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EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 1-580/79

REPORT

drawn up on behalf of the Committee on Budgets

on/draft amending and supplementary budget No 3  
of the European Communities for the financial year 1979  
established by the Council on 29 October 1979 (Doc. 1-470/79)

Rapporteur : Mr Pieter DANKERT

12.1

PE 61.046/fin.



On 16 October 1979 the Commission of the European Communities submitted preliminary draft amending and supplementary budget No. 3 for 1979

The Council drew up draft amending and supplementary budget No. 3 on 29 October 1979 and sent it to Parliament on 31 October 1979.

The Committee on Budgets, at its meeting of 6 November 1979, appointed Mr Pieter DANKERT as rapporteur. It examined the draft amending and supplementary budget at its meetings of 21/22 November, 27/28/29 November and 4 December 1979

During this last meeting it examined and adopted by 23 votes to 1 with 7 abstentions the draft report and motion for a resolution submitted to it by the rapporteur, as well as one proposed modification and two draft amendments.

There were present: Mr Notenboom, acting Chairman; Mr Spinelli, second vice-Chairman; Mr Dankert, rapporteur; Mr Andonnino, Mr Aigner, Mr Baillot, Mr Balfe, Mr Barbi, Mr Bonde, Mr Colla, Mr Curry (deputizing for Mr Forth), Mr D'Angelosante (deputizing for Mrs Boserup), Mr Flanagan, Mr Früh (deputizing for Mr Ryan), Mr Gouthier, Mrs Gredal, Mr Hord, Mr Robert Jackson, Mr Langes Mr Megahy (deputizing for Mr O'Leary), Mr Motchane, Mr Nord, Lord O'Hagan, Mr Orlandi, Mr Pfennig, Mrs Pruvot (deputizing for Mr Rossi), Mr K. Schön, Mrs Scrivener, Mr Simonnet, Mr J.M. Taylor and Mr Tuckman.

The opinion of the Committee on Agriculture and the proposed modification and the draft amendments of the Committee on Budgets are attached.

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

MOTION FOR A RESOLUTION

on the draft amending and supplementary budget no. 3 of the European Communities for the financial year 1979

The European Parliament,

- having regard to the preliminary draft of the third supplementary and amending budget for 1979,
- having regard to the draft third supplementary and amending budget for the financial year 1979 (Doc. 1-470/79),
- having regard to the proposed transfer of appropriations from the Commission no. 35/79 (Doc. 1-549/79),
- having regard to the report of the Committee on Budgets and the opinion of the Committee on Agriculture (Doc. 1-580/79),
- whereas the 1979 budget has shown a further massive increase in the proportion of Community expenditure destined for agricultural market support, with the probability that such expenditure will exceed 80% of the Community budget, by the time the accounts have been closed,
- whereas this increase, way beyond the 1979 initial appropriations, became predictable once the advances had been made to the Member States after the first three months of the financial year,
- whereas the export refunds paid and the quantities exported far exceeded the amounts covered by the general budget provisions,
- whereas the reduction made by Council to the Commission's estimates for increasing expenditure under Titles 6 and 7 were purely arbitrary - a fact confirmed by the Council's readiness to accept a transfer from the Guidance Section of the budget to cover a sum larger than that originally sought by the Commission,
- aware of the need to guarantee that any large-scale sales of milk products on the world market, which require massive subsidies because of the level of refunds, are conducted under the best possible conditions for the Community, and do not give rise to unfairness in trading competition with third countries, particularly with those to whom the Community has special obligations,

1. Deplores the delay in presenting a preliminary draft supplementary budget which had already been foreseeable for several months;
2. Indicates that any inconvenience caused as a result of the late adoption of the supplementary budget are entirely the responsibility of those whose duty it was to present the preliminary draft supplementary and draft supplementary budgets in good time;
3. Reminds the Commission that it should have alerted the Budgetary Authority before the end of the first six months of the year to this probable exceeding of appropriations: and should give on a monthly basis information concerning the advances paid to the Member States;
4. Points out that the principal factor in this exceeding of the original budget appropriations has been the increase in export sales of milk products which has given rise to massive expenditure on refunds, which have been set at consistently high rates;
5. Calls upon the Commission never again to continue to pay refunds at such high rates when this would lead to the exceeding of the appropriations available in the budget, without the Budgetary Authority being previously informed and consulted;
6. Calls upon the Commission to provide Parliament with a full public explanation of its management of the milk and milk products sector, paying particular attention to the need to proceed to sales on the world market under the optimal financial conditions consistent with fair competition with third countries;
7. Instructs its Committee on Budgetary Control to examine urgently the management of this policy in 1979 to control the efficiency of this activity and to ensure that the level of refunds does not give rise to speculative gains and is now set at a sufficiently low level to permit future possible economies;
8. Recalls its concern that the increase in appropriations particularly for the milk sector, if extended for a full financial year, would take the Community perilously close to the exhaustion of its own resources;
9. Therefore repeats its urgent appeal to the Council to cooperate with it in controlling agricultural expenditure by the means already indicated by Parliament during its deliberations on the 1980 draft budget;

10. Cannot accept the arbitrary reduction in the preliminary draft supplementary budget which necessitated a separate transfer from Guidance to Guarantee Sections of the EAGGF;
11. Therefore incorporates this transfer within the supplementary budget in the interests of transparency: however, accepts only that part of the transfer up to the amount originally proposed by the Commission in its preliminary draft supplementary budget, in the absence of detailed justification for the extra amount;
12. Expresses its concern at the rapid growth in appropriations in the beef and veal sector, provoked by the open ended intervention mechanism which encourages large scale buying in, even where there is no surplus: instructs, therefore, the Commission to bring forward speedily proposals to alter the intervention price in such a way that unnecessary expenditure is avoided;
13. Warns the institutions that the rapid growth of expenditure in the fruit and vegetables chapter of the budget is only the first indication of much higher levels of expenditure resulting from enlargement: considers that the Commission should bring forward proposals to prevent an explosion of appropriations in this sector, for reasons similar to those in the milk sector;
14. Cannot therefore approve the draft amending and supplementary budget without significant amendment and before a full political answer to the questions raised has been supplied by the Commission;
15. Urges Council to complete its examination of the accompanying modifications and amendments as quickly as possible so that the supplementary budget procedure can be concluded before the end of the financial year.

## EXPLANATORY STATEMENT

Introduction: why the urgent procedure was refused

1. Article 1, paragraph 5 of the Financial Regulation indicates that supplementary budgets

"shall be submitted, examined, prepared and finally adopted in the same form and according to the same procedure as the budget whose estimates they are amending. They must be substantiated by reference to the latter. The competent authorities shall discuss them in the light of their urgency. ...."

This Article also specifies that supplementary budgets should only be introduced in the event of "unavoidable, exceptional or unforeseen circumstances".

