMUNITIES
L- 2985 LUXEMBOURG