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***Annex to the :***

**33rd FINANCIAL REPORT**

**on**

**THE EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND,**

**GUARANTEE SECTION**

**– 2003 FINANCIAL YEAR –**

**{COM(2004)715 final}**

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## 1. BUDGET PROCEDURE

### 1.1. The multiannual financial framework and the reform of the CAP

With a view to enlargement to include ten new Member States, the 2002 Copenhagen Summit adjusted the ceilings on agricultural and rural-development expenditure initially fixed at the 1999 Berlin Summit to the following levels:

#### Financial Perspective for the EU-25 adjusted in view of enlargement<sup>1</sup> (in EUR million at current prices)

	2000	2001	2002	2003	2004	2005	2006	Total
Total CAP Agenda 2000	41 738	44 530	46 587	47 378	49 305	51 447	52 618	333 603
(a) Markets <sup>2</sup> (sub-ceiling 1a)	37 352	40 035	41 992	42 680	42 769	44 598	45 502	294 928
(b) Rural development (sub-ceiling 1b)	4 386	4 495	4 595	4 698	6 536	6 849	7 116	38 675

On 26 June 2003, a fundamental reform of the common agricultural policy (CAP) was adopted.

The main element of the reform is that a large proportion of aid will now be paid independently of the volume of production. Member States may choose to maintain a link between aid and production under clearly defined conditions and within clearly defined limits. These new "single farm payments" will be subject to compliance with environmental, food-safety and animal-welfare standards.

It was also decided to review the market organisations, particularly in the milk, rice, cereals, dried-fodder and nut sectors. In order to comply with the ceilings laid down in the Financial Perspective, it was decided to introduce a mechanism of financial discipline from 2007. The different aspects of the reform will enter into force progressively from the 2004 calendar year.

### 1.2. 2003 preliminary draft budget

This was adopted by the Commission and proposed to the budget authority in April 2002. The appropriations proposed for the EAGGF totalled EUR 45 117.8 million, of which EUR 40 419.85 million were for subheading 1a (EUR 2 260.2 million below the 1a ceiling of EUR 42 680 million) and EUR 4 698 million (the ceiling) for subheading 1b.

### 1.3. 2003 draft budget

The Council adopted this in July 2002. Appropriations for subheading 1a were reduced by EUR 288 million but those for subheading 1b were left at the level laid

<sup>1</sup> EU-15 until 2003.

<sup>2</sup> Including veterinary and plant-health measures and excluding accompanying measures.

down in the Financial Perspective. Consequently, total appropriations for the EAGGF Guarantee Section were EUR 44 829.8 million, of which EUR 40 131.9 million were for subheading 1a and EUR 4 698 million for subheading 1b.

#### **1.4. Letter of Amendment**

At the end of October 2002, the Commission adopted Letter of Amendment No 3/2003 to the PDB to take account of the development of the agricultural situation and recent agricultural legislation. It set appropriation requirements for 2003 at EUR 44 780.5 million, of which EUR 40 082.5 million were for market measures (EUR 2 597.6 million below the 1a ceiling) and EUR 4 698 million (the ceiling) were for rural development.

#### **1.5. Adoption of the 2003 budget**

In December 2002, the 2003 budget was adopted:

- \* for subheading 1a, 2003 appropriations were set at EUR 40 082.5 million (EUR 2 597.6 million below the Berlin ceiling),
- \* for subheading 1b, 2003 appropriations were set at EUR 4 698 million (the ceiling for subheading 1b for the 2003 financial year).

In application of Council Regulation (EC) No 2040/2000 of 26 September 2000 on budgetary discipline<sup>3</sup>, the monetary reserve was abolished from the 2003 financial year.

## **2. CASH POSITION AND MANAGEMENT OF APPROPRIATIONS**

### **A. MANAGEMENT OF APPROPRIATIONS**

#### **2.1. Appropriations available for 2003**

The appropriations finally available for 2003 totalled EUR 44 764 427 000.00. The budget authority approved a non-automatic carryover from 2002 of EUR 83 892 329.

#### **2.2. Utilisation of appropriations available for 2003**

##### *2.2.1. Budget operations*

The table below details the budget operations carried out in 2003:

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<sup>3</sup> OJ L 244, 26.9.2000, p. 27.

1. Appropriations available	
– normal appropriations	44 764 427 000.00
– non-automatic carryovers	83 892 329.00
2. Commitments	
– for Member States' expenditure against normal appropriations	44 072 548 900.34
– for expenditure against non-automatic carryovers	83 892 329.00
– for direct payments	<u>305 519 864.52</u>
Total commitments	44 461 961 093.86
3. Amounts charged	
– for Member States' expenditure against normal appropriations	44 072 548 900.34
– for expenditure against non-automatic carryovers	81 397 691.00
– for direct payments	<u>15 492 512.96</u>
Total charged	44 169 439 104.30
4. Automatic carryovers	
– for Member States' expenditure against normal appropriations	0.00
– for Member States' expenditure against non-automatic carryovers	0.00
– for direct payments	<u>290 027 351.56</u>
Total automatic carryovers	290 027 351.56
5. Non-automatic carryovers	41 200 000.00
6. Appropriations lapsing (= 1 – 2 – 5)	345 158 235.14

### 2.2.2. *Automatic carryovers*

These are the difference between commitments and amounts charged. For 2003, the appropriations committed by the Commission for its own expenditure were EUR 290.03 million in excess of the payments made by the end of the financial year.

### 2.2.3. *Non-automatic carryovers*

Under Articles 9 and 149 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002), the Commission decided to carry over from 2003 to 2004 a total of EUR 41.20 million:

- EUR 8.7 million for item B01-406 (05.040109) *Improving the processing and marketing of agricultural products*,
- EUR 32.5 million for item B01-4070 *Forestry – New system Article 31*.

### 2.3. **Automatic carryovers from 2002 to 2003**

The table below gives an overview of utilisation of these carryovers in 2003:

1. Commitments carried over	
– for Member States' expenditure	–
– for direct payments	<u>231 176 044.00</u>
Total	231 176 044.00
2. Decommitments from carryovers	
– for Member States' expenditure	–
– for direct payments	<u>(2 543 486.79)</u>
Total	(2 543 486.79)
3. Payments	
– for Member States' expenditure	–
– for direct payments	<u>209 807 950.34</u>
Total charged	209 807 950.34
4. Appropriations lapsing (= 1 + 2 – 3)	
– for Member States' expenditure	
– for direct payments	<u>18 824 606.87</u>
Total carryovers cancelled	18 824 606.87

#### 2.4. Non-automatic carryovers from 2002

Under Articles 9 and 149 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002), the Commission decided to carry over from 2002 to 2003 a total of EUR 83.89 million.

This broke down into EUR 34.576 million for item B01-332 *Emergency fund for veterinary complaints and other animal contaminations which are a risk to public health*, EUR 4.571 million for item B01-400 *Investments in agricultural holdings*, EUR 32.256 million for item B01-4050 *Agri-environment (new system)*, EUR 6.49 million for item B01-4080 *Promoting the adaptation and development of rural areas, Main agriculture-related measures* and EUR 5.999 million for item B01-4081 *Other measures*. These appropriations were fully committed in 2003.

#### 2.5. Transfers within the Guarantee Section

In 2003, the budget authority approved the following transfers:

Chapter-to-chapter transfer No 51/03:

- from Chapters B01-11 *Sugar* (–EUR 204.0 million), B01-15 *Fruit and vegetables* (–EUR 50.0 million), B01-16 *Vine-growing sector* (–EUR 42.0 million), B01-21 *Beef and veal* (–EUR 267.0 million), B01-31 *Food programmes* (–EUR 20.0 million);
- to Chapters B01-10 *Arable crops* (+ EUR 25.0 million), B01-12 *Olive oil* (+ EUR 7 million), B01-18 *Other plant sectors or products* (+ EUR 31.0 million), B1-20 *Milk and milk products* (+ EUR 129.0 million), B01-22 *Sheepmeat and goatmeat* (+ EUR 280.0 million), B01-30 *Processing refunds* (+ EUR 19 million), B1-37 *Clearance of previous years' accounts and reduction/suspension of advances under Chapters B1-10 to B1-39* (+ EUR 92.0 million).

Chapter-to-chapter transfer No 41/03

- from Chapter B01-16 *Vine-growing sector* (–EUR 95.0 million),
- to Chapter B1-33 *Veterinary and plant-health measures* (+ EUR 95.0 million).

## **B. SYSTEM OF ADVANCES AND DIRECT PAYMENTS**

### **2.6. Advances to Member States**

#### *2.6.1. Monthly advances on the provision for expenditure*

Article 7 of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy<sup>4</sup> states that "the Commission shall decide on monthly advances on the provision for expenditure effected by the accredited paying agencies". Advances are paid to the Member State at the beginning of the second month following that in which the expenditure was effected by the paying agency.

These are not strictly speaking advances but rather reimbursements of expenditure already incurred by Member States. The use of the term "advance" stresses the provisional nature of the payments: the advances are determined on the basis of the monthly expenditure declarations forwarded by the Member States; the expenditure will be booked definitively once it has been verified on the spot during subsequent financial years (see Title 4: Clearance of accounts).

Payments made by the Member States from 16 October 2002 to 15 October 2003 were covered by the system. Over 99% is expenditure charged to the EAGGF Guarantee Section. The remainder consists of a limited number of measures for which the Commission makes direct payments.

#### *2.6.2. Decisions on advances for 2003*

The Commission adopted twelve decisions on monthly advances for the 2003 financial year (Annex 4 to the Financial Report).

An additional advance, adjusting those already granted to total expenditure chargeable to the year, was decided on in December 2003.

#### *2.6.3. Reduction and suspension of advances*

In 2003, a downward correction of EUR 49.67 million was made to the advances paid to the Member States. The various categories of corrections are given below.

##### ***(a) Reduction of advances for non-compliance with payment deadlines***

In application of Article 14 of Council Regulation (EC) No 2040/2000, the EAGGF established that some Member States did not always comply with the time limits laid down in the relevant Community rules for the payment of aid to beneficiaries.

Payment deadlines were introduced to ensure equal treatment of recipients in all Member States and to avoid situations in which delays in payment resulted in the aid no longer having the desired economic effect. Moreover, leaving it to the individual paying agencies to make payments at their administrative convenience would prevent the proper application of budgetary discipline.

The Commission's decisions on monthly advances on two occasions provided for a reduction for late payment. The total reduction came to EUR 52.08 million.

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<sup>4</sup> OJ L 160, 26.6.1999, p. 103.



***(b) Reduction of advances on account of failure to charge the additional milk levy for 2002/03***

When the expenditure declared for the 2003 financial year was scrutinised, it was concluded that two Member States had not charged the full amount of the additional levy for the 2001/02 marketing year in accordance with Article 5(2) of Regulation (EEC) No 536/93.

Pursuant to Article 14 of Regulation (EC) No 2040/2000, the Commission decided to reduce the advances for the Member States concerned by EUR 1.90 million.

***(c) Corrections for public storage***

Following the introduction in 2002 of the new e-Faudit application, the calculation, declaration and verification of expenditure on public storage by the Member States was considerably improved. Consequently, no correction was necessary in 2003 under these arrangements.

**2.7. Direct payments**

In some cases, the Commission makes direct payments to operators. These are payments for veterinary and plant-health measures (Chapter 33) and for certain measures which do not come under traditional market management but are designed to expand outlets for products, particularly olive oil and fibre flax, and anti-fraud measures, quality promotion and research connected with tobacco (see Annex 5).

**3. THE IMPLEMENTATION OF THE BUDGET**

**A. INTRODUCTION**

**3.1. The implementation of the budget**

The uptake of EAGGF-Guarantee Section appropriations for the 2003 budget year was EUR 44 462.0 million, i.e. 99.1% of the total budget appropriations of EUR 44 864.4 million under heading B1. Expenditure was approximately EUR 402.4 million below the budget appropriations. The annexed Table 6 presents the situation as regards the utilisation of 2003 budget appropriations by chapter.

For subheading 1a, budget appropriations totalled EUR 40 117.1 million, including approximately EUR 34.6 million carried over from 2002 to Chapter B1-33. Implementation, after clearance of the accounts, amounted to EUR 39 782.4 million, i.e. 99.2% of the budget appropriations under this subheading. While the animal-products section of the budget was over-implemented, the sections concerning plant products and ancillary expenditure were under-implemented.