This means that from the presentation of the draft supplementary budget by Council, Parliament has, under the terms of Article 203 of the Treaty, 45 days after communication of the draft, in which to examine it and propose possible amendments or modifications. From Parliament's first reading, Council has 15 days in which to examine Parliament's amendments and modifications to the draft. If a second reading is required (i.e. if Council has not accepted modifications or amendments by Parliament) Parliament then has 15 days in which to retable amendments or reject or adopt the amended draft, as modified by Council.

2. It was not until 16 October 1979 that the Commission forwarded to the Council preliminary draft supplementary and amending budget no. 3 to the general budget of the European Communities for the financial year 1979. This preliminary draft would have increased the total budget by 802 mEUA in order to take account of the agricultural price decisions taken by Council on 22 June 1979 and of developments in the agricultural market situation.

3. On 29 October 1979, the Council, having devoted two sessions to the examination of the preliminary draft, established its draft supplementary and amending budget, adding 702 mEUA to the total budget.

4. At its meeting of 6 November 1979, at which your rapporteur was appointed, and by which time the full documentation had not as yet been received by Members of Parliament, the Committee on Budgets indicated unanimously its timetable for examining the draft budget: examination by the Committee at its meeting of 21/22 November, first reading of the supplementary budget at the beginning of the December part-session, possible second reading at the end of that part-session. This accelerated procedure took account of the need to conclude deliberations in advance of the end of the financial year, while nonetheless permitting the Committee on Budgets to undertake a serious examination of a supplementary budget which constitutes a significant shift in the emphasis of the 1979 budget.



5. The European Parliament, at its meeting of 13 November 1979, adopted the procedure outlined by the Committee on Budgets and refused to accept the application of Article 14 of its Rules of Procedure, sought by Council. Agreement to such a request would have curtailed Parliament's deliberations on such an important matter in an unacceptable manner. Furthermore, even were this request acceded to, adoption of the supplementary budget would not necessarily have been accelerated given that a second reading could only, in any case, be held during the December part-session. Such a second reading is necessary even when Parliament has proposed modifications and not amendments to the budget. Article 203 obliges Council to come back to Parliament to explain where it has not been able to follow Parliament's modifications, even for compulsory expenditure. It is then possible for Parliament to decide whether or not it intends to accept or reject the annual or the supplementary budget in its totality. Therefore, the application of the urgent procedure for the first reading of the budget might not have achieved the desired result.

6. The Committee on Budgets believed that it was imperative for it to examine seriously a supplementary budget which adds to the 1979 total a significant increase in the VAT rate and a substantial shift in the proportion as between agricultural and non-agricultural expenditure.

7. Furthermore, the urgency argument was, from the outset, completely spurious. It was clear from the first few months of the year that a major supplementary budget would be necessary for agriculture because of serious underestimating as regards the evolution of the agricultural market. This strong probability became an absolute certainty after the irresponsible price decisions of Council (on 22 June 1979) which added an extra spur to the upward revision of agricultural estimates.

In this context it is appropriate to draw attention to the particular responsibility of the Financial Controller of the institution. Article 96 of the Financial Regulation, second paragraph, reads as follows:

"The Commission decisions fixing the amounts of these advances in accordance with Article 5 (2) (a) of Regulation (EEC) No. 729/70 shall constitute provisional global commitments. The approval of the financial controller shall have the sole purpose of establishing that these commitments correspond to the amount of the advances decided by the Commission after consultation with the EAGGF Committee, and that they are within the limits of the total amount of appropriations entered in the Guarantee Section of the European Agricultural Guidance and Guarantee Fund."

The Financial Controller should have taken certain steps when it became apparent that the rate of advances for Titles 6 and 7 was vastly in excess of the budgetary provision and would inevitably lead to the exceeding of appropriations, necessitating a supplementary budget. The Financial Controller should, from May onwards, have drawn the attention of the Commission to this phenomenon: the Commission in turn should have taken the necessary steps of informing the Budgetary Authority. In the Committee on Budgets the Commission stated that in its report on the financial situation of the Community at the end of June it drew the attention of the Budgetary Authority to these developments. This reply is not satisfactory because this report was only received by Parliament at the end of September, by which time preparations for a preliminary draft supplementary budget were well advanced. Full information and appropriate action should have been taken far earlier.

8. As the following table (1) shows, advances and payments under the Guarantee Section of the EAGGF began to exceed massively the budgetary provision from May onwards. The monthly rate of 802 mEUA was exceeded (as regards advances) by 144 mEUA in the first month of the year. Were the May - September rate to be sustained for a full year, an excess of nearly 1,900 mEUA would have to be covered, taking the annual EAGGF total from 9,602 mEUA to 11,525 mEUA: and propelling the VAT rate to 0.90% or more.

9. The Commission itself decided on the principle of a supplementary budget only in September because of internal prevarication. It is not for your rapporteur to speculate on the nature of the internal debate which took place within the Commission. Suffice it to say that the Commission must have known during May that a substantial upward revision of agricultural expenditure was necessary; it acted definitively on 16 October 1979. Any inconvenience for the agricultural community is therefore entirely the Commission's responsibility.

10. The Commission may argue that it delayed its presentation of the preliminary draft until such a time as it could be reasonably sure that its figures were exact. This argument does not convince your rapporteur, given that the Commission itself was prepared to accept, only thirteen days after the presentation of its preliminary draft, a cut back of some 100 mEUA imposed by Council. Therefore, the figures presented on 16 October may have been carefully calculated: they were not, however, sacrosanct.

TABLE 1

## UTILIZATION OF EAGGF APPROPRIATIONS, GUARANTEE SECTION, 1979

Original appropriations (including fish)	9,602.1 mEUA
Carry forward from 1978 (subsidy for non-commercialisation)	30.4
<b>TOTAL</b>	<b>9,632.5 mEUA</b>
Supplementary budget	702
	<b>10,334.5 mEUA</b>

Month	Guarantee advances + 60% subsidy	Payments
January (including balances 1 January)	956.3	777.9
February	827.5	802.1
March	829.4	926.2
April	921.5	812.9
May	1,072.9	1,133.2
June	1,069.2	1,017.5
July	959.2	1,028.3
August	955.1	870.2
September	1,041.7	673.2
<b>Total 9 months</b>	<b>8,632.8</b>	<b>8,041.5</b>
October	755.7	)
November First part	242.4	)
<b>Total</b>	<b>9,630.9</b>	) Monthly average estimated at 764.3 mEUA*
November Second part	414.9	)
December	288.7 *	)
+ possible transfer of appropriations		)
<b>TOTAL</b>	<b>10,334.5</b>	

\* A slow down in December is likely to result, principally, from an improvement in the MCAs situation.

## Contents of the preliminary draft budget

11. The total effect of the preliminary draft budget was to add 8.3% to initial appropriations made up as follows:

Additional appropriations required:	1,217 mEUA
Savings achieved	: 415 mEUA

12. The Commission has estimated that the increase in appropriations was due to two principal elements: the price decision of 22 June 1979 (approximately 200 mEUA) of which the principal elements were due to the aid for butter consumption - the remainder being accounted for by adjustment to prices and related measures.

13. The second element (+ 1,000 mEUA) was caused by developments in the agricultural markets (increase in exports of milk products, slump in the beef and veal market, increased intervention for fruit and vegetables, increased payments for olive oil premiums in Italy).

