

MEASURES TO RESTRICT POULTRY PRODUCTION

Around 10 million euros a year is paid to support egg production in Finland. Applications for support are sent to local agricultural authorities, and these also decide whether to grant support. Support comes entirely from national funds, since the European Union regards eggs as a processed form of grain and their production is not supported separately.

Support is paid for a maximum of 20,000 chickens per applicant. The restriction is intended to reduce the overproduction of eggs and prevent industrial egg production.

A query that was sent to the State Audit Office in 2005 suggested that many egg producers had circumvented the restriction with the help of corporate and other arrangements. The present audit investigated how much support may have been paid without justification and how authorities have controlled the restriction on support. The audit material consisted of information obtained from the Ministry of Agriculture and Forestry's support register.

On the basis of audit observations there is reason to suspect that at least a few large poultry farms have circumvented the restriction on support. This has included the use of dummy corporations as applicants for support and in some instances family members living on a farm have applied for support as independent agricultural entrepreneurs.

If suspicions are correct, approximately 0.5-1 million euros of unjustified support was paid in 2005. Since practices have gone on for several years in some cases, it is likely that several million euros in unjustifiable support has been paid in the present decade. The Ministry of Agriculture and Forestry has announced that it will investigate suspicious cases. Unjustified support should be repaid to the state with interest.

On the basis of the audit it appears that problems concerning the circumventing of the restriction on support have come to the attention of the Employment and Economic Development Centre for

Southwest Finland and the Ministry of Agriculture and Forestry. In spite of this, compliance with the restriction has been controlled in a slack manner and the Ministry of Agriculture and Forestry has not prepared detailed instruction on controlling the restriction.

Control also involves practical problems. Routine inspections cannot determine who owns excess chickens or whether these have been included in an application for support. On the basis of current legislation it is not clear when applicants living on the same farm should be regarded as independent operators, for example. Owing to the looseness of the concept of a farm, inspectors would in practice have to live on a farm in order to find out who actually makes decisions concerning farm production. Naturally resources are not available for this.

Owing to gaps in control the restriction on support has not worked in the desired manner. The overproduction of eggs has not been eliminated and there are several large poultry farms in the country, the largest of which has over 100,000 laying hens.

Granting agricultural support is the responsibility of local agricultural authorities, most often the municipal agricultural secretary. The audit indicated that the system for granting support is in some respects too decentralized. The possibility of shifting to a more centralized system with regard to support for poultry production should be investigated.