For subheading 1b, the budget appropriations amounted to EUR 4 747.3 million, including approximately EUR 49.3 million carried over from 2002, while implementation totalled EUR 4 679.6 million, i.e. 98.6% of the budget appropriations under this subheading.

### 3.2. Dual rates

The dual rates made expenditure substantially lower than in previous years. Abolishing the green rates eliminated the dual-rate effect in the countries participating in the euro.

### 3.3. Agrimonetary decisions

The agrimonetary arrangements expired on 1 January 2002.

The payments made under the agrimonetary arrangements (Chapter 39) concern the balance of aid fixed previously.

## B. ANALYSIS OF THE IMPLEMENTATION OF THE BUDGET BY CHAPTER

### 3.4. TITLE B1-1: Plant products

#### Introduction

The appropriations for this title of the budget amounted to EUR 26 176.0 million, while payments were approximately EUR 25 748.3 million, i.e. an implementation rate of 98.4% of budget appropriations. This under-implementation was primarily attributable to the sugar, fruit and vegetables and wine sectors (see details in the annexed table). For plant products, the most significant divergences between budget appropriations and their implementation by chapter were as follows:

#### CHAPTER B1-10: ARABLE CROPS

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-100	Refunds on cereals	104.0	175.9	+71.9
B1-101	Intervention storage of cereals	206.0	267.5	+61.5
B1-102	Intervention other than storage of cereals	272.0	230.1	–41.9
B1-104	Per hectare aid for arable crops (small producers)	3 647.0	3 528.5	–118.5
B1-105	Per hectare aid for arable crops (large-scale producers)	10 990.0	11 006.0	+16.0
B1-106	Set-aside	1 581.0	1 615.6	+ 34.6
B1-109	Other	–10.0	–14.1	–4.1
<b>TOTAL CHAPTER B1-10</b>	<b>ARABLE CROPS</b>	<b>16 790.0</b>	<b>16 809.4</b>	<b>+ 19.4</b>

#### Weather conditions

Weather during the autumn 2002 sowing was generally favourable, but was followed by dry, cold weather during winter and early spring that destroyed some of the winter cereals and oilseed rape sown. The late spring and summer then saw poor rainfall and very high temperatures (4° to 5°C above average) in most of Europe. Temperatures peaked in the first three weeks of August. The countries most affected by the long period of high temperatures were Portugal, Spain, France, Germany, Italy, Greece and

most Central European countries. These difficult weather conditions and the accompanying measures employed in some regions (restrictions on irrigation) markedly reduced the 2003 cereals harvest.

### **The balance sheet for the sector**

EU cereal production in 2003 fell by more than 10% to approximately 189.0 million tonnes compared with 211.0 million tonnes in the previous year. In 2003, domestic consumption of cereals was estimated at approximately 192.0 million tonnes, i.e. production was less than consumption. The Commission addressed the situation by removing any active incentive to export, opening intervention stocks for sale exclusively on the internal market and reducing the set-aside rate for the 2004 harvest from 10% to 5%.

### **Intervention**

Intervention stocks fell during the 2003 budget year from around 7.9 million tonnes at the start of the year to around 6.7 million tonnes by the end, as against the initial estimate of 4.9 million tonnes provided for in the 2003 budget.

Underlying this, however, were wide variations in changes in the stock levels for individual cereals. Wheat stocks increased to around 1.2 million tonnes by the end of the year from 0.43 million tonnes at the start, while stocks of barley decreased from 2.4 to 0.8 million tonnes and stocks of rye decreased from 5.0 to 4.7 million tonnes. Stocks of maize and sorghum were insignificant.

Intervention buying-in totalled approximately 2.9 million tonnes while sales amounted to 4.1 million tonnes, as against the initial 2003 budget estimates of 1.3 million tonnes and 4.3 million tonnes respectively.

As a consequence, higher payments were made to cover the various costs of the public storage of cereals and accounted for the approximately EUR 61.0 million overspend of 2003 budget appropriations.

### **International markets**

Developments in international agricultural markets were somewhat mixed in 2003. International prices for wheat were higher in the first half of the year but they subsequently fell given the satisfactory summer 2003 harvest in the main traditional exporter countries (USA, Canada, Australia and Mercosur, not to mention the EU-15), despite low production in the new exporter countries (Ukraine, Russia and the CEECs).

The value of Community cereals exports increased as large volumes were exported at the beginning of the 2003 budget year, but the subsequent appearance of a production deficit led to the suspension of the weekly export tenders for cereals (except for oats) as of 31 July 2003. Exports of common wheat totalled around 10.3 million tonnes as against the 15.4 million tonnes provided for in the 2003 budget and exports of barley amounted to 1.1 million tonnes as against the 8.7 million tonnes provided for in the 2003 budget. Finally, exports of other cereals totalled 0.7 million tonnes as against the 3.6 million tonnes provided for in the budget.

The 2003 budget was drawn up on the assumption of low levels of export refunds for the major products. The export refund for wheat was indeed set at zero, while that for

barley was set at EUR 3.44/t. However, these levels were substantially increased during the course of the year, due amongst other things to the rise of the euro against the US dollar, to around EUR 7.60/t for wheat and EUR 10.0/t for barley. Export refunds for maize and oats were also increased. However, the increase in the total amount of export refunds paid was entirely due to the higher amount paid for common wheat.

As a consequence, payments for export refunds exceeded the 2003 budget appropriations by EUR 72.0 million.

### Arable crops

Payments for area aids and set-aside totalled EUR 16 150.0 million, thus slightly underspending the budget appropriations by EUR 68.0 million.

### Intervention in cereals other than storage

Market conditions resulted in the setting of production refunds for starch at levels close to zero for a large part of the 2003 budget year, compared with the rate of EUR 5.0/t set for maize for 2002/03. Similarly, the quantities for which the special aid to Portuguese producers of cereals were paid were lower than those provided for in the 2003 budget.

As a consequence, payments under these measures underspent the budget appropriations by EUR 42 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were overspent by approximately EUR 19.0 million.

## CHAPTER B1-11: SUGAR

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-110	Refunds on sugar and isoglucose	1 257.0	1 021.3	–235.7
B1-111	Interventions for sugar	225.0	255.8	+ 30.8
B1-119	Other	p.m.	0.4	+ 0.4
<b>TOTAL CHAPTER B1-11</b>	<b>SUGAR</b>	<b>1 482.0</b>	<b>1 277.5</b>	<b>–204.5</b>

### Refunds on sugar and isoglucose

Approximately 2.1 million tonnes of sugar were exported with refunds during the 2002/03 marketing year, less than the 2.6 million tonnes provided for in the 2003 budget.

As a consequence, payments for export refunds underspent the 2003 budget appropriations by approximately EUR 236.0 million.

## Interventions for sugar

The quantities for which refunds were granted during the 2002/03 marketing year for sugar used by the chemical industry were higher, at approximately 0.43 million tonnes, than the 0.40 million tonnes provided for in the 2003 budget.

As a consequence, payments for refunds for sugar used by the chemical industry exceeded the 2003 budget appropriations by EUR 34.0 million. Approximately EUR 15.0 million of this amount was accounted for by an acceleration in the payments made by the Member States for the 2003/04 marketing year, which was not taken into account in the estimates made when the 2003 budget was drawn up.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 205.0 million.

## CHAPTER B1-12: OLIVE OIL

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-120	Refunds on olive oil	p.m.	0.1	0.1
B1-121	Production aid and schemes related to production of olive oil	2 319.0	2 318.4	–0.6
B1-123	Storage measures for olive oil	p.m.	0.0	0.0
B1-124	Other intervention for olive oil	24.0	29.4	+ 5.4
B1-129	Other	–2.0	–1.5	+ 0.5
<b>TOTAL CHAPTER B1-12</b>	<b>OLIVE OIL</b>	<b>2 341.0</b>	<b>2 346.4</b>	<b>+ 5.4</b>

### Production aid and schemes related to the production of olive oil

While Member States, and in particular Greece, Spain and Italy, did not pay the totality of the production aid due for the 2001/02 marketing year, they paid approximately EUR 72.0 million for outstanding balances from previous marketing years not provided for in the 2003 budget.

As a consequence, payments for production aid for olive oil were at the level of the 2003 budget appropriations.

### Other intervention for olive oil

Production refunds for olive oil used in the manufacture of preserved fish and vegetables were paid for approximately 0.07 million tonnes as against the 0.05 million tonnes provided for in the 2003 budget.

As a consequence, payments for other intervention for olive oil exceeded the 2003 budget appropriations by approximately EUR 5.4 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were overspent by approximately EUR 5.0 million.

## CHAPTER B1-13: DRIED FODDER AND GRAIN LEGUMES

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-130	Production aid for dried fodder	317.0	317.9	+ 0.9
B1-131	Production aid for grain legumes	72.0	71.7	–0.3
B1-139	Other	p.m.	–1.0	–1.0
<b>TOTAL CHAPTER B1-13</b>	<b>DRIED FODDER AND GRAIN LEGUMES</b>	<b>389.0</b>	<b>388.6</b>	<b>–0.4</b>

### Production aid for dried fodder

In order to limit budgetary expenditure, production aid for dried fodder is subject to a stabiliser system. The quantities eligible for aid are subject to a maximum guaranteed quantity of 4.4 million tonnes for heat-dried fodder and 0.443 million tonnes for sun-dried fodder. Where these maximum guaranteed quantities are exceeded, the aid is correspondingly reduced. The 2003 budget was established on the assumption that 4.8 million tonnes of heat-dried fodder would be produced in the 2002/03 marketing year, resulting in an abatement of 8.2% in the aid rate. However, the quantities actually produced during the marketing year were lower, at approximately 4 515.0 million tonnes, thus reducing the abatement to approximately 2.3%, as against the 8.2% provided for in the 2003 budget. For sun-dried fodder, the stabiliser mechanism was not triggered because the maximum guaranteed quantity was not exceeded.

The combined effect of the reduction in actual production for heat-dried fodder and the consequent reduction in the rate of aid abatement was that implementation of the budget appropriations for production aid for dried fodder was close to the amounts provided for in the 2003 budget.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were implemented at the levels provided for in the 2003 budget.

## CHAPTER B1-14: FIBRE PLANTS AND SILKWORMS

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-140	Fibre flax and hemp	26.0	17.5	–8.5
B1-141	Aid for cotton	881.0	872.6	–8.4
B1-142	Silkworms	1.0	0.4	–0.6
B1-149	Other	p.m.	–0.9	–0.9
<b>TOTAL CHAPTER B1-14</b>	<b>FIBRE PLANTS AND SILKWORMS</b>	<b>908.0</b>	<b>889.6</b>	<b>–18.4</b>

## Aid for cotton

In order to limit the increase in production and the resulting expenditure, aid for cotton is subject to a stabiliser system. Where the maximum guaranteed quantity of 1 031 000 tonnes (782 000 tonnes for Greece and 249 000 tonnes for Spain) is exceeded, the aid is reduced in the country responsible for the overrun.

Overall production for the 2002/03 marketing year of about 1.5 million tonnes was higher than the figure on the basis of which the 2003 budget was drawn up (1.4 million tonnes). In Spain, actual production of approximately 0.32 million tonnes was slightly above the level of 0.31 million tonnes taken into account for the 2003 budget. In Greece, actual production of approximately 1.17 million tonnes was above the level of 1.06 million tonnes taken into account for the 2003 budget. These higher production figures led to a more than proportionate increase in the stabiliser abatements applied to the rate of aid. As a result of the stabiliser system, the overrun of the maximum guaranteed quantity did not give rise to any additional expenditure.

The level of aid for cotton is also determined by the difference between the guide price of cotton (EUR 1 063/t) and the actual world market price (around EUR 238/t), which turned out to be lower than the level allowed for when the 2003 budget was drawn up (around EUR 245/t).

The overall effect of these two factors led to the rates of aid for Greece and Spain being fixed at a level lower than initially fixed when the 2003 budget was drawn up.

As a consequence, payments of aid for cotton totalled EUR 873.0 million, thus underspending the budget appropriations by EUR 8.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 18.0 million.

## CHAPTER B1-15: FRUIT AND VEGETABLES

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-150	Fresh fruit and vegetables	876.0	810.8	–65.2
B1-151	Processed fruit and vegetables	734.0	720.5	–13.5
B1-159	Other	–1.0	0.9	+ 1.9
<b>TOTAL CHAPTER B1-15</b>	<b>FRUIT AND VEGETABLES</b>	<b>1 609.0</b>	<b>1 532.2</b>	<b>–76.8</b>

### Fresh fruit and vegetables

In 2003, fruit production fell by 2–7% according to the product, while harvests of the main vegetables were also smaller.