The following table (2) provides a breakdown by sector of the different elements giving rise to the overall increase.

14. As regards the savings achieved, the reduction in monetary compensatory amounts (40 mEUA) is rather smaller than might be expected because of the increase in exports in the beef sector.

A considerable saving (300 mEUA) has been achieved in the cereals sector due principally to the rise in world market prices.

15. The Commission also proposed creating a new budgetary line (Article 819 - Emergency measures to repair the damage to agriculture in the overseas departments caused by hurricanes in August 1979). Sufficient leeway exists within the Guidance Section to avoid an overall net increase in appropriations.

16. As regards revenue, a marked increase in customs duties over the last few months has given rise to forecasts being exceeded by approximately 300 mEUA.

TABLE 2  
PRINCIPAL CHANGES BY SECTOR (PRELIMINARY DRAFT)

<u>Increase in appropriations</u>		(Export refunds	+ 510 mEUA
1. Ch. 62: Milk and milk products	+ 742 mEUA	{ Intervention measures for butter	+ 119 mEUA
		{ Intervention measures for skimmed milk	+ 62 mEUA
		{ Balance of coresponsibility	+ 51 mEUA
2. Ch. 63: Oils and fats (olive oil)	+ 70 mEUA		
3. Ch. 65: Beef and veal	+ 220 mEUA	(Storage	+ 77 mEUA
		{ Refunds	+ 132 mEUA
4. Ch. 66: Pigmeat	+ 10 mEUA		
5. Ch. 67: Eggs and poultry meat	+ 25 mEUA	(Eggs	+ 7 mEUA
		{ Poultry meat	+ 18 mEUA
6. Ch. 68: Fruit and vegetables	+ 90 mEUA	(Aid to processing	+ 100 mEUA
		{ Decline in withdrawals	- 10 mEUA
7. Ch. 74: Refunds (processing, other goods)	+ 60 mEUA		
TOTAL: 1,217 mEUA			
<u>Reductions in appropriations</u>		(Export refunds	- 230 mEUA
1. Ch. 60: Cereals	- 300 mEUA	{ Interventions	- 70 mEUA
2. Ch. 69: Wine	- 25 mEUA		
3. Ch. 70: Tobacco	- 50 mEUA		
4. Ch. 78: MCAs	- 40 mEUA		
TOTAL: - 415 mEUA			
BALANCE: + 802 mEUA			

TABLE 3

SUPPLEMENTARY BUDGET 1979 (Breakdown for milk products): PRELIMINARY DRAFT & DRAFT

mEUA				
Transactions	Appropriations 1979	Variation in approps.		New approps. 1979
		requested by the Comm.	agreed to by Council	
a	b	c	d	e
<u>A. Refunds</u>	1,573			2,033
- butter	303	+ 495)	+ 445)	748
- powder	205	+ 30)	+ 30)	235
- other products	772	- 15) + 510	- 15) + 460	757
- food aid butteroil	136	- )	- )	136
- food aid powder	157	- )	- )	157
<u>B. Storage</u>	227			78
- public storage powder	72	- 103)	- 103)	-31
- private storage butter	61	+ 11) - 149	+ 11) - 149	72
- public storage butter	94	- 57)	- 57)	37
<u>C. Aids and special measures</u>	1,797			2,095
- aids for skimmed milk powder	1,075	+ 50)	+ 30)	1,105
- aids for liquid skimmed milk	260	+ 60)	+ 60)	320
- production aids for processed cheese	147	+ 55)	+ 55)	202
- special measures butter	260	+ 12)	+ 12)	272
- aid for butter consumption	42	+ 151)	+ 151)	193
- aids to welfare recipients	13	- 10)	- 10)	3
<u>D. Other interventions</u>	151			202
- cheese storage	39	- )	- )	39
- subsidies for re-conversion and non-delivery of milk	112 <sup>(1)</sup>	- ) + 51	- ) + 51	112
- coresponsibility balance	-	+ 51)	+ 51)	51
<u>E. Result of Court of Justice judgment</u>	-	+ 12	+ 12	12
BALANCE MILK PRODUCTS	3,748 <sup>(1)</sup>	+742	+ 672	4,420

(1) Including carry-over from 1978 to 1979 of 30.4 mEUA

17. The balance to cover the supplementary budget is therefore provided from VAT (plus 335 mEUA) and from GNP contributions (German, Irish and Luxembourg - 162 mEUA). The Commission proposed that the VAT rate would therefore increase from 0.74% to 0.80%.

The draft supplementary budget

18. Council's draft supplementary budget of 29 October 1979 included reductions totalling 100 mEUA to the amounts proposed in the preliminary draft.

The details of these reductions are included in the following table (4) and demonstrate their arbitrary nature.

19. What Council's explanatory memorandum does not explain is that the conditions on which the Commission appears to have agreed to cut its estimates was a favourable outlook for a transfer of appropriations (up to 130 mEUA) from the Guidance to the Guarantee Section. This more than makes up the difference (130 instead of 100 mEUA) and would result in total Guarantee Section spending increasing by 832 mEUA instead of the original 802 mEUA proposed in the preliminary draft.

20. This raid on the Guidance Section reduces Guidance Section appropriations for 1979 to almost negligible quantities.

The following table (5) shows the effect on the different budgetary lines within Title 8 (and Title 10 where appropriate). The overall effect is to reduce payments and commitments for Guidance by 130 mEUA.

Therefore, for 1979, the main activities of the Guidance Section will have been severely curtailed.

TABLE 4

## SUPPLEMENTARY BUDGET 1979 (PRELIMINARY DRAFT AND DRAFT)

Sector	Appropriations 1979	Variation in approps.		m EUA
		requested	agreed to	New approps. 1979
a	b	c	d	e
<u>I. Decreasing sectors</u>				
a) Cereals	1,874.2	- 300	- 300	1,574.2
b) Wine	119.4	- 25	- 25	94.4
c) Tobacco	262.0	- 50	- 50	212.0
d) MCA	809.2	- 40	- 40	769.2
Sub-total	3,064.8	- 415	- 415	2,649.8
<u>II. Increasing sectors</u>				
a) Milk	3,748.0 <sup>(1)</sup>	+ 742.0	+ 672.0*	4,420.0*
b) Beef	488.3	+ 220.0	+ 200.0*	688.3
c) Pork	84.9	+ 10.0	- *	84.9
d) Fruit and vegetables	326.5	+ 90.0	+ 90.0	416.5
e) Olive oil	321.7	+ 70.0	+ 70.0	391.7
f) Products not covered: Annex II	176.2	+ 60.0	+ 60.0	236.2
g) Eggs and poultry	41.2	+ 25.0	+ 25.0	66.2
Sub-total	5,186.8	+ 1,217.0	+1,117.0	6,303.8
<u>III. Other sectors</u>	1,360.9	-	-	1,360.9
TOTAL	9,612.5 <sup>(1)</sup>	+ 802.0	+ 702.0	10,314.5

(1) Including carry forward from 1978 to 1979 of 30.4 mEUA.

