

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(74) 3378

Brussels, 9 September 1974

SPECIAL MEASURES TO MEET THE PRESENT
SHORT-TERM ECONOMIC SITUATION IN
AGRICULTURE
FINANCIAL EFFECTS

FINANCIAL EFFECTS OF PROPOSALS
from the
COMMISSION TO THE COUNCIL

The purpose of this document is to present the financial effects of the following Commission Proposals to the Council:

- (a) Proposed Council Regulation amending Regulation (EEC) No 974/71 on certain short-term economic policy measures to be taken in the agricultural sector following the temporary widening of the fluctuation margins of certain Member States' currencies.
- (b) Proposed Council Regulation fixing a new representative rate of conversion to be applied in the agricultural sector for the English and Irish pounds.
- (c) Proposed Council Regulation amending the prices to be applied in the agricultural sector for the 1974/75 marketing season.
- (d) Proposed Council Decision on the interest rate referred to in Article 8(2) of Council Directive No 72/159/EEC of 17 April 1972.

x + x + x + x + x

1. Effects as regards expenditure out of the Guarantee Section and farm levies to be paid to the Community

(i) The table below summarizes these effects for the various measures concerning the 1975 financial year.

Measures	Million UA	
	Variations in expenditure during 1975 financial year for the Guarantee section	Variations in farm levies to be paid to the Community during 1975 financial year
a	b	c
A. Monetary provisions		
1. Adaptation of the implementing rules for negative compensatory amounts (non-application of 2 points)		
2. Adjustment of the representative rate of the English and Irish pounds	- 30	+ 55
3. Abolition of ceiling for compensatory amounts (abolition Art. 4a(2))		
B. Adaptation of prices		
	+ 120	+ 20
Total A + B	+ 90	+ 75

(ii) As regards the 1974 financial year, expenditure is not increased because of the late date of the entry into force and of the financing procedures of EAGGF in respect of the Member States' expenditures. As regards the "own resources" for 1974, these would be slightly increased by about a dozen million u.a.

2. Effects in respect of Guidance Section

The measure increasing the interest from 5 to 6% within the framework of Directive 72/159/EEC would bring about an expenditure increase of about 1.5 million u.a. in 1975, this increase reaching about 7 million u.a. in 1976.

3. Following the Council decisions on these various measures, it would be advisable to make the necessary adjustments to titles 6 and 7 of the preliminary draft budget for 1975.

4. There are certain remarks to be made as regards the effects shown for the Guarantee Section expenditures and for the "own resources".

(a) Remarks concerning the effects of the monetary provisions

(i) These effects are related to the various parameters, in particular import levies and export refunds, which are closely linked with world prices, as well as the depreciation rates of the various currencies in relation to the conversion rates used for agricultural policy actions.

The assumptions agreed to correspond to the present situation, in particular as regards the cereal and sugar sectors and as regards the position of the pound, the French franc and the lira.

(ii) The effects have been computed for the combination of the three measures because of the great influence of the adoption of a measure on the effects of others. Thus the effect of the abolition of Art. 4a is very different according to whether this abolition is or is not accompanied by a change in the representative rate of the pound and according to whether the calculation of the MCM has been made on the basis of the whole rebate or of the rebate reduced by two points as shown in the table below.

Effects on EAGGF, Guarantee Section, expenditure due to the abolition of Article 4a in certain different cases.

		Million u.a.				
		a	b	c	d	e
Charac- teristics of each case	Pound rebate		15 %	7.5%	15%	7.5%
	Calculation of MCM with or without allowance of 2 Points		nil	nil	with	with
	French franc rebate		8.1%	8.1%	8.1%	8.1%
	Lira rebate		2.5%	2.5%	2.5%	2.5%
Effects on EAGGF, Guarantee section, expenditure			+ 95	- 10	+ 68	- 20

(b) Remarks on effects of price adaptation

The effect of 120 million u.a. shown above has been calculated on the assumption that the rates of aid for skimmed milk (powdered or liquid) for cattle has not been altered. If these aids were increased, the above figure would also have to be increased. An increase in aid corresponding to 50% of the rise proposed for the intervention price of powdered skimmed milk would have a financial impact of 27 million u.a.