This situation led to the withdrawal of approximately 0.53 million tonnes of fruit and vegetables from the market, less than the 1.4 million tonnes provided for when the 2003 budget was drawn up.

As a consequence, payments for financial compensation for quantities of fruit and vegetables withdrawn from the market amounted to EUR 33.0 million, thus underspending the budget appropriations by EUR 101.0 million.

With regard to operational funds for producer organisations, Member States approved funds and paid a total of approximately EUR 452.0 million, thus overspending the budget appropriations by EUR 47.0 million.

With regard to bananas, the quantities produced in 2002 were approximately 1% higher than the level provided for when the 2003 budget was drawn up, while it is forecast that production will be approximately 2% higher in 2003. However, favourable market conditions led to higher prices, which resulted in the actual aid rates for bananas being lower (an 8.6% reduction in total aid for bananas produced in 2002 and a 6.6% reduction in the rate of advance aid for bananas produced in 2003).

As a consequence, aid payments for bananas amounted to EUR 255.0 million, thus underspending the budget appropriations by EUR 11.0 million.

### **Processed fruit and vegetables**

With regard to processed tomatoes, processing aid was paid for approximately 7.8 million tonnes of tomatoes in 2002/03 compared to the 8.2 million tonnes provided for in the 2003 budget. Furthermore, the budget provided for the payment of EUR 10.0 million to cover the balance of processing aid for previous marketing years. These payments in the end totalled approximately EUR 6.0 million.

As a consequence, aid payments for processed tomatoes amounted to approximately EUR 269.0 million, thus underspending the budget appropriations by EUR 10.0 million.

With regard to dried grapes, aid was paid for approximately 0.033 million hectares as against the 0.036 million hectares provided for in the 2003 budget.

As a consequence, aid payments for dried grapes totalled 103.0 million, thus underspending the budget appropriations by EUR 9.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 77.0 million.



## CHAPTER B1-16: PRODUCTS OF THE WINE-GROWING SECTOR

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-160	Refunds on products of the vine-growing sector	25.0	19.6	–5.4
B1-161	Intervention for products of the vine-growing sector	497.0	350.7	–146.3
B1-162	Taking-over of alcohol from compulsory distillation	245.0	220.3	–24.7
B1-163	Aid for the use of must	156.0	173.5	+ 17.5
B1-164	Permanent abandonment premiums in respect of areas under wines	16.0	12.0	–4.0
B1-165	Restructuring and conversion of vineyards	443.0	440.2	–2.8
B1-169	Other	–1.0	–3.2	–2.2
<b>TOTAL CHAPTER B1-16</b>	<b>PRODUCTS OF THE WINE-GROWING SECTOR</b>	<b>1 381.0</b>	<b>1 213.0</b>	<b>–168.0</b>

### The balance sheet for the sector

Total wine production during the 2002/03 marketing year was estimated at approximately 160.1 million hectolitres compared to the 162.0 million hectolitres provided for in the 2003 budget. Production was therefore 12.1% less than the 182.1 million hectolitres produced during the 2001/02 marketing year and was the lowest since 1996. In 2003, domestic human consumption of wine was estimated at approximately 120.0 million hectolitres as against the 123.0 million hectolitres provided for in the 2003 budget. Industrial utilisations and distillations of wine were estimated at approximately 25.0 million hectolitres as against the approximately 36.2 million hectolitres provided for in the 2003 budget.

### Intervention for products of the vine-growing sector

The reduction in wine production led to a reduction in potable alcohol distillations to 8.8 million hectolitres rather than the 12.5 million hectolitres provided for in the 2003 budget, while no crisis distillation was carried out during the year, despite the 8.0 million hectolitres provided for in the 2003 budget.

As a consequence, total payments for intervention for products of the vine-growing sector amounted to approximately EUR 351.0 million, thus underspending the budget appropriations by approximately EUR 146.0 million.

### Storage of alcohol

The reduced volume of distillations led to lower quantities of alcohol entering public storage during the current financial year. For the 2003 budget year, opening alcohol stocks totalled approximately 3.3 million hectolitres while final stocks stood at approximately 3.5 million hectolitres, as against the 3.2 million hectolitres provided for in the 2003 budget. Purchases and sales of alcohol for the year were approximately 1.9 and 1.6 million hectolitres respectively, lower than the corresponding quantities of 2.1 and 2.0 million hectolitres provided for in the 2003 budget. Finally, private

storage of alcohol involved approximately 0.86 million hectolitres, as against the 0.94 million hectolitres provided for in the 2003 budget.

As a consequence, payments for the storage of alcohol totalled approximately EUR 220.0 million, thus underspending the budget appropriations by approximately EUR 25.0 million.

### Use of must

The quantities of rectified concentrated must used for the enrichment of wine were higher than the quantities provided for in the 2003 budget.

As a consequence, aid payments for the use of must amounted to approximately EUR 173.0 million, thus overspending the budget appropriations by approximately EUR 17.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 168.0 million.

## CHAPTER B1-17: TOBACCO

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-171	Premiums for tobacco	956.0	949.6	–6.4
B1-175	Community funds for research and information	19.0	10.2	–8.8
B1-179	Other	–2.0	0.3	+ 2.3
<b>TOTAL CHAPTER B1-17</b>	<b>TOBACCO</b>	<b>973.0</b>	<b>960.2</b>	<b>–12.8</b>

### Premiums for tobacco

In order to bring production under control, the common organisation of the market limits the amount of the premium by means of a system of quotas, established separately by variety and by Member State. For the 2002 harvest, the adjusted quota ceiling was approximately 0.34 million tonnes of raw tobacco, for which the premium was to be paid in the 2003 budget year. However, by the end of the 2003 budget year, Germany, France, Greece and Italy had not paid approximately EUR 15.0 million of the estimated tobacco premiums due for the 2002 harvest.

The 2003 budget included appropriations of EUR 19.0 million for the Community fund for research and information, which included direct payment appropriations of EUR 14.0 million and payments by Member States of EUR 5.0 million. With regard to direct payments by the Commission, expenditure amounted to approximately EUR 10.0 million. The 2003 conversion programmes have been approved and are being implemented but Member States have made no advance payments of the respective aids. The total under-implementation of the appropriations for this scheme amounts to approximately EUR 9.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 13.0 million.

## CHAPTER B1-18: OTHER PLANT SECTORS OR PRODUCTS

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-180	Seeds	110.0	88.3	–21.7
B1-181	Hops	13.0	12.5	–0.5
B1-185	Rice	180.0	231.2	+ 51.2
B1-189	Other	p.m.	–0.5	–0.5
<b>TOTAL CHAPTER B1-18</b>	<b>OTHER PLANT SECTORS OR PRODUCTS</b>	<b>303.0</b>	<b>331.6</b>	<b>+ 28.6</b>

### Seeds

Aid was paid for approximately 0.3 million tonnes of seeds (2002 harvest), as compared to the 0.37 million tonnes provided for in the 2003 budget, thus underspending the corresponding appropriations by approximately EUR 22.0 million.

### Rice

With regard to public storage of rice, purchases amounted to approximately 0.24 million tonnes and sales to 0.12 million tonnes, compared to the 0.13 million tonnes and 0.15 million tonnes respectively provided for when the 2003 budget was drawn up. The increase in purchases, the reduction in sales and the increase in the final quantities of rice in storage to 0.7 million tonnes as against the 0.53 million tonnes provided for in the 2003 budget resulted in an increase of the various costs of public storage to approximately EUR 46.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were overspent by approximately EUR 29.0 million.

## 3.5. TITLE B1-2 – Animal products

### Introduction

The appropriations for this title of the budget totalled EUR 13 099.0 million, while payments amounted to approximately EUR 13 153.2 million, i.e. an implementation rate of 100.4% of the budget appropriations. This over-implementation was primarily attributable to payments for milk and sheepmeat (Chapters B1-20 and B1-22 of the budget) while Chapter B1-22 for beef was under-implemented (see annexed table for details). For animal products, the most significant divergences between budget appropriations and their implementation by chapter were as follows:

## CHAPTER B1-20: MILK AND MILK PRODUCTS

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)-(a)
B1-200	Refunds on milk and milk products	1 568.0	1 595.4	+ 27.4
B1-201	Intervention storage of skimmed-milk powder	10.0	60.8	+ 50.8
B1-202	Aid for skimmed milk	531.0	584.2	+ 53.2
B1-203	Intervention storage of butter and cream	125.0	158.8	+ 33.8
B1-204	Other measures relating to butterfat	425.0	444.4	+ 19.4
B1-205	Intervention for other milk products	54.0	51.6	-2.4
B1-207	Financial contribution by milk producers	-36.0	-91.9	-55.9
B1-209	Other measures	-5.0	-7.0	-2.0
<b>TOTAL CHAPTER B1-20</b>	<b>MILK AND MILK PRODUCTS</b>	<b>2 672.0</b>	<b>2 796.2</b>	<b>+ 124.2</b>

### The balance sheet for the sector

In the course of 2003, the overall situation in the EU dairy markets was mixed. Consumption of milk products, after a slight fall in 2002, resumed its trend of a slight upward growth. Demand for butter remained stable while the increase in cheese consumption slowed down in 2003.

When the 2003 budget was drawn up, total production of butter was estimated at approximately 1.82 million tonnes, while uses of butter were estimated at approximately 2.3 million tonnes, including exports of approximately 0.23 million tonnes and stocks in public storage of approximately 0.21 million tonnes.

At the same time, total production of skimmed milk powder (SMP) was estimated at approximately 1.0 million tonnes, while uses of SMP were estimated at approximately 1.26 million tonnes, including exports of approximately 0.22 million tonnes and stocks in public storage of approximately 0.15 million tonnes.

### International market

The situation on the international dairy market required an increase in the export refund rates for butter to an average of EUR 1 850/t and for butterfat to an average of EUR 2 351/t, i.e. above the rates of EUR 1 800/t and EUR 2 286/t respectively provided for in the 2003 budget. At the same time, exports of these products increased to approximately 0.21 million tonnes for butter and 0.07 million tonnes for butterfat, as against the 0.15 million tonnes and 0.065 million tonnes respectively provided for in the 2003 budget.

As a consequence, payments for export refunds totalled approximately EUR 1 595.0 million, thus over-spending the budget by EUR 27.0 million.

### Intervention

Prices for milk products did not improve much in 2003 from their very low levels in 2002. Only from mid-July to September in the case of SMP and from May to mid-

September for butter were they slightly higher than in 2002. Thus, there was intervention purchasing in 2003 but not to the extent seen in 2002.

With regard to the public storage of skimmed milk powder, purchases amounted to approximately 0.11 million tonnes and sales to 0.06 million tonnes, compared to the 0.05 million tonnes each for purchases and sales provided for when the 2003 budget was drawn up. The increase in purchases resulted in an increase in the final quantities in storage to approximately 0.2 million tonnes, as against the 0.15 million tonnes provided for in the 2003 budget, and an over-implementation of the budget appropriations for the various costs involved in public storage operations for skimmed milk powder of approximately EUR 51.0 million.

With regard to public storage of butter, purchases amounted to approximately 0.06 million tonnes and sales to 0.01 million tonnes, compared to the 0.04 million tonnes and 0.01 million tonnes respectively provided for when the 2003 budget was drawn up. The increase in purchases resulted in an increase in the final quantities in storage to 0.23 million tonnes, as against the 0.21 million tonnes provided for in the 2003 budget, and an over-implementation of the budget appropriations for the various costs involved in public storage operations for butter of approximately EUR 34.0 million.

As a consequence, payments for public storage of skimmed milk powder and butter amounted to EUR 220.0 million, thus over-spending the budget appropriations by approximately EUR 85.0 million.

The level of aid for skimmed milk processed into casein increased to an average of EUR 61.0/t, compared to the rate of EUR 50.0/t provided for in the 2003 budget. The quantities used for animal feed increased to approximately 0.44 million tonnes, compared to the 0.42 million tonnes provided for in the 2003 budget.

As a consequence, aid payments for the use of skimmed milk amounted to EUR 584.0 million, thus over-spending the budget appropriations by approximately EUR 53.0 million.