\* Appropriations agreed to less than appropriations requested.



TABLE 5

## PROPOSED TRANSFER OF APPROPRIATIONS FROM THE GUIDANCE SECTION TO THE GUARANTEE SECTION

Chap.	Nomenclature	No. of Justi- fica- tion	COMMITMENT APPROPRIATIONS			PAYMENT APPROPRIATIONS		
			Approps entered in 1979 budget taking account of transfers	Proposed transfers in favour of Guarantee Section	Balance	Approps entered in 1979 budget taking account of transfers	Proposed transfers in favour of Guarantee Section	Balance
800	Projects		token entry	-	token entry	40,000,000	- 25,000,000	15,000,000
811	Cessation	1	2,100,000	- 550,000	1,550,000	1,300,000	- 550,000	750,000
812	Information	1	3,100,000	- 1,400,000	1,700,000	2,500,000	- 1,400,000	1,100,000
8200	Groupings	2	2,500,000	- 2,500,000	token entry	2,500,000	- 2,500,000	token entry
8350	Reconversion wine	3	31,200,000	- 27,100,000	4,100,000	31,200,000	- 20,000,000	11,200,000
8360	Non-commerc. milk	4	43,040,000	- 34,000,000	9,040,000	43,040,000	- 34,000,000	9,040,000
8370	Erad. bovine disease	1	20,000,000	- 12,900,000	7,100,000	20,000,000	- 2,700,000	17,300,000
8400	Irrig. Mezzogiorno	5	26,350,000	- 9,650,000	16,700,000	18,950,000	- 5,550,000	13,400,000
842	Wine Languedoc/R	5	21,700,000	- 18,600,000	3,100,000	17,000,000	- 15,000,000	2,000,000
Total Chapters 80 to 85			149,990,000	- 106,700,000	43,290,000	176,490,000	- 106,700,000	69,790,000
100	Modernisation	6	7,600,000	- 5,700,000	1,900,000	5,700,000	- 5,700,000	-
	Cessation	6	6,800,000	- 5,100,000	1,700,000	5,100,000	- 5,100,000	-
	Information	6	300,000	- 300,000	-	200,000	- 200,000	-
	Hill farming	6	8,100,000	- 6,100,000	2,000,000	6,100,000	- 6,100,000	-
	Advisers	8	30,000	- 30,000	-	20,000	- 20,000	-
	Mediterr. forests	7	16,000,000	- 6,400,000	9,600,000	12,800,000	- 6,400,000	6,400,000
Total Chapter 100			38,830,000	- 23,630,000	15,200,000	29,920,000	- 23,520,000	6,400,000
TOTAL			188,820,000	- 130,330,000	58,490,000	206,410,000	- 130,220,000	76,190,000

DESTINATION OF THE APPROPRIATIONS TO BE TRANSFERRED

		<u>Appropriations</u>	(EUA)
<u>CHAPTER 61</u>	Rice		
Article 610	Refunds on rice		
Item 6100	Refunds	10,000,000	
<u>CHAPTER 62</u>	Milk and milk products		
Article 620	Refunds on milk and milk products		
Item 6200	Refunds	60,000,000	
Article 621	Measures in respect of skimmed milk		
Item 6211	Aid for skimmed-milk powder for use as feed for animals other than calves	15,000,000	
<u>CHAPTER 66</u>	Pigmeat		
Article 660	Refunds on pigmeat	10,000,000	
Article 661	Measures in respect of pigmeat	10,000,000	
<u>CHAPTER 67</u>	Eggs and poultrymeat		
Article 671	Refunds on poultrymeat	17,000,000	
<u>CHAPTER 73</u>	Other sectors or products subject to common market organization		
Article 737	Peas, broad beans and field beans	8,000,000	

### The evolution of agricultural expenditure

21. This supplementary budget highlights most of the budgetary problems already observed by Parliament during the first reading of the 1980 draft budget.

In particular, agriculture is now poised to consume almost the totality of the Community's budget and all potential own resources. This dramatic development is demonstrated by the evolution of agricultural spending during the 1979 budget procedure.

#### Evolution of agricultural spending

(Guarantee Section: Titles 6 & 7)

	mEUA	% of total budget
Preliminary draft budget 1979	9,593.8	70.0
Letters of amendment	9,718.1	70.3
Draft budget 1979	9,479.8	75.0
Initial budget 1979 as adopted	9,582.1	71.7
Supplementary budget no. 3 preliminary draft	10,384.1	73.1
Supplementary budget no. 3 draft	10,284.1	72.5
Supplementary budget no. 3 + transfer	10,415.5	73.4

22. As will be seen from this table, as a result of the supplementary budget and the proposed transfer, the 1979 budget has, like previous budgets, become progressively unbalanced: and this before the final outturn is known - the final accounts nearly always showing a yet greater proportion of the budget devoted to agricultural expenditure.

23. Your rapporteur does not believe that it is in the context of this supplementary budget that it would be possible to begin curtailing the growth of agricultural expenditure. Parliament has already made the first steps in that direction during the 1980 budgetary procedure. Those steps

already outline a strategy which will undoubtedly lead to Parliament taking a different attitude to an agricultural supplementary budget in 1980. For the moment, however, it has to be recognised that the present supplementary budget proposals are an inevitable consequence of price decisions (which Parliament did not approve) and market developments (outside the control of the Community institutions).

24. It is for this reason that your rapporteur does not propose the rejection of the 1979 supplementary budget. However, certain items within the draft merit particular attention and need amending. It is to be hoped that agreement between Council and Parliament on these items can be speedily achieved in order to avoid serious dislocation of the agricultural accounts at the end of the year.

#### Particular comments of the Committee on Budgets

##### Export Refunds

25. The largest single item within the supplementary budget is the increase in export refunds for butter and butteroil (+ 510 mEUA in the preliminary draft, + 460 mEUA in the draft). This very significant increase in the total budget (considerably larger than Community expenditure on energy, industrial, transport policy etc.) merits only four lines of explanation in the preliminary draft.

"Export refunds: + 510 mEUA almost entirely on butter fats (butter and butteroil). Compared with initial budget estimates, the actual volume exported has increased from 150,000 tonnes to 400,000 tonnes because there were many opportunities for sales on the world market this year."

26. This paragraph underlines a series of political and financial problems.

##### (a) The level of refunds

Export refunds in the milk sector now constitute 70% of the price level. The actual level of refunds is decided upon by the Commission autonomously. This important decision has a major bearing therefore on the Community budget.

As regards the level of refunds for skimmed milk powder, these were stable from May 1978 to June 1979 (80.44 ECU per 100 kilos). They have reduced progressively from June 1979 to November 1979 (since 17 November they stand at 63 ECU per 100 kilos).

For butter the amount of refund remained constant from May 1978 until 16 November 1979 at 198.9 ECU per 100 kilos. A small reduction to 188 ECU per 100 kilos was decided upon on 17 November 1979.

##### (b) The sale of butter on the world market

The original budget appropriation was based, as the Commission points out, on a volume to be exported of 150,000 tonnes. In fact, the equivalent of 410,000 tonnes will have been sold by the end of the year. The 150,000 total was exceeded already by the middle of May 1979. Since then the Commission has been without budgetary cover. PE 61.046/fin.

The Commission wished to benefit from what it considered to be opportunities which existed on the world market.

27. As the Commission has explained in its reply to question no. 911/79, from the rapporteur, it seeks to pursue an active sales policy to benefit from favourable world market conditions, giving rise to an increase in refunds but a medium-term reduction in storage expenditure for Community stocks. Because of this approach the level of storage is kept within bounds which the Commission considers to be normal.

28. Everything therefore hinges upon the Commission taking the right decision at the right time for the right amount. Given the volume of export refunds, it behoves the Commission particularly to demonstrate that the massive sales it decided upon will be profitable in the medium-term: it should therefore indicate how much saving on storage it will achieve. It has not done this. The actual effect on storage for 1979 will amount to a mere 45 mEUA reduction following increased sales. So there does appear to be, in the short-term at any rate, a clear massive loss for the Community, as a result of these operations.

A medium-term reduction of stocks for both butter and skimmed milk powder has been achieved.

From the all time high of 1,360,000 tonnes for skimmed milk powder, in June 1976, the uneven but general reductions had taken this figure to 365,000 tonnes in September 1979. For butter, on the other hand, stocks remain relatively high at 565,000 tonnes.

The Commission estimates that the total 1979/80 reductions in storage could amount to 250 mEUA as a consequence of the increased sales on the market. This is still considerably less than the extra expenditure on refunds.

Your rapporteur is gravely concerned that, in the desire to diminish stocks as quickly as possible, for cosmetic reasons, the Commission may be selling very large quantities on the world market precipitately, and with scant regard for the need to optimise selling conditions, and without due regard to the need to prevent excess profits by exporters at the expense of the Community. Your rapporteur has not been able to obtain information, considered confidential by the Commission, on the prefixation of sales, which could give rise to considerable speculative gains. This is a matter which ought to be taken up by the Committee on Budgetary Control.

Your rapporteur also fears that sufficient regard is not had to the need to prevent dumping of Community surpluses on the world markets, undercutting world market prices and distorting the functioning of that market. The Commission points out that the reduction of stocks can lead to a general beneficial effect on the world market. Reductions in refunds do give rise to increases in the world price, favourable to other exporters. However, the size of the refunds is so great that, combined with the Commission's slowness in reducing the rate of refund, certain harmful effects are undoubtedly felt by other exporting countries, such as New Zealand, to which the Community has certain obligations.

29. What is perhaps the most serious aspect of the procedure is that the Commission can decide, autonomously, on a volume of sales involving expenditure vastly in excess of the budgetary appropriations available. This completely undermines the rights of the Budgetary Authority, which is presented, at the end of the operation, with a fait accompli.

30. Your rapporteur believes that Parliament cannot accept this increase in an unqualified form. He proposes, for the first reading, an amendment placing the 460 mEUA under Chapter 100 pending a full account, to plenary, of the background to the decision to step up sales, its economic justification, and the medium-term effects on storage. Assurances will have to be given that the Commission will not in future make sales decisions which exceed the budgetary resources available.

31. It is not the intention of your rapporteur to seek to interfere with the rights of the Commission to manage the Common Agricultural Policy, or to make its decisions on stocks quickly and efficiently. But the budget provides the limits in which the Commission must act. If it wishes to extend those limits it must first inform and consult the Budgetary Authority.

#### Coresponsibility

32. The Commission envisaged an increase in expenditure to cover the balance of the coresponsibility levy (51 mEUA) because of a time lag between revenue and expenditure with expenditure likely to exceed revenue very considerably.

33. Your rapporteur has obtained extra information on this point from the Commission, given that the explanation in the preliminary draft budget was very unclear. Your rapporteur had been concerned that expenditure was being committed before the revenue arising from the levy had been raised. In fact, in previous years, the negative expenditure arising from the levy had considerably exceeded expenditure to expand the milk market, to be financed from the levy. In 1978 negative expenditure amounted to 156.1 mEUA, while the Commission had only been able to spend 53.3 mEUA for Article 629. Therefore, the Commission, appropriately, seeks to increase expenditure under Article 629, because of the time-lag.

#### Fruit and vegetables

34. Your rapporteur notes that as regards Chapter 68, 'Fruit and vegetables and products processed from fruit and vegetables', a very sharp increase in aid has taken place because the statistics originally submitted by the Member States have not proved to be reliable.

35. The increase under Item 6822 from 160.1 mEUA to 260.1 mEUA serves as a warning for the future growth of this expenditure when further Mediterranean states join the Community. There is an increasing danger that with enlargement a certain "industrialisation" of production in these sectors will cause spending to get out of control, as in the milk sector.

#### Beef and veal products

36. Your rapporteur is concerned at the growth of the appropriations in the beef and veal sector (220 mEUA or 45%). Although the Community is not in major surplus for beef, the intervention mechanism, with buying-in prices only slightly inferior to the market ones, encourages buying-in: with a triple cost ensuing for the Community: storage costs (refrigeration), losses due to sale of frozen products at lower prices than for fresh ones, and export refunds for frozen products. This mounting cost can only be curtailed by the putting of some brakes on the intervention mechanism, by setting the intervention price at a rate which would not encourage artificial intervention. Your rapporteur proposes amending the remarks column of this Chapter, with this in mind.

37. In general, the Commission's explanations for the fluctuations in the different markets are far too brief and do not supply the Budgetary Authority with a sufficient basis on which to form a view as to the reliability of forecasts - reliability which is under severe question.

The Commission's working documents should be submitted automatically to the Budgetary Authority.

#### Transfer from Guidance

38. As regards the proposed transfer from the Guidance to the Guarantee Section of the EAGGF, your rapporteur proposes, for purposes of budgetary transparency and honesty, that this transfer should be incorporated in the supplementary budget, by means of Parliamentary amendment.

39. Given the mixed nature of this transfer, Parliament will retain the last word on it. However, your rapporteur will propose a reduction of 30 mEUA in the volume of this transfer in order that it may correspond with the Commission's original proposals in the supplementary budget. The transfer in fact proposes increasing expenditure for certain items without any explanation. For example, extra amounts have been included for rice refunds and other market organizations (Chapters 61 and 73) not covered in the preliminary draft or draft budgets. Your rapporteur has requested the Commission to supply full justifications on this point. Prior to these justifications it is not possible to exceed the original provision in the preliminary draft.

#### The outturn of the 1979 budget

40. Your rapporteur requested the Commission to provide him with the general picture of the implementation of the 1979 general budget as at 15 November 1979. This picture shows that, for the Guidance Section of the EAGGF and for nearly all the non-compulsory sections of the budget, a very low rate of spending has been achieved, whereas all the appropriations available for the Guarantee Section have been used. It is clear, that by the time the accounts are closed for 1979, the existing distortions and imbalance within the budget will be seen to have become even more serious. Indeed, it is possible to estimate that Guarantee Section expenditure will have reached 83% or 84% of the total Community budget by the end of the year (as regards payments). This deterioration highlights the wisdom of Parliament's attempts, during the 1980 budgetary procedure, to achieve a better balance within the budget by curtailing agricultural expenditure and by strengthening other Community structural policies. This approach has yet to find a favourable response from Council.