Under the specific uses for butterfat scheme, average aid was increased to EUR 848.0/t and the quantity increased to approximately 0.52 million tonnes, as against the EUR 836.0/t and 0.51 million tonnes provided for in the 2003 budget.

As a consequence, aid payments for the specific uses for butterfat scheme amounted to EUR 444.0 million, thus over-spending the budget appropriations by approximately EUR 19.0 million.

The super-levy was collected for approximately 0.26 million tonnes of milk, as against the 0.1 million tonnes provided for in the 2003 budget.

As a consequence, receipts under the milk super-levy amounted to EUR 92.0 million as against the EUR 36.0 million provided for in the 2003 budget. The difference between these two amounts is equivalent to a decrease in expenditure of approximately EUR 56.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were overspent by approximately EUR 124.0 million.

## CHAPTER B1-21: BEEF/VEAL

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-210	Refunds on beef/veal	534.0	295.5	–238.5
B1-211	Intervention storage of beef/veal	–1.0	2.9	+ 3.9
B1-212	Intervention other than storage of beef/veal	7 879.0	7 805.8	–73.2
B1-219	Other	–8.0	–13.3	–5.3
<b>TOTAL CHAPTER B1-21</b>	<b>BEEF/VEAL</b>	<b>8 404.0</b>	<b>8 090.9</b>	<b>–313.1</b>

### The balance sheet for the sector

Bovine meat production was estimated at 7.4 million tonnes for 2003, down by approximately 2.3% in comparison to 2002. The falls were particularly marked in Germany, the Netherlands and Belgium, but they were partly offset by rises in Spain and Ireland.

When the 2003 budget was drawn up, domestic consumption of beef was estimated at approximately 7.4 million tonnes and exports were estimated at approximately 0.57 million tonnes.

### International market

On the international meat markets, overall prices were generally higher in 2003 as a result of a generally restricted supply due to health problems such as the discovery of BSE-infected cows in Canada as well as import restrictions in many countries. Russia introduced tariff quotas in order to encourage national production.

Against this international background, export refund rates for certain types of meat were slightly higher than provided for in the 2003 budget. However, the actual quantities of meat exported amounted to approximately 0.42 million tonnes, as against the 0.57 million tonnes provided for in the 2003 budget.

As a consequence, payments for export refunds amounted to EUR 295.0 million, thus under-spending the budget appropriations by approximately EUR 238.0 million.

### Intervention

With demand for bovine meat still in the post-BSE recovery stage, prices continued to improve in 2003, thus no beef was purchased into intervention. Opening stocks of beef stood at approximately 0.2 million tonnes in carcass equivalent weight while sales from intervention were higher at 0.17 million tonnes rather than the 0.12 million tonnes provided for in the 2003 budget. Consequently, closing stocks stood at approximately 0.03 million tonnes in carcass equivalent weight, i.e. at a much lower level than the 0.1 million tonnes provided for in the 2003 budget. Public storage cost were therefore lower than provided for in the 2003 budget. However, receipts from sales of beef (other costs) were also lower, at approximately EUR 31.0 million, than the EUR 36.0 million provided for in the 2003 budget.

As a consequence, while payments for public storage amounted to EUR 3.0 million, the budget appropriations were overspent by EUR 4.0 million.

### Premium schemes

The livestock premiums for the 2002 calendar year were paid in the 2003 budget year. The suckler-cow, special beef and slaughter premiums were actually paid for smaller numbers of animals than provided for in the 2003 budget. The resulting under-implementation of the corresponding appropriations was smaller because of the following two factors:

1. Following the summer drought in certain Member States, the Commission adopted special measures under Commission Regulation (EC) No 1621/2003 of 16 September 2003. On the basis of these measures, certain Member States made advance payments of part of their 2003 calendar year suckler-cow and special beef premiums out of 2003 budget year appropriations instead of paying these in the 2004 budget year. These advance payments amounted to approximately EUR 101.0 million, and
2. The Commission also reimbursed approximately EUR 107.0 million to the Member States concerned following the European Court of Justice's ruling in Case C-239/01 annulling Article 5(5) of Commission Regulation (EC) No 690/2001 insofar as that provision required Member States to finance 30% of the price of beef purchased under the special purchase scheme.

As a consequence, premium payments under all schemes amounted to EUR 7 806.0 million, thus underspending the budget appropriations by approximately EUR 73.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 313.0 million.

### CHAPTER B1-22: SHEEPMEAT AND GOATMEAT

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)-(a)
B1-221	Intervention in the form of storage of sheepmeat and goatmeat	p.m.	0.0	0.0
B1-222	Intervention other than storage of sheepmeat and goatmeat	1 806.0	2 084.5	+ 278.5
B1-229	Other measures	-1.0	-2.4	-1.4
<b>TOTAL CHAPTER B1-22</b>	<b>SHEEPMEAT AND GOATMEAT</b>	<b>1 805.0</b>	<b>2 082.1</b>	<b>+ 277.1</b>

### Ewe and goat premiums

The common market organisation for sheepmeat and goatmeat, reformed by Council Regulation (EC) No 2529/2001, provides for the payment of a fixed annual ewe/goat premium per eligible animal for each producer within the limits of individual ceilings and a supplementary fixed annual ewe/goat premium per eligible animal for producers

in less-favoured and mountainous regions. Additional payments can be made by Member States within an overall amount of EUR 72.0 million.

The premium for animals in the 2002 calendar year was paid out of 2003 budget year appropriations. Fluctuations in expenditure compared with the budgeted amounts would normally be attributed to the number of eligible animals for which the premiums were granted and the 2002 fixed annual premium was paid for approximately 67.8 million animals as compared to the estimate of 68.9 million animals provided for in the 2003 budget. For the 2002 supplementary fixed annual premium the corresponding figures were 54.8 and 55.4 million animals. Therefore, the 2003 budget appropriations were under-implemented with regard to 2002 premium payments.

As in the case of beef premiums, following the summer drought in certain Member States, the Commission adopted special measures under Commission Regulation (EC) No 1621/2003 of 16 September 2003. On the basis of these measures, certain Member States made advance payments of a part of their 2003 ewe/goat premiums out of 2003 budget year appropriations instead of paying these in the 2004 budget year. These advance payments amounted to approximately EUR 303.0 million.

As a consequence, payments for the ewe and goat premiums amounted to EUR 2 084.0 million, thus over-spending the budget appropriations by approximately EUR 278.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were overspent by approximately EUR 277.0 million.

#### **CHAPTER B1-23: PIGMEAT, EGGS, POULTRY AND OTHER ANIMAL PRODUCT AID MEASURES**

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)-(a)
B1-230	Pigmeat	89.0	62.9	-26.1
B1-231	Eggs and poultrymeat	99.0	98.8	-0.2
B1-232	Other animal product aid measures	16.5	14.1	-2.4
B1-239	Other	-1.0	-4.4	-3.4
<b>TOTAL CHAPTER B1-23</b>	<b>PIGMEAT, EGGS, POULTRY AND OTHER ANIMAL PRODUCT AID MEASURES</b>	<b>203.5</b>	<b>171.3</b>	<b>-32.2</b>

#### **Pigmeat**

##### **Export refunds**

The 2003 budget had initially provided for exports of approximately 0.23 million tonnes of fresh or frozen pigmeat carcasses or cuts at an average refund rate of EUR 100.0/t. Market conditions led to setting this refund rate at zero during the 2003 budget year. However, as regards sausages and conserves, the quantities actually exported were approximately 0.07 million tonnes compared with the 0.22 million tonnes provided for when the 2003 budget was drawn up. The



corresponding average refund rate was set at EUR 240.0/t, as compared with the rate of EUR 255.0/t provided for in the 2003 budget.

As a consequence, payments for export refunds for pigmeat amounted to EUR 17.0 million, thus underspending the budget appropriations by EUR 61.0 million.

### **Private storage**

The 2003 budget did not include any appropriations for private storage. However, market conditions necessitated the opening of private storage and approximately 0.11 million tonnes were placed in storage at an average aid rate of EUR 375.0/t.

As a consequence, payments for private storage of pigmeat amounted to EUR 35.3 million.

Therefore, payments for all schemes involving pigmeat amounted to approximately EUR 63.0 million, thus under-implementing the corresponding appropriations by approximately EUR 26.0 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 32.0 million.

## **CHAPTER B1-26: EUROPEAN FISHERIES GUARANTEE FUNDS**

*EUR million*

<b>Article</b>	<b>Heading</b>	<b>Budget appropriations (a)</b>	<b>Expenditure (b)</b>	<b>Over-/under-implementation (b)-(a)</b>
<b>B1-261</b>	<b>Intervention for fishery products</b>	<b>14.5</b>	<b>12.7</b>	<b>-1.8</b>
<b>B1-269</b>	<b>Other measures</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL CHAPTER B1-26</b>	<b>EUROPEAN FISHERIES GUARANTEE FUNDS</b>	<b>14.5</b>	<b>12.7</b>	<b>-1.8</b>

### **Budget heading B1-261: intervention for fishery products**

The budgetary allocation for fisheries was EUR 14 450 000, of which EUR 12 661 325 were spent, a difference of EUR 1 788 674.

The overall budget underspend mainly concerns private-storage aid and the compensatory allowance for tuna (EUR 2 500 000 less than provided for in the budget). During the 2003 fishing year, producer organisations did not apply for private-storage aid. In addition, the compensatory allowance for tuna was not triggered because of the favourable movement of tuna prices on the Community market.

On the other hand, expenditure on Community withdrawals was higher than forecast (+ EUR 3 144 837) because of sizeable falls in the price of several fishery products during 2003.

### **Budget heading B1-269: other measures**

Given that Regulation (EC) No 2328/2003 was adopted only in December 2003 and applies from 1 January 2003, the Member States will probably submit their

applications to the EAGGF Guarantee Section for reimbursement for the 2003 fishing year from the second quarter of 2004.

### 3.6. TITLE B1-3 – Ancillary expenditure

#### Introduction

The appropriations for this title of the budget amounted to EUR 1 324.1 million and payments totalled EUR 1 290.9 million, i.e. an implementation rate of 97.5% of the budget appropriations. This under-implementation concerned all chapters of the budget under this title with the exception of Chapter B1-33: *Veterinary and phytosanitary measures* and Chapter B1-30: *Export refunds for Non-Annex 1 products* (see annexed table for details). For ancillary expenditure, the most significant divergences between budget appropriations and their implementation by chapter were as follows:

#### CHAPTER B1-30: REFUNDS ON CERTAIN GOODS OBTAINED BY PROCESSING AGRICULTURAL PRODUCTS

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-300	Refunds on cereal exported in the form of certain spirit drinks	1.0	0.2	–0.8
B1-301	Refunds on certain goods obtained by processing agricultural products	414.0	433.2	+ 19.2
B1-309	Other	p.m.	–2.6	–2.6
<b>TOTAL CHAPTER B1-30</b>	<b>REFUNDS ON CERTAIN GOODS OBTAINED BY PROCESSING AGRICULTURAL PRODUCTS</b>	<b>415.0</b>	<b>430.7</b>	<b>15.7</b>

#### Refunds on certain goods obtained by processing agricultural products

The 2003 budget appropriations for this scheme were over-implemented due to the settlement of older files, which resulted in Member States making higher payments for refunds on goods obtained by processing agricultural products.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were overspent by approximately EUR 16.0 million.

## CHAPTER B1-31: FOOD PROGRAMMES

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-310	Distribution of agricultural products to deprived persons in the Community	200.0	164.9	–35.1
B1-311	Refunds in connection with food aid	16.0	5.7	–10.3
B1-312	School milk	81.0	76.2	–4.8
B1-314	Free distribution of fruit and vegetables	9.0	6.2	–2.8
B1-319	Other	p.m.	–0.1	–0.1
<b>TOTAL CHAPTER B1-31</b>	<b>FOOD PROGRAMMES</b>	<b>306.0</b>	<b>252.9</b>	<b>–53.1</b>

Appropriations for all schemes under this chapter were under-implemented.

With regard to the distribution of agricultural products to deprived persons in the Community, the underspend was due to the fact that certain Member States, for instance Greece and Italy, did not distribute the quantities of cereals and milk powder (and rice in the case of Greece) provided for in the approved distribution plan for 2003. Further explanations can be found under point 3.9.

With regard to refunds in connection with food aid, the underspend was accounted for by spending on rice, exports of which as food aid were approximately 0.01 million tonnes, as against the 0.06 million tonnes provided for in the 2003 budget.