## Conclusion

41. In conclusion, your rapporteur proposes that the Committee on Budgets accepts the draft supplementary budget no. 3 but amends it along the following lines:

- (i) transfer of 460 mEUA for the butter export refunds, to Title 10, for the first reading of the budget prior to a full explanation by the Commission as to the background to the decision to increase sales, the prospects for future savings and to assurances that decisions will not again be taken which would lead to exceeding budgetary appropriations, without reference to the Budgetary Authority;
- (ii) including within the budget the proposed transfer from Guidance to Guarantee;
- (iii) trimming that transfer by approximately one-third, to keep available for the Commission appropriations for certain key sectors under the Guidance Section;
- (iv) adding a comment to the remarks column against Chapter 65, calling upon the Commission to alter the intervention price for beef and veal, to discourage unnecessary intervention.

If Council can speedily indicate its agreement to these amendments, Parliament could then adopt the third supplementary budget during the December part session.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman of the opinion: Mr I. FRÜH

The Committee on Agriculture appointed Mr Fröh draftsman of ~~its~~ opinion.

It considered the draft opinion at its meeting of 28/29 November 1979 and adopted it by 24 votes in favour with 3 abstentions.

Present: Sir Henry Plumb, chairman; Mr Ligios, vice-chairman; Mr Fröh, draftsman of the opinion; Mr Battersby, Mr Bocklet, Mr Buchou, Mr Clinton, Mr Colleselli, Mrs Cresson, Mr Curry, Mr Dalsass, Mr Davern, Mr Delatte, Mr Gatto, Mrs Herklotz, Mr Kirk, Mr Maffre-Baugé, Mr B. Nielsen, Mr D'Ormesson (deputizing for Mr Diana), Mr Papapietro, Mr Pisani (deputizing for Mr Hauenschield), Mr Pranchere, Mr Skovmand, Mr Sutra, Mr Tolman, Mr Vernimmen, Mr Wettig.

## INTRODUCTION

1. On 16 October 1979, the Commission forwarded to the Council a preliminary draft of the third supplementary and amending budget for the financial year 1979 with the object of:

- adjusting the appropriations for the EAGGF, Guarantee Section, in the light of developments in the agricultural market situation and of the agricultural price decisions taken by the Council on 22 June 1979;
- adjusting the appropriations entered in Chapter 40 to the latest estimates of the level of own resources, as provided for in Article 16 of the Financial Regulation;
- creating a new budget heading within the EAGGF, Guidance Section to enable the Community to participate in the reconstruction of the agricultural areas in the French Overseas Departments devastated by hurricanes David and Frederick<sup>1</sup>.

2. The Commission estimates the additional amount required by the Guarantee Section at 802mEUA, but points out that revenue should exceed initial forecasts by 330m EUA, which when offset against the flat-rate repayments to the Member States should give a net increase in expenditure of about 502m EUA.

The measure proposed to repair the damage caused by hurricanes in Martinique and Guadeloupe at a cost of 12 m EUA will be implemented by means of an internal adjustment of the appropriations for the EAGGF Guidance Section.

## II. CONSIDERATION OF THE COMMISSION'S PRELIMINARY DRAFT

3. The combined effect of the Council's decisions on agricultural prices and subsequent developments on the agricultural markets has been to produce a shortfall in appropriations of 1.217m EUA and savings of 415m EUA, i.e. a net increase in expenditure of 802m EUA which represents a rise of 8.3% in relation to the initial appropriations (see Annex I). It should be pointed out that the decisions on prices account for 200m EUA of that increase. The increases and decreases of expenditure in each sector are set out in Annex II.

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<sup>1</sup>Doc. 1-430/79 - rapporteur: Sir Henry PLUMB

4. The Committee on Agriculture does not wish to consider in detail all the variations in appropriations, as The Commission has explained the reasons for them in its preliminary draft third supplementary and amending budget for 1979. However, it should be pointed out that the need for additional appropriations is essentially the result of:

- (a) a very substantial increase in exports of dairy products (+510m EUA) - the volume exported has increased from 150,000 to 400,000 tonnes in response to demand on the world market - together with an increase in expenditure on aid for butter consumption (+ 151m EUA), these measures being offset by a reduction in storage costs (-45m EUA);
- (b) a considerable decline in the market for beef and veal (+220m EUA) mainly due to increased storage costs (+77m EUA) and a rise in exports (+132m EUA in refunds);
- (c) an increase in interventions in the processed fruit and vegetable products sector (+ 90m EUA) principally due to the fact that the quantity of tomatoes processed was substantially greater than had been forecast in the light of the statistics which were submitted by the Member States when the relevant regulation was drawn up and which were used as a basis for working out the initial appropriation;
- (d) a substantial increase in expenditure in the oils and fats sector (+ 70m EUA) due to an acceleration in the rate of payments made by the intervention agency in Italy and to the implementation of a scheme of aid for olive-oil consumption in March 1979.

5. These increases in expenditure are partially offset by a number of decreases.

- (a) The decreases in expenditure on cereals (-300m EUA) is due mainly to savings on export refunds following the rise in world market prices, and on carry-over payments.
- (b) In the wine sector (-25m EUA) the decrease is mainly due to the fact that the harvest fell short of the estimates on which the budget was based.
- (c) The same is true of tobacco and this is reflected in an overall saving of 50m EUA.
- (d) Finally, it is expected that 40m EUA less will be spent on MCA's because of the monetary situation of the Member States (rise in sterling) and adjustments to the representative exchange rates for the various currencies made at the time of the agricultural price decisions, which led to a drop in MCA's.

6. As regards the EAGGF Guidance Section, the Commission points out that although an initial emergency allocation of 1m EUA was made to Martinique and Guadeloupe after they were hit by hurricanes David and Frederick, this was not enough to rebuild the agricultural economy of the two French Overseas Departments.

The Commission therefore submitted to the Council a proposal for a regulation designed to help the two islands. This regulation was adopted by the Council on 30 October 1979<sup>1</sup>.

The Commission now proposes to create a new budget heading, Article 819, for the necessary commitment appropriations of 12m EUA and payment appropriations of 9.6m EUA.

This measure will be financed by transferring unutilised appropriations from Article 813 ('Mountain and hill farming and farming in certain less favoured areas').

7. As regards variations in own resources, the Commission observes that the figures for the collection of agricultural levies are close to the forecasts.

On sugar and isoglucose levies, the Commission points out that by its judgment of 25 October 1978 the Court of Justice stopped the payment of the isoglucose levy on the grounds that Regulation (EEC) No.1111/77 was at variance with the Treaty.