With regard to school milk, the underspend was due to the fact that approximately 0.34 million tonnes of milk were distributed to schools, as against the 0.35 million tonnes provided for in the 2003 budget.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 53.0 million.

**CHAPTER B1-32: PROGRAMMES FOR THE OUTERMOST REGIONS AND  
THE AEGEAN ISLANDS**

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-320	Poseidom	52.0	48.0	–4.0
B1-321	Poseima	42.0	33.4	–8.6
B1-322	Poseican	119.0	111.5	–7.5
B1-323	Aegean Islands	26.0	23.0	–3.0
B1-324	Fisheries programme for outermost regions	p.m.	9.7	+ 9.7
B1-325	Subsidies for the supply of rice to Réunion	10.0	8.7	–1.3
B1-329	Other	p.m.	–0.4	–0.4
<b>TOTAL CHAPTER B1-32</b>	<b>PROGRAMMES FOR THE OUTERMOST REGIONS AND THE AEGEAN ISLANDS</b>	<b>249.0</b>	<b>234.0</b>	<b>–15.0</b>

All the programmes in favour of the outermost regions were, in varying degrees, under-implemented as compared to the appropriations provided for in the 2003 budget.

For the "Fisheries" programme for the outermost regions, the budgetary authority entered appropriations of EUR 15.0 million in the "provisions" Chapter B0-40 of the 2003 budget because Council Regulation (EC) No 1587/98 expired and was not extended after 31 December 2002. The Commission, in the meantime, proposed a new draft Regulation [COM(2003) 516 final of 25 August 2003], which was in the process of adoption at the end of the 2003 budget year. The expenditure incurred amounted to EUR 9.7 million and covered outstanding balances under Council Regulation (EC) No 1587/98. In view of the under-implementation of the other programmes included in this chapter, it was decided to finance this expenditure by transferring the necessary appropriations from other articles of the chapter. That is why this particular article shows an over-implementation.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 15.0 million.

## CHAPTER B1-33: VETERINARY AND PLANT-HEALTH MEASURES

### Summary table for Chapter B1-33

Heading	BUDGET 2001	Initial appropriations	Final appropriations after transfer	Committed before 31.12.2003	Balance commitments – final appropriations
B1-3300	Animal disease eradication and monitoring programmes and monitoring of the physical conditions of animals that could pose a public-health risk linked to an external factor	135 500 000	134 881 976	134 881 976	0
B1-3310	Other measures in the veterinary, animal welfare and public-health field	7 500 000	8 500 000	7 879 209	620 791
B1-3320	Emergency fund for veterinary complaints and other diseases of animal contaminations which are a risk to public health	40 000 000	137 555 211	137 555 211	0
B1-3330A	Plant-health measures – Expenditure on administrative management	1 000 000	23 000	23 0003	0
B1-3330B	Plant-health measures – Expenditure on operational management	3 000 000	2 039 813	2 001 508	38 305
	<b>Total</b>	<b>198 000 000</b>	<b>283 000 000</b>	<b>282 340 904</b>	<b>659 096</b>

### Background

The uptake of appropriations available under the 2003 budget was 99.77%, EUR 282 340 904 out of a total of EUR 283 000 000 were committed.

The initial budget for Chapter 33 was EUR 187 million. Following the outbreak of fowl pest in three Member States (the Netherlands, Belgium and Germany) in 2003 and the results of the audit of expenditure on eradicating foot-and-mouth disease in the UK in 2001, an increase of EUR 95 million in the appropriations for the emergency fund (heading B1-332) was obtained. In addition, the appropriations for heading B1-3310 (*Other veterinary measures*) were increased by EUR 1 million from the reserve. The total budget for Chapter 33 was EUR 283 million.

### Details

#### Heading B1-330 Eradication and monitoring programmes

The appropriations available totalled EUR 135 500 000. Of this, EUR 134 881 976 were committed, EUR 94 327 000 for monitoring TSEs and scrapie and EUR 40 554 976 for traditional eradication programmes.

According to the latest estimates, the European Union part-financed around 8.5 million tests in 2003.

"Programmed" expenditure consumed 99.5% of the appropriations available. The balance of EUR 618 023.9 was transferred to the emergency fund.

The payment appropriations were implemented by 58 payments totalling EUR 154 233 850 from 2002 appropriations and two payments totalling EUR 904 976 from 2003 appropriations.

### Heading B1-331 Other measures in the veterinary field

The initial appropriations allocated to this heading were increased by EUR 1 million to EUR 8.5 million; 92.69% or EUR 7 879 209 were committed in 2003.

The payment appropriations were implemented by 87 payments totalling EUR 5 154 966, of which EUR 2 337 273 were 2002 appropriations.

### Heading B1-332 Emergency fund

Initial appropriations were EUR 40 000 000.

These were increased by EUR 95 million to cover:

- the Community contribution to the costs incurred by the Member States in paying compensation to proprietors under the measures to eradicate fowl pest,
- an advance of EUR 40 million for operational expenditure linked to foot-and-mouth disease in the United Kingdom in 2001, for which a financing decision was taken only in 2003, and to cover expenditure judged to be eligible after the audit of the UK's application for reimbursement for compensation for animals slaughtered before 1 July 2001.

After the transfer of the balance of appropriations from other headings in Chapter 33, the total appropriations under this heading were EUR 137 555 211. All the appropriations were committed.

A total of 18 financing decisions were adopted to cover the Community contribution to the costs incurred by the Member States in controlling the diseases concerned and a financing decision was adopted for every disease outbreak eligible for a contribution from the emergency fund.

A total of EUR 74 837 036 of payment appropriations was implemented, of which EUR 71 139 216 were 2002 appropriations.

Annex 8 details the transactions concerning the emergency fund carried out in 2003.

### Heading B1-333A Plant health measures - expenditure on administrative management

Initial appropriations were EUR 1 000 000. A total of EUR 23 000 was committed. The low take up of appropriations was caused by the lack of a legal basis authorising operational expenditure, in particular for residues.

The EUR 977 000 not committed in 2003 were transferred to the emergency fund.

A total of EUR 863 653 of payment appropriations was implemented, of which EUR 840 653 were 2002 appropriations.

### Heading B1-333 Plant health measures - operational expenditure

Initial appropriations were EUR 3 000 000. A total of EUR 2 001 508 was committed.

A total of EUR 960 187 was transferred to the emergency fund. A small balance of EUR 38 305 was not utilised.

A total of EUR 2 235 127 of payment appropriations was implemented, all 2002 appropriations.

Finally, it should be noted that only two payment appropriations available under heading B2-519 (*Completion of earlier veterinary and plant-health measures – differentiated appropriations*) and reserved for DG SANCO are still open (the Pomellen dossier and the reformulation of antigens).

Details of the commitments made in 2003 are given in Annex 7.

#### **CHAPTER B1-36: MONITORING AND PREVENTATIVE MEASURES CONCERNING THE EAGGF GUARANTEE SECTION**

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-360	Monitoring and preventative measures: payments by the Member States	39.0	24.4	-14.6
B1-361	Monitoring and preventative measures: direct payments by the European Community	5.7	2.6	-3.1
B1-361A	Monitoring and preventative measures: administrative expenses	3.3	0.7	-2.6
<b>TOTAL CHAPTER B1-36</b>	<b>MONITORING AND PREVENTATIVE MEASURES CONCERNING THE EAGGF GUARANTEE SECTION</b>	<b>48.0</b>	<b>27.7</b>	<b>-20.3</b>

This chapter includes the measures taken to reinforce on-the-spot checks and to improve verification systems so as to limit the risk of fraud and irregularities to the detriment of the Community budget. All schemes in this chapter were under-implemented.

With regard to payments for monitoring and preventative measures (with the exception of the vineyard register for which payments are made by the Commission), Member States incurred expenditure amounting to approximately EUR 24.4 million. Approximately EUR 10.2 million were paid for the establishment of the olive oil register (geographical information system), while approximately EUR 14.2 million were paid for part-financing the Member States' action programmes aimed at improving their inspection services (see also point 4.4).

As a consequence, Member States payments for monitoring and preventative measures under-spent the 2003 budget appropriations by approximately EUR 14.6 million.

With regard to direct payments by the European Community for monitoring and preventative measures, the Commission directly financed measures to the tune of EUR 2.6 million, as against the EUR 5.7 million provided for in the 2003 budget. These payments mainly related to the purchase of satellite images for the purposes of IACS, at a cost of approximately EUR 2.3 million, and the carrying-out of a study into the evaluation of the common organisation of the market in wine, at a cost of approximately EUR 0.3 million.

As a consequence, direct payments for monitoring and preventative measures underspent the 2003 budget appropriations by approximately EUR 3.1 million.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 20.3 million.

**CHAPTER B1-37: CLEARANCE OF PREVIOUS YEAR'S ACCOUNTS AND REDUCTION/SUSPENSION OF ADVANCES UNDER CHAPTERS**

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
<b>B1-370</b>	<b>Clearance of previous years' accounts and reduction/suspension of advances under Chapters B1-10 to B1-39</b>	<b>-500.0</b>	<b>-410.0</b>	<b>+ 90.0</b>
<b>TOTAL CHAPTER B1-37</b>	<b>CLEARANCE OF PREVIOUS YEAR'S ACCOUNTS AND REDUCTION/SUSPENSION OF ADVANCES UNDER CHAPTERS</b>	<b>-500.0</b>	<b>-410.0</b>	<b>+ 90.0</b>

This chapter includes the amounts resulting from the clearance of accounts corrections and the reduction/suspension of advances credited to the EAGGF-Guarantee Section budget.

With regard to the clearance of previous years' accounts, the amounts with which the Member States credited the EAGGF-Guarantee Section budget corresponded to the corrections included in the seven clearance decisions adopted by the Commission during the 2003 budget year, namely Commission Decisions 2002/816/EC, 2002/881/EC, 2003/102/EC, 2003/313/EC, 2003/364/EC, 2003/481/EC and 2003/536/EC. The overall amount of corrections was –EUR 356.0 million, as against the estimated –EUR 400.0 million provided for in the 2003 budget, i.e. approximately EUR 44.0 million less than the appropriations provided for in the budget.

With regard to the reduction/suspension of advances, the amount initially provided for in the 2003 budget under this item was –EUR 100.0 million. However, during the year, EUR 54.0 million were deducted from the Member States advances, i.e. approximately EUR 46.0 million less than the credit appropriations provided for in the budget.

Therefore, the budgetary appropriations for this chapter were under-implemented by approximately EUR 90.0 million.



## CHAPTER B1-38: PROMOTION MEASURES

EUR million

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-380	Promotion measures	48.0	21.9	–26.1
B1-381	Promotion measures: direct payments by the European Community	12.0	5.2	–6.8
B1-382	Enhancing public awareness of the common agricultural policy	6.5	4.2	–2.3
B1-389	Other	p.m.	0.0	0.0
<b>TOTAL CHAPTER B1-38</b>	<b>PROMOTION MEASURES</b>	<b>66.5</b>	<b>31.3</b>	<b>–35.2</b>

Information and promotion programmes for agricultural products implemented in the EU and elsewhere are financed under this chapter. The legal basis is provided by Council Regulations (EC) Nos 2702/1999 and 2826/2000 and Commission Regulations (EC) Nos 2879/2000 and 94/2002. The programmes are submitted by trade organisations to the Member States, the latter being responsible for programme management once the Commission has confirmed the selection and agreed part-financing.

The rate of financing of the action plans is 50%. It is degressive: 60%–40% in the case of two-year programmes and 60%–50%–40% in the case of three-year programmes. The rules also allow the financing of information measures carried out on the initiative of the Commission (sending trade missions to non-member countries and providing the latter with information on protected designations of origin, protected geographical indications and organic production).

All of the information and promotion measures under this chapter were under-implemented because of changes in promotional arrangements and delays in launching new programmes.

Payments made by the Member States for promotion measures amounted to approximately EUR 22.0 million, as compared to the 2003 budget appropriation of EUR 48.0 million. In December 2001, the Commission approved 18 indirectly managed promotion programmes, while an additional 40 programmes were approved in August 2002. In 2003, 66 new indirectly managed promotion programmes were approved, both on the internal market and in non-member countries, by five separate Commission Decisions. Since many of the 2003 programmes were approved late in the budget year (for example 29 programmes were approved on 30 December 2003), the corresponding uptake of funds during the year was minimal.