The Council amended the abovementioned regulation on 25 June 1979. The new regulation repeals the provisions relating to levies for previous years but once again provides for the payment of a levy from the 1979/80 Marketing year. That levy will not however be payable before 1980. Consequently, the estimate of revenue (+7.2million EUA) entered in the 1979 budget no longer applies.

### III. CONSIDERATION OF THE COUNCIL'S DRAFT

8. On the basis of the Commission's preliminary draft, the Council on 29 October 1979 established a draft supplementary and amending budget which features an increase in expenditure of 731.28m EUA over the 1979 budget.

9. As regards the EAGGF Guarantee Section, the Council, in agreement with the Commission has modified the increases in expenditure proposed in the preliminary draft as follows:

dairy products:	- 70 m EUA
beef and veal :	- 20 m EUA
pigmeat :	- 10 m EUA

<sup>1</sup> Regulation (EEC) No. 2395/79. OJ No. L 275 of 1.11.79, page 1

Thus the supplementary appropriations required for the Guarantee Section amount not to 802 m EUA but to 702 m EUA.

10. As regards the EAGGF Guidance Section, the Council has accepted the Commission's proposal for the creation of a new Article 819 'Emergency measure to repair the damage to agriculture in the OD caused by hurricanes in 1979' and on 30 October adopted the regulation enabling that measure to be implemented, as stated in paragraph 6 of this opinion.

II. Finally, on the question of revenue, the Council has approved the adjustments to own resources proposed by the Commission.

#### IV. CONCLUSIONS

12. The recourse to supplementary and amending budgets shows once again how difficult it is to make estimates for the agricultural sector.

For example, developments on the agricultural markets between the time when the Commission draws up the preliminary draft budget and the time when the Council establishes its draft often make letters of amendment necessary.

By the same token, between the time when the Budgetary Authority adopts the budget and the time when the budget is put into effect, developments on the agricultural markets are such that very often supplementary budgets become necessary. To avoid this, methods of estimating harvests or levels of production about one year in advance would have to be devised. The present state of scientific knowledge does not permit such forecasts.

13. The use of supplementary and amending budgets may be criticized insofar as it distorts the overall view of Community activity in the following year which the budgetary authority may have formed at the time of discussing the general budget.

14. The Community cannot however dispense altogether with supplementary and amending budgets because it cannot withhold payments of compulsory expenditure, since this would be contrary to Community law.

15. The Committee on Agriculture therefore:

- (a) recognizes the need for the present supplementary and amending budget,
- (b) urges the Commission to seek ways of improving its estimating methods in order to avoid as far as possible any recourse to supplementary and amending budgets and with the same object in view invites it to consider jointly with the European Parliament ways in which the procedure for drawing up the budget could be improved.

ANNEX I

EXPENDITURE TRENDS COMPARED WITH INITIAL APPROPRIATIONS

(Commission's preliminary draft third supplementary and  
amending budget for 1979)

	1979 Budget Initial ap- propriations in m EUA	Variation in m EUA	New estim- ate of require- ments in m EUA	Variation in %
	a	b	c	$d = \frac{b}{a}$
Cereals	1874.2	- 300	1574.2	- 16 %
Milk and Milk products	3717.6	+ 742	4459.6	+ 20 %
Oils and Fats	522.9	+ 70	592.9	+ 13.4 %
Beef and Veal	488.3	+ 220	708.3	+ 45 %
Pigmeat	84.9	+ 10	94.9	+ 11.8 %
Eggs & poultrymeat	41.2	+ 25	66.2	+ 60.6 %
Fruit & vegetables	326.5	+ 90	416.5	+ 27.6 %
Wine	119.4	- 25	94.4	- 20.9 %
Tobacco	262	- 50	212	- 19.1 %
Products not in- cluded in Annex II	176.2	+ 60	236.2	+ 34 %
Compensatory amounts	809.2	- 40	769.2	- 5 %
Other sectors	1159.7	-	1159.7	-
Total Titles 6 & 7	9582.1	+ 802	10384.1	+ 8.3 %

ANNEX II

VARIATION OF EXPENDITURE BY SECTOR

(Commission's preliminary draft third supplementary and amending  
budget for 1979)

Milk and Milk products	+ 742
Oils and fats	+ 70
Beef and veal	+ 220
Pigmeat	+ 10
Eggs and poultrymeat	+ 25
Fruit and vegetables	+ 90
Refunds for products not included in Annex II	+ 60
Cereals	- 300
Wine	- 25
Tobacco	- 50
MCA	- 40
<b>TOTAL</b>	<b>+ 802</b>



DRAFT AMENDMENT

BUDGET

# EUROPEAN PARLIAMENT

... 3 DECEMBER 1979.

Doc. 470/2.



## DRAFT GENERAL BUDGET OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1979

DRAFT AMENDMENT No. 2...

tabled by Mr LANKERT, rapporteur, on behalf of the Committee on Budgets

### SECTION III - COMMISSION

#### PAYMENTS

##### A - Expenditure

Chapter 62 : Milk and milk products

Article 620: Refunds on milk and milk products

Item 6200 : Refunds

Increase expenditure by 50 mEUA.

Article 621: Measures in respect of skimmed milk

Item 6211 : Aid for skimmed-milk powder for use as feed for animals  
other than calves

Increase expenditure by 20 mEUA.

Chapter 65 : Beef and veal

Article 650: Refunds on beef and veal

Item 6500 : Refunds

Increase expenditure by 10 mEUA.

Article 651: Measures in respect of the storage of beef and veal

Item 6511 : Public storage

Increase expenditure by 10 mEUA.

Chapter 66 : Pigmeat

Article 661: Measures in respect of pigmeat

Increase expenditure by 10 mEUA.

B - Compensation

Chapter 80 : Projects for the improvement of agricultural structures

Article 800: Projects for the improvement of agricultural structures provided for under Article 13 of Regulation No. 17/64/EEC

Reduce payment appropriations by 20 mEUA.

Chapter 81 : **Common measures for the reform of agricultural production structures**

Article 811: Cessation of farming and reallocation of land for structural improvement

Reduce payment and commitment appropriations by 550,000 EUA.

Article 812: Vocational guidance and training

Reduce payment and commitment appropriations by 1.4 mEUA.

Chapter 82 : **Common measures concerning the marketing and processing of agricultural products**

Article 820: Producer groups

Item 8200 : Producer groups and associations thereof

Reduce payment and commitment appropriations by 2.5 mEUA.

Chapter 83 : **Common measures in particular sectors**

Article 835: Wine sector

Item 8350 : Conversion premium

Reduce payment appropriations by 15 mEUA.

Reduce commitment appropriations by 22.1 mEUA.

Article 836: Milk sector

Item 8360 : Premium for the non-marketing of milk and for the conversion of dairy herds

Reduce payment and commitment appropriations by 20 mEUA.

Article 837: Community measures to eradicate certain diseases of cattle

Item 8370 : Eradication of brucellosis, tuberculosis and leucosis in cattle

Reduce payment appropriations by 2.7 mEUA.

Reduce commitment appropriations by 12.9 mEUA.

Chapter 84 : **Common measures concerning agricultural infrastructures**

Article 840: Collective irrigation works

Item 8400 : Collective irrigation works in the Mezzogiorno

Reduce payment appropriations by 4.55 mEUA.

Reduce commitment appropriations by 8.65 mEUA.

Article 842: Restructuring and conversion of vineyards in Languedoc-Roussillon and certain other French regions

Reduce payment appropriations by 10 mEUA.

Reduce commitment appropriations by 13.6 mEUA.

## Chapter 100 : Provisional appropriations

### Reduce payments and commitments for:

- No. 22 (Art. 810) - Modernization of farms by 5.7 mEUA
- No. 23 (Art. 811) - Cessation of farming and reallocation of land for structural improvement by 5.1 mEUA
- No. 25 (Art. 813) - Mountain and hill farming and farming in certain less-favoured areas by 6.1 mEUA
- No. 27 (Art. 843) - Forestry measures in certain dry Mediterranean regions by 6.4 mEUA

### C - Revenue

Unchanged.

### COMMITMENTS

As shown above.

### Schedule

-

### REMARKS

Unchanged.

### Justification

The purpose of this transfer is to incorporate within the third supplementary budget all the elements tending to increase Guarantee expenditure at the end of the 1979 financial year and to put an end to attempts to disguise these increases by opaque procedural devices.

The Commission, on 16 October 1979, introduced belatedly a preliminary draft supplementary budget increasing appropriations for the Guarantee Section of the EAGGF by 802 mEUA. Council, thirteen days later, arbitrarily reduced appropriations by 100 mEUA.

The Commission accepted this procedure subject to a favourable Council reaction to a proposed transfer from the Guidance to the Guarantee Section. This transfer was not in any way alluded to in the Council's explanatory statement of the draft supplementary budget.

An attempt was then made to accelerate procedures for examining this transfer. In the view of your rapporteur, this transfer needs to be considered as an integral part of the draft budget and he therefore proposes amending it to incorporate this extra expenditure.

In this context it is worth pointing out that the cumulative effect of the increases in expenditure in the Guarantee Section at the expense of the Guidance Section has been to reduce the impact of that Guidance section to an almost negligible level. By 15 November 1979 more than 75% of payment appropriations for this sector remained available.

Whilst it is true that this money, if unspent at the end of the year, will lapse given the new system applying to financing of the Guidance Section, your rapporteur does not believe that the Commission should abandon all efforts between now and the end of the year to spend the money. Therefore, he proposes reducing the net effect of this transfer from 130 mEUA to 100 mEUA in accordance with the original proposals of the Commission in the preliminary draft.

The Commission has in no way explained why it is suddenly necessary to provide an extra 30 mEUA beyond the 802 mEUA originally sought. If such an explanation is provided then your rapporteur would consider amending the draft in consequence.

The 30 mEUA cutback for Titles 6 and 7 restores the appropriations to the levels proposed in the preliminary draft supplementary budget no. 3.

DRAFT CHINA

BUDGET

# EUROPEAN PARLIAMENT

9 DECEMBER 1979

Doc. 470 / 3



## DRAFT GENERAL BUDGET OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1979

DRAFT AMENDMENT No. 2

tabled by Mr DANKERT, rapporteur, on behalf of the Committee on Budgets

### SECTION III - COMMISSION

#### PAYMENTS

Title 6 : European Agricultural Guidance and Guarantee Fund  
Guarantee Section

Chapter 65 : Beef and veal

#### A - Expenditure

Unchanged.

#### B - Compensation

-

#### C - Revenue

-

#### COMMITMENTS

-

#### REMARKS

Add the following remarks against this item:

'The Commission is hereby instructed to propose revising the intervention procedures for beef and veal to discourage unnecessary intervention.'

#### Justification

The rapporteur of the Committee on Budgets is concerned at the growth of appropriations in the beef and veal sector during 1979 (220 MEUA or 45%). Although the Community is not in major surplus for beef, the intervention mechanism, with buying-in prices only slightly inferior to the market ones, encourages buying in: with a triple cost ensuing for the Community: storage costs (refrigeration), losses due to sale of frozen products at lower prices than for fresh ones, and export refunds for frozen products. This mounting cost can only be curtailed by the putting of some brakes on the intervention mechanism, through a reform of the intervention modalities.

The Commission is therefore instructed by the Budgetary Authority, in the binding remarks column of the budget, to bring forward the necessary proposals so that the artificial intervention mechanism can be constrained, with the consequent reduction in future expenditure.

PROPOSED  
MODIFICATION

BUDGET

# EUROPEAN PARLIAMENT

3. DECEMBER 1979...

Doc. 470 12

## DRAFT GENERAL BUDGET OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1979

PROPOSED MODIFICATION No. 11...

tabled by Mr DANKERT, rapporteur, on behalf of the Committee on Budgets

### SECTION III - COMMISSION

#### PAYMENTS

Title 6 : European Agricultural Guidance and Guarantee Fund  
Guarantee Section

Chapter 62 : Milk and milk products

Article 620: Refunds on milk and milk products

Item 6200 : Refunds

#### A - Expenditure

Decrease the payment appropriations by 460 mEUA.

#### B - Compensation

Title 10. Chapter 100 'Provisional appropriations'

Increase appropriations by 460 mEUA.

#### C - Revenue

Unchanged.

#### COMMITMENTS

Unchanged.

#### Schedule

-

#### REMARKS

Add the following remarks: 'Item 6200 Refunds on milk and milk products'.

#### Justification

The rapporteur believes that the entirely foreseeable increase in export refunds expenditure for milk products raises certain questions of political importance.

The Commission needs to give account, before the full session of Parliament, of its management of this policy. It needs to explain to Parliament the conditions under which export sales were approved, the rate of refunds set.

It needs to satisfy Parliament that decisions on export refunds are not taken solely with a view to cosmetic reductions in stocks. The overall interest of medium-term economies in storage costs must be weighed against the very high rate of expenditure incurred as a result of these refunds.

Furthermore, the Commission must demonstrate that it takes into account the effect on exports of third countries, such as New Zealand, and the commitments given to those countries as regards their right of diversifying their exports, and the need to avoid allegations of unfair price competition on the world market.

Finally, the Commission must undertake that it will never again encourage exports of milk products from the Community, massively in excess of the amounts which served as the basis for calculations in the initial budget, without previously informing and consulting the Budgetary Authority. Any strategy which involves a risk of a supplementary budget needs the approval of that Authority, particularly in view of the terms of Articles 1(5) and 9 of the Financial Regulation of 21 December 1977.

This transfer of appropriations, and their blocking in Chapter 100, is not an attempt to undermine the rights of third parties, in the context of the Common Agricultural Policy. It is intended to give the Commission an opportunity to make a full statement to the European Parliament on the important political matters mentioned above. If the Commission provides such a full and satisfactory statement with the accompanying assurances for the future, it will not be necessary to proceed to sustain this modification. For this purpose, Mr Gundelach, the Member of the Commission responsible, has been invited to provide Parliament and its Committee on Budgets with a full account, during the December part-session.