For actions within the EU, payments amounting to approximately EUR 17.0 million were made. Approximately EUR 5.4 million concerned balances paid for older, pre-2002 promotion programmes, covering potatoes, citrus fruits, flowers and beef, which are close to conclusion. A total of EUR 9.7 million concerned payments to promote wine, fruit and vegetables, milk and cheeses, organic products, flowers and labelling systems under the 2002 programmes. The 2003 programmes covering more or less the same products were approved late in the budget year and, therefore, the payments incurred amounted to only approximately EUR 1.9 million.

For actions in non-member countries, payments amounting to approximately EUR 4.9 million were made. Approximately EUR 3.3 million involved the 2001 programme covering wine, fruit and vegetables, cheeses and pigmeat in the Far East and in the enlargement countries. Payments for the 2003 programmes involved only one of the two programmes approved, since the second programme was approved late in the budget year. These payments amounted to approximately EUR 1.6 million and covered wine, fruit and vegetables, cheeses and pigmeat in the USA, Japan, Canada, Russia, Poland and the Czech Republic.

With regard to promotion measures for which payment is made directly by the European Community, the Commission directly financed promotion measures to the tune of approximately EUR 5.2 million, as against the EUR 12.0 million provided for in the 2003 budget. Approximately EUR 4.3 million were paid for the 2000–02 olive-oil promotion programme, approximately EUR 0.6 million were paid for information actions in the USA and Canada and EUR 0.3 million as the Community's contribution to the IOOC's olive-oil promotion actions in non-member countries.

With regard to enhancing public awareness of the common agricultural policy, expenditure on information measures on the CAP amounted to approximately EUR 4.2 million, as against the EUR 6.5 million provided for in the 2003 budget.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 35.2 million.

#### CHAPTER B1-39: OTHER MEASURES

*EUR million*

Article	Heading	Budget appropriations (a)	Expenditure (b)	Over-/under-implementation (b)–(a)
B1-390	Agrimonetary aids	26.0	1.8	–24.2
B1-391	Direct aid scheme for small producers	2.0	1.3	–0.7
B1-392	Genetic resources	0.0	0.0	0.0
B1-399	Other	–10.0	–5.6	+ 4.4
<b>TOTAL CHAPTER B1-39</b>	<b>OTHER MEASURES</b>	<b>18.0</b>	<b>–2.5</b>	<b>–20.5</b>

#### Agrimonetary aid

Following the UK's decision not to utilise all its possibilities for granting agrimonetary aid, notably in respect of the second and third instalments of aid to beef, sheep and milk producers, payments made in 2003 mainly concerned balances to be settled. Therefore, the appropriations for this scheme in the 2003 budget were under-implemented by approximately EUR 24.2 million.

It should be noted that recoveries of unduly paid aids amounted to EUR 5.6 million, thus exceeding the total payments of aid of approximately EUR 3.1 million made for the various schemes under this chapter.

Taking into consideration the budgetary implementation of all schemes under this chapter, total appropriations were underspent by approximately EUR 20.5 million.

### **3.7. TITLE B1-40: Rural development**

- From appropriations under subheading 1b, the EAGGF Guarantee Section part-finances (Regulation (EC) No 1257/1999) 89 rural development programmes adopted for the 15 Member States for the 2000–06 period.
- The allocation entered in the 2003 budget by the budgetary authority of EUR 4 698 million was increased by EUR 49.3 carried over from 2002 to 2003. The appropriations available therefore totalled EUR 4 747.3 million.
- In 2003, actual expenditure under the 89 programmes was EUR 4 706 million or 99.1% of the appropriations available. Consequently, compared to the amount available of EUR 4 747.3 million, there was an underspend of EUR 41.3 million.
- The implementation in 2003 by budget heading of the appropriations available showed an underspend principally on measures to promote the adjustment and development of rural areas, forestry measures (new and old schemes), early retirement (new scheme) and to a lesser extent the processing and marketing of agricultural products and training. On the other hand, environmental measures, particularly under the new scheme, investments in agricultural holdings, and the setting up of young farmers well exceeded their initial allocation. As a result, transfers within the chapter for adjustment purposes were needed to match budget resources to actual implementation needs.
- In the context of the closure of the 2003 financial year and the carryover of unutilised appropriations from 2003 to 2004, EUR 41.3 million was carried over by Commission Decision in accordance with Article 149(3) of the new Financial Regulation.

### **3.8. Breakdown by type of expenditure**

There are two main categories of EAGGF Guarantee Section expenditure: that connected with refunds, and "intervention" expenditure, principally direct aid, storage, withdrawals and the like, and other expenditure. Rural development expenditure, however, does not fall into either category. The various types of expenditure are described in detail in Annexes 13 to 16.

#### *3.8.1. Refunds*

Expenditure in connection with refunds totalled EUR 3 729.6 million, i.e. 8.4% of total EAGGF Guarantee Section expenditure in 2003, a figure almost identical to the one recorded the previous financial year.

#### *3.8.2. Direct aid*

Expenditure relating to "direct aid" totalled EUR 29 692.4 million or 67% of the total expenditure of EUR 44 461.2 million in the 2003 financial year, the same percentage as in 2002. Expenditure under the "direct aid" heading is defined in the Annex to Regulation (EC) No 1259/1999 of 17 May 1999 (OJ L 160, p. 113). This includes area aid, set-aside for field-scale crops, aid for the production of olive oil, area aid for flax and hemp, dried pulses, rice, dried grapes, premiums for tobacco, suckler cows, male bovine animals and ewes and goats, and agrimonetary aid. A breakdown of "direct aid" expenditure by scheme and by Member State is presented in Annex 15A.

### 3.8.3. *Storage*

Expenditure on storage totalled EUR 928.1 million, i.e. 2% of total expenditure during the financial year. Between 1 October 2002 and 30 September 2003, the date of closure of the accounts for public storage, the quantities and book value of the products in public intervention storage moved as follows. The book value of stocks went down from EUR 1 419.94 million at the end of the 2002 financial year to EUR 1 266.60 million at the end of 2003.

Stocks of cereals and rice fell from 8.5 million tonnes to 7.4 million tonnes, those of skimmed milk powder rose from 0.15 million tonnes to 0.20 million tonnes and those of butter increased from 0.17 million tonnes to 0.22 million tonnes.

Beef and veal stocks fell from 0.22 million tonnes to almost nothing at 0.03 million tonnes. Stocks of alcohol remained fairly stable during the 2003 financial year, increasing from 3.5 million hectolitres to 3.6 million hectolitres.

The breakdown of the book value of stocks shows that the share of cereals and rice was almost the same as in the previous financial year, the two products accounting for about 51% of the total value of the products in storage, as against 67% in 2001 and 52% in 2002. The remaining 49% is accounted for essentially by milk products (43%), with the value of the stocks of beef and veal and alcohol becoming marginal, representing only 6% of the total value of products in storage.

As they have done every year since 1988, the Commission departments concerned carried out a depreciation of the products in public intervention. They do this in two stages. When the products are bought in they are depreciated by at least 70% of the total foreseeable loss of value. At the end of the financial year, the stocks are evaluated and, where necessary, are the subject of a supplementary depreciation to bring the book value of the products into line with the foreseeable selling price. In 2003, the depreciation when the products were bought in totalled EUR 325.13 million and the supplementary depreciation at the end of the financial year was EUR 103.03 million.

### 3.8.4. *Others*

Other intervention-related expenditure totalled EUR 10 111.1 million, i.e. 23% of the total for interventions. This includes mainly expenditure which does not fall into the categories referred to above, i.e. expenditure other than storage costs in the case of sugar, production aid for dried fodder, aid for cotton, the operational funds of producer organisations, production aid and financial compensation to encourage the processing of citrus fruits in the case of fruit and vegetables, aid for the use of musts in the case of viticulture, aid for the use of skimmed milk powder and measures concerning butterfats.

## **C. SPECIFIC ACTIVITIES**

### **3.9. Supply of food from intervention stocks for the benefit of the needy in the Community**

In the particularly harsh winter of 1986-87 the Community organised an emergency programme for the supply, free of charge, of foodstuffs to the most deprived persons in the Community for a limited period.

When this emergency programme ended, the Community received many calls for this type of measure to be applied on a permanent basis. The Commission put a proposal to the Council, which adopted it as Regulation (EEC) No 3730/87 laying down general rules for the supply of food from intervention stocks to designated organisations for distribution to the most deprived persons in the Community<sup>5</sup>. The Commission then adopted an implementing regulation (Regulation (EEC) No 3149/92<sup>6</sup>, as last amended by Regulation (EC) No 1921/2002<sup>7</sup>).

Since then, the Commission has adopted a distribution plan each year specifying the budget resources and quantities of products allocated to the Member States involved in the scheme.

Ten Member States wished to take part in 2003. The appropriations were shared among them according to the number of needy they had. The allocation also reflected any substantial underspend in the previous three years.

The annual plan is established in consultation with the charities on the ground. It is administered at national level by the authorities of the participating Member States. Each Member State designates the organisations that are to distribute food to the needy.

This measure also allows each participating Member State to obtain supplies of products from another Member State where it has no intervention stocks itself of one of the products it is to distribute under the scheme.

Under the 2003 plan (Decision 2002/905/EC<sup>8</sup>), the participating Member States shared EUR 196 million as detailed in the tables below.

Member State	Ceiling in euros
B	<b><u>3 952 000</u></b>
DK	<b><u>633 000</u></b>
EL	<b><u>13 276 000</u></b>
ES	<b><u>50 580 000</u></b>
F	<b><u>47 666 000</u></b>
IRL	<b><u>2 738 000</u></b>
I	<b><u>56 568 000</u></b>
L	<b><u>42 000</u></b>
P	<b><u>16 903 000</u></b>
FIN	<b><u>3 642 000</u></b>
Total allocated	<b><u>196 000 000</u></b>
Transfers	<b><u>4 000 000</u></b>
Total 2003 plan	<b><u>200 000 000</u></b>

<sup>5</sup> OJ L 352, 15.12.1987, p. 1.

<sup>6</sup> OJ L 313, 30.10.1992, p. 50.

<sup>7</sup> OJ L 293, 29.10.2002, p. 9.

<sup>8</sup> OJ L 313, 16.11.2002, p. 26.

### Distribution of the quantities of products by Member State (2003 plan)

Member State	Cereals	Rice (paddy)	Butter	Milk powder	Beef and veal (carcase equivalent)
Belgium	7 000	700	500		400
Denmark					200
Greece	25 000	20 000		2 020	
Spain	60 000	20 000		11 660	4 038
France	23 717	8 304		12 306	5 053
Ireland			60		800
Italy	80 000	15 000	1 200	10 846	5 000
Portugal	15 000	7 500	345	3 990	1 000
Finland	15 000			400	374
<b>Total</b>	<b>225 717</b>	<b>71 504</b>	<b>2 105</b>	<b>41 222</b>	<b>16 865</b>

Member States participating in the 2003 plan	Uptake of appropriations <sup>9</sup>
Belgium	<b>56.70%</b>
Denmark	<b>34.43%</b>
Greece	<b>0.00%</b>
Spain	<b>85.17%</b>
France	<b>95.20%</b>
Ireland	<b>83.15%</b>
Italy	<b>31.85%</b>
Luxembourg	<b>0.00%</b>
Portugal	<b>90.68%</b>
Finland	<b>84.39%</b>
All participating Member States	<b>66.13%</b>

## 4. CONTROL MEASURES

### 4.1. Integrated Administration and Control System (IACS)

The new regulation on IACS was adopted in 2001 – Commission Regulation (EC) No 2419/2001, applicable to marketing years or premium periods commencing as of 1 January 2002 and replacing Regulation (EEC) No 3887/92.

Some important advantages of the new regulation are the general option to transmit claims, etc. by electronic means, more efficient controls, achieved by maximising the use of computerised and remote checks, an "integrated" bovine premium check covering several schemes and the simplification of provisions on livestock-premium penalties.

<sup>9</sup> Expenditure declared up to **October 2003**.

The Commission verifies the conformity of Member States' control systems and ensures the uniform application of the new regulation. Particular attention was paid during 2003 to the introduction of IACS in the new Member States.

#### **4.2. Compatibility with IACS**

Articles 9a(1) and 13(1)(d) of Council Regulation (EEC) No 3508/92 stipulates that a number of aid schemes must be administered and controlled in a way that is compatible with IACS as of 1 January 2003. The provisions concern a variety of Community aid schemes (e.g. tobacco, wine, olive oil, less-favoured areas, etc.) and effectively consolidate the IACS concept and extend its application to Community expenditure not hitherto directly covered.

The Commission's preparatory enquiry undertaken in 2002 showed that all Member States were aware of their obligations regarding compatibility and that compatibility would be achieved in all Member States by 1 January 2003. However, in some Member States the compatibility of a number of aid schemes could not be achieved by the deadline, with most problems occurring in the wine, olive-oil and dried fodder sectors.

As of 1 January 2003 compliance with the compatibility requirement was included in audits in accordance with Article 7(4) of Regulation (EC) No 1258/1999.

#### **4.3. Olive-oil inspection agencies**

Under Council Regulation (EEC) No 2262/84<sup>10</sup> and Commission Regulation (EEC) No 27/85<sup>11</sup>, olive-oil inspection agencies have been established in the main producer Member States, i.e. Italy, Greece, Spain and Portugal (see pp. 53–54 of the 18th Financial Report on the EAGGF).

The four agencies carried out their work in the 2002/03 marketing year in line with the work programmes and forward estimates approved by the authorities of the Member States and the Commission.

The findings of the olive-oil inspection agencies were notified to the national authorities, which must now take the necessary steps to ensure that the appropriate penalties are applied.

#### **4.4. Part-financing with a view to reinforcing checks**

Under Council Regulation (EC) No 723/97 of 22 April 1997, the Community is contributing towards the costs incurred by Member States in implementing new action programmes, arising out of new Community obligations, approved by the Commission and in force after 15 October 1996, and aimed at improving the structures or effectiveness of checks on EAGGF Guarantee Section expenditure.

Under the same Regulation (Article 4(3)), the Commission may undertake work for the maintenance and development of control systems and direct electronic information exchange between the Member States and itself.

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<sup>10</sup> OJ L 208, 3.8.1984, p. 11.

<sup>11</sup> OJ L 4, 5.1.1985, p. 5.

In consultation with the EAGGF Committee, for each annual instalment, the Commission has to set the maximum amount of the Community financial contribution, having regard to the available appropriations and on the basis of the programmes presented by the Member States. The level of the Community financial contribution is 50% of Member States' payments of eligible expenditure with respect to the financial year. However, if the total payment of eligible expenditure exceeds the budget resources available, the Community's contribution rate is reduced proportionally.

This seventh year of application confirmed the importance that Member States attach to setting up new control systems. Most of the programmes relate to implementing a geographical information system (GIS) and an agricultural parcel identification system.

After consulting the EAGGF Committee on 19 November 2002 and on the basis of Commission Decision C(2003) 394 final of 30 January 2003, EUR 15 000 000 were allocated to seven Member States who had submitted action programmes for 2003.

Council Regulation (EC) No 2136/2001 of 23 October 2001 extended the validity of Regulation (EC) No 723/97 for two years and approved annual part-financing of EUR 15 000 000. It should be noted that 2003 is the final year of application of the regulation on the Community financial contribution to expenditure by the Member States concerning controls.

The Commission carried out two inspection visits to Member States in 2003 (United Kingdom and Germany) to verify the conformity of declared expenditure.

#### Regulation (EC) No 723/97

#### 2003

Member State	Community contribution (EUR)
Germany	2 501 266
Spain	4 485 966
France	3 615 961
Austria	897 193
United Kingdom	2 156 373
Finland	706 200
Sweden	637 041

For this seventh year of application, Belgium, Ireland, Italy, Luxembourg, Greece, the Netherlands, Portugal and Denmark did not submit a programme for part-financing.

#### **4.5. Application of Regulation (EC) No 4045/89 (*ex-post* checks)**

Council Regulation (EEC) No 4045/89 relates to scrutiny of the commercial documents of those entities receiving or making payments relating directly or indirectly to the system of financing by the Guarantee Section of the EAGGF, or their representatives, in order to ascertain whether transactions forming part of the system



of financing by the Guarantee Section of the EAGGF have actually been carried out and have been executed correctly.

Each year the competent services of the Member States conduct *ex-post* scrutinies of larger beneficiaries. These scrutinies are based on commercial documents, understood as all books, registers, vouchers and supporting documents, accounts, production and quality records, and correspondence relating to the undertaking's business activity, as well as commercial data, in whatever form they may take, including electronically stored data.

Around 3 000 companies are selected for scrutiny each year. These scrutinies are conducted by 66 inspection bodies (including special departments). It is estimated that some 1 000 people are employed full or part time carrying out the *ex-post* scrutinies – this is equal to approximately 500 full-time equivalents.

#### *Changes to the Regulation*

Following the adoption on 28 November 2002 of Council Regulation (EC) No 2154/2002 amending Regulation (EEC) No 4045/89, changes were made to Commission Regulation (EEC) No 1863/90 of 29 June 1990 laying down detailed rules for the application of Council Regulation (EEC) No 4045/89.

In order to simplify the legislation in this respect, instead of making yet another amendment, a new consolidated Commission Regulation (Regulation (EC) No 4/2004) was adopted on 23 December 2003 (OJ L 2, 6.1.2004, p. 3).

#### *Monitoring*

As in previous years, the Commission received and analysed the following documents from Member States:

- risk analysis to be applied for the selection of undertakings,
- annual scrutiny programmes,
- annual scrutiny reports,
- annual payment overviews,
- mutual assistance requests.

The outcome of the Commission's analysis of the above was provided during the 4045/89 Experts Group meeting on 23 October 2003 in Brussels.

#### *New Member States*

To enhance proper implementation of the Regulation, presentations on *ex-post* scrutinies were made during visits to the new Member States. Additional presentations were made during the OLAF 4045/89 seminar on 8–12 September 2003 in Austria and during the 4045/89 Experts Group meeting on 23 October 2003 in Brussels.

In order to assess the state of readiness of the new Member States and assist in their preparations, questionnaires on implementation of the Regulation were sent to all ten new Member States.

### *Other developments*

The Member States have themselves established a working group for Regulation (EEC) No 4045/89 in which the heads of the special departments for Regulation (EEC) No 4045/89 meet. They have also established a series of working groups of scrutineers for several sectors. Training seminars for scrutineers and an exchange programme for scrutineers are part-funded by OLAF. All these initiatives have contributed considerably to the 'success' and quality of *ex-post* scrutiny.

The Commission contributed to the above by organising a 4045/89 Experts Group meeting for the representatives of Member States and new Member States' special departments and inspection bodies. The 4045/89 Experts Group meeting provided a platform for the exchange of experience and information between the Member States and the Commission.

## **5. CLEARANCE OF ACCOUNTS**

### **5.1. Background**

In 2003, the Commission adopted six decisions on the clearance of accounts: 2003/273/EC, 2003/313/EC, 2003/102/EC, 2003/364/EC, 2003/481/EC and 2003/536/EC (*see also Part 7.3 – Basic rules – Clearance of accounts*).

These six clearance decisions excluded from Community financing a total of EUR 382.49 million (including EUR 5.28 million for OLAF).

The departments auditing agricultural expenditure also:

- carried out 187 inspection visits in the 15 Member States and the ten SAPARD countries, which also covered direct expenditure;
- organised 59 meetings with the Member States to discuss the findings of inspection visits relating to the 1999, 2000, 2001 and 2002 financial years;
- accredited the decentralised management of the SAPARD programme for new measures for nine SAPARD paying agencies;
- actively participated in the enquiries of the Recovery Task Force regarding OLAF cases;
- closely monitored the situation in Greece: 16 inspection visits were carried out in 2003 regarding arable crops, livestock premiums, olive oil, textile fibres, tobacco and fruit and vegetables;
- organised seminars and visits to the ten candidate countries regarding the setting-up of IACS paying agencies and other agricultural measures. In total, 21 inspection visits were carried out, the findings of which were notified to the candidate countries. At the end of the financial year, high-level meetings were held with the ten candidate countries to take stock of the situation and draw the attention of the national authorities to the measures that still needed to be implemented in their countries.

## 5.2. Clearance of accounts – Decisions adopted in 2003

(EUR million)	Decision (12) 2003/102/EC 14/02/2003	Decision (13) 2003/364/EC 15/05/2003	Decision 2003/481/EC 25/06/2003	Decision (14) 2003/536/EC 22/07/2003
– Arable crops	25.05	133.26	–	5.58
– Fruit and vegetables	3.54	–	–	22.26
– Refunds	–	–	–	–
– Financial audit	23.75	1.11	–	–
– Rural development	10.86	0.06	–	–
– Livestock premiums	31.44	10.01	–	27.18
– Oils and fats	3.37	–	–	58.19
– Public storage	10.63	–	–	–
– Milk and milk products	–15.70	–	–	0.93
– Wine and tobacco	–	24.56	–	1.11
– OLAF	–	–	5.28	–
<b>TOTAL</b>	<b>92.95</b>	<b>169.00</b>	<b>5.28</b>	<b>115.25</b>

## 5.3. Clearance of accounts for the 2002 financial year

### 5.3.1. Introduction

The rules on the clearance of accounts stipulate that paying agencies must be approved and that accounts clearance is to be split into two distinct procedures: one annual accounts clearance decision verifying the veracity, integrity and accuracy of the accounts sent in (Article 5(2)(b) of Council Regulation (EEC) No 729/70 and, from 1 January 2000, Article 7(3) of Council Regulation (EC) No 1258/1999) and separate decisions excluding from Community financing any expenditure not effected in compliance with Community rules (Articles 5(2)(c) and 4(7) respectively of the above Regulations).

Accounts clearance is based on annual accounts supported by certificates and audit reports produced for each paying agency by independent audit bodies, the certifying bodies (Article 3(1) of Commission Regulation (EC) No 1663/95).

Commission officials examined the annual accounts, certificates and audit reports transmitted by the deadline of 10 February 2003 and also visited some of the paying agencies. The purpose of the visits was to assess the work of the certifying bodies, the extent of the problems reported and the measures taken by the paying agency to solve the problems identified. Problems were not confined to the accuracy of the accounts, but also stemmed from the paying agencies' operational systems. The certifying bodies are required to check that these systems are sound enough to provide reasonable assurance that expenditure complies with Community rules.

### 5.3.2. Decisions

#### 5.3.2.1. Decision 2003/313/EC of 7 May 2003

It was decided to clear the 2002 accounts of paying agencies where their integrity, accuracy and veracity had been confirmed on the basis of the information received.

The accounts of the other paying agencies were disjoined from the decision and are the subject of a later decision. The results of the examination may be summarised as follows:

- the accounts of the Baden-Württemberg and Bayern-Umwelt paying agencies in Germany were disjoined from the Decision because additional checks needed to be carried out;
- the accounts of the Balearic Islands and La Rioja paying agencies in Spain were disjoined from the Decision because additional information was required;
- the accounts of the SDE, OFIVAL, ONIC, ONIFLHOR, ONILAIT, ODEADOM, FIRS and ONIVINS paying agencies in France were disjoined from the Decision because the certifying body expressed reserves regarding a number of budget headings;
- the accounts of the ARTEA and Region of Lombardy paying agencies in Italy were disjoined from the Decision because of serious shortcomings discovered, problems with sampling and the treatment of the errors detected;
- the accounts of the IFADAP paying agency in Portugal were disjoined from the Decision because of the high number of errors uncovered and the failure to comply with the accreditation criteria;
- the accounts of the NAWAD paying agency in the United Kingdom were disjoined from the Decision because of a failure to submit the information laid down in Regulation (EC) No 2390/1999;
- the accounts of the OPEKEPE paying agency in Greece were disjoined from the Decision because of a failure to submit all the information laid down in Regulation (EC) No 2390/1999.

#### 5.3.2.2. Decision 2003/273/EC of 10 April 2003

It was decided to clear the 2000 accounts of the Greek paying agency, which had been disjoined from Decision 2001/474/EC of 8 May 2001.

#### 5.3.3. *Corrections to accounts*

##### 5.3.3.1. Corrections to amounts declared in respect of 2002

Corrections were adopted in the light of the remarks of the certifying bodies and of Commission investigations. The total corrections are as follows:

- |            |                     |
|------------|---------------------|
| – Austria: | EUR 0.000 million   |
| – Belgium: | + EUR 0.452 million |
| – Germany: | –EUR 0.437 million  |
| – Denmark: | +DKK 1.831 million  |
| – Spain:   | –EUR 5.586 million  |
| – Finland: | –EUR 0.009 million  |
| – France:  | –EUR 0.970 million  |
| – Greece:  | –EUR 3.875 million  |
| – Ireland: | +EUR 1.615 million  |

- Italy: +EUR 0.479 million
- Luxembourg: EUR 0.000 million
- Netherlands: –EUR 1.980 million
- Sweden: –SEK 0.003 million
- Portugal: +EUR 0.483 million
- United Kingdom: +GBP 0.386 million.

#### **5.4. Cases brought before the Court of Justice against clearance decisions**

##### *5.4.1. Judgments handed down*

Since the 32nd EAGGF Guarantee Section Financial Report was drawn up, the Court has handed down 10 judgments in appeals brought by Member States against clearance decisions.

The Court rejected the appeals brought in the following cases:

- judgment of 9 January 2003 in Case C-157/00 concerning export refunds and fruit and vegetables in Greece;
- judgement of 9 January 2003 in Case C-177/00 concerning export refunds, olive oil and intervention wine alcohol in Italy;
- judgement of 9 January 2003 in Case C-178/00 concerning the public storage of cereals in Italy;
- judgement of 19 June 2003 in Case C-329/00 concerning compensatory aid for banana producers in Spain;
- judgement of 11 September 2003 in Case C-331/01 concerning livestock premiums in Spain;
- judgement of 18 September 2003 in Case C-331/00 concerning arable crops, beef and veal and early-retirement aid in Greece;
- judgement of 18 September 2003 in Case C-346/00 concerning arable crops in the United Kingdom;
- judgement of 16 October 2003 in Case C-339/00 concerning afforestation aid in Ireland.

The Court accepted in part the following appeals:

- on 8 May 2003, the appeal lodged by Spain in Case C-349/97 concerning olive oil;
- on 12 June 2003, the appeal lodged by Greece in Case C-148/01 concerning milk and milk products.

Following the withdrawal by Italy of Case C-54/02 and by Germany of Case C-337/00, the Court of Justice ordered the removal of these cases from the register.

##### *5.4.2. Appeals pending*

The situation as at 30 September 2003 with regard to appeals pending is shown, together with the amounts concerned, in Annexes 18 to 26.

## **6. RELATIONS WITH PARLIAMENT AND THE EUROPEAN COURT OF AUDITORS**

### **6.1. Relations with Parliament**

The European Parliament is, together with the Council, part of the EU's budgetary authority. It is thus one of the most important discussion partners of the Commission on budgetary matters and therefore on the EAGGF.

Three EP committees are involved in the discussions and the preparation for the plenary on agricultural budgetary matters. These are the Committee on Agriculture and Rural Development, the Committee on Budgets and the Committee on Budgetary Control.

### **6.2. Relations with the European Court of Auditors**

#### *6.2.1. Mission of the European Court of Auditors*

The basic task of the Court of Auditors is to audit the Community accounts. The Maastricht Treaty strengthened this role by requiring it to provide a statement of assurance as to the reliability of the Community accounts and the legality and correctness of the underlying transactions. Issuing this statement certifies that the accounts give an accurate picture of the year in question. It is also of prime importance to the budgetary authority in its deliberations on the granting of the discharge.

As part of its work, the Court of Auditors carries out many audits within the Commission. Court officials frequently visit the Agriculture Directorate-General to gather facts and figures needed for Court opinions, sector letters or special reports. In the light of these investigations, the Court frequently makes suggestions and recommendations to the Commission as to how to improve its budgetary management to make Community control measures more effective.

#### *6.2.2. 2002 annual report*

Each year, the Court of Auditors draws up a general annual report which, over several chapters, scrutinises management of the Community budget for the previous year.

Before the report is published, meetings are held between the Court of Auditors and the Commission, at which the Court's submissions and conclusions and the Commission's replies and explanations can be discussed. The report is the result of audits carried out by the Court in the Community institutions and inspection visits to the Member States.

The annual report for the 2002 financial year together with the Commission's replies included one chapter (Chapter 4) on the EAGGF Guarantee Section. The main submissions advanced by the Court and the replies given by the Commission concerned the following:

- Specific appraisal in the context of the Statement of Assurance:
  - certification of paying agencies' accounts (4.7–4.8),
  - operation of IACS checks (4.9–4.13),

- annual activity report and declaration by the Director-General for Agriculture (4.16–4.21),
- area aid schemes (4.22–4.28),
- animal premium schemes (4.29–4.33),
- subsidies paid on the basis of quantity produced (4.34–4.37),
- rural development (4.38–4.40),
- other expenditure (4.41–4.48);
- Clearance of accounts:
  - financial clearance decision for 2002 (4.54–4.58),
  - conformity decisions taken in 2002 (4.59–4.67),
  - clearance of accounts decisions in recent years (4.68–4.70);
- Follow-up to previous observations:
  - Greening the CAP (4.73–4.89);
  - Community measures for the disposal of butterfat (4.90–4.94);
- Principal observations in the Special Reports:
  - subsidies on exports of agricultural products (export refunds) (4.95–4.102),
  - sound financial management of the common organisation of the market in dried fodder (4.103–4.110),
  - production aid scheme for cotton (4.111–4.122),
  - support for less-favoured areas (4.123–4.130).

For the first time, the Court's observations on budgetary management were consolidated in a separate chapter in the report (chapter 2).

### 6.2.3. *Special reports of the European Court of Auditors*

In 2003, the Court published five special reports (SR) relating to the CAP:

- SR No 1/03 on the prefinancing of export refunds (OJ C 98, 24.4.2003),
- SR No 4/03 on rural development: support for less-favoured areas (OJ C 151, 27.6.2003),
- SR No 9/03 on the system for setting the rates of subsidy on exports of agricultural products (export refunds) (OJ C 211, 5.9.2003),
- SR No 12/03 on sound financial management of the common organisation of the market in dried fodder (OJ C 298, 8.12.2003),
- SR No 13/03 on production aid for cotton (OJ C 298, 8.12.2003).

The full texts of the Annual Report and the Special Reports, together with the Court of Auditors' comments and the Commission's replies, are on the Court's website: <http://www.eca.eu.int>.

## **7. BASIC RULES GOVERNING THE EAGGF GUARANTEE SECTION AND AMENDMENTS MADE IN 2003**

### **7.1. General/system of advances**

- Council Regulation (EEC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy (OJ L 160, p. 103),
- Council Regulation (EEC) No 1883/78 of 2 August 1978 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section (OJ L 216, p. 1),
- Commission Regulation (EC) No 296/96 of 16 February 1996 on data to be forwarded by the Member States and the monthly booking of expenditure financed under the Guarantee Section of the Agricultural Guidance and Guarantee Fund (EAGGF) and repealing Regulation (EEC) No 2776/88 (OJ L 39, p. 5)  
*amended by Commission Regulation (EC) No 1997/2002 of 8 November 2002 (OJ L 308, p. 9),*
- Council Regulation (EC) No 2040/2000 of 26 September 2000 on budgetary discipline (OJ L 244, p. 27),
- Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations (OJ L 160, p. 80),
- Commission Regulation (EC) No 445/2002 of 26 February 2002 laying down detailed rules for the application of Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) (OJ L 74, p.1). That Regulation repealed Commission Regulation (EC) No 1750/1999, which, however, still applied during 2001 (OJ L 214, p. 31).

### **7.2. Checks**

- Council Regulation (EEC) No 4045/89 of 21 December 1989 on scrutiny by Member States of transactions forming part of the system of financing by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and repealing Directive 77/435/EEC (OJ L 388, p. 18),  
*amended by Council Regulation (EC) No 2154/2002 of 26 November 2002<sup>12</sup>,*
- Council Regulation (EEC) No 3508/92 of 27 November 1992 establishing an integrated administration and control system for certain Community aid schemes (OJ L 355, p. 1),  
*amended by Commission Regulation (EC) No 495/2001 of 13 March 2001 (OJ L 72, p. 6),*
- Commission Regulation (EC) No 2419/2001 of 11 December 2001 laying down detailed rules for applying the integrated administration and control system for certain Community aid schemes established by Council Regulation (EEC) No 3508/92 (OJ L 327, p. 11),

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<sup>12</sup> OJ L 328, 5.12.2002, p. 4.



- Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97 (OJ L 204, p. 1).

### 7.3. Clearance of accounts

- Commission Regulation (EC) No 1663/95 of 7 July 1995 laying down detailed rules for the application of Council Regulation (EEC) No 729/70 regarding the procedure for the clearance of the accounts of the EAGGF Guarantee Section (OJ L 158, p. 6)  
*amended by Commission Regulation (EC) No 2025/2001 of 16 October 2001 (OJ L 274, p. 3);*
- Commission Regulation (EC) No 2390/1999 of 25 October 1999 laying down detailed rules for the application of Regulation (EC) No 1663/95 as regards the form and content of the accounting information that the Member States must hold at the disposal of the Commission for the purposes of the clearance of the EAGGF Guarantee Section accounts (OJ L 295, p. 1)  
*amended by Commission Regulation (EC) No 1884/2002<sup>13</sup>.*

The Commission also adopted a number of decisions on the clearance of accounts of the Member States:

- Decision 2003/273/EC of 10 April 2003 in respect of the 2000 financial year and concerning the paying agency in Greece<sup>14</sup>;
- Decision 2003/313/EC of 7 May 2003 in respect of the 2002 financial year<sup>15</sup>;
- Decision 2003/102/EC of 14 February 2003 under Article 5(2)(c) of Regulation (EEC) No 729/70 and Article 7(4) of Regulation (EC) No 1258/1999 – twelfth Decision<sup>16</sup>;
- Decision 2003/364/EC of 15 May 2003 under Article 5(2)(c) of Regulation (EEC) No 729/70 and Article 7(4) of Regulation (EC) No 1258/1999 – thirteenth Decision<sup>17</sup>;
- Decision 2003/481/EC of 27 June 2003 on the financial treatment to be applied in certain cases of irregularity by operators (OLAF)<sup>18</sup>;
- Decision 2003/536/EC of 22 July 2003 under Article 5(2)(c) of Regulation (EEC) No 729/70 and Article 7(4) of Regulation (EC) No 1258/1999 – fourteenth Decision<sup>19</sup>.

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<sup>13</sup> OJ L 288, 25.10.2002, p. 1.

<sup>14</sup> OJ L 99, 17.4.2003.

<sup>15</sup> OJ L 114, 8.5.2003.

<sup>16</sup> OJ L 42, 15.2.2003.

<sup>17</sup> OJ L 124, 20.5.2003.

<sup>18</sup> OJ L 160, 28.6.2003.

<sup>19</sup> OJ L 184, 23.7.2003.

## 7.4. Public storage

### (a) Basic rules

- Commission Regulation (EEC) No 411/88 of 12 February 1988 on the method and the rate of interest to be used for calculating the costs of financing intervention measures comprising buying-in, storage and disposal (OJ L 40, p. 25)  
*amended by Regulation (EC) No 2623/1999 of 10 December 1999 (OJ L 318, p. 14),*
- Commission Regulation (EEC) No 1643/89 of 12 June 1989 defining the standard amounts to be used for financing material operations arising from the public storage of agricultural products (OJ L 162, p. 12),
- Council Regulation (EEC) No 3492/90 of 27 November 1990 laying down the factors to be taken into consideration in the annual accounts for the financing of intervention measures in the form of public storage by the European Agricultural Guidance and Guarantee Fund, Guarantee Section (OJ L 337, p. 3),
- Commission Regulation (EEC) No 3597/90 of 12 December 1990 on the accounting rules for intervention measures involving the buying-in, storage and sale of agricultural products by intervention agencies (OJ L 350, p. 43),
- Commission Regulation (EEC) No 147/91 of 22 January 1991 defining and fixing the tolerances for quantity losses of agricultural products in public intervention storage (OJ L 17, p. 9),
- Commission Regulation (EEC) No 3149/92 of 29 October 1992 laying down detailed rules for the supply of food from intervention stocks for the benefit of the most deprived persons in the Community (OJ L 313, p. 50),
- Commission Regulation (EC) No 2148/96 of 8 November 1996 laying down rules for evaluating and monitoring public intervention stocks of agricultural products (OJ L 288, p. 6)  
*amended by Commission Regulation (EC) No 808/1999 of 16 April 1999 (OJ L 102, p. 70).*

### (b) Depreciation on buying-in

- Commission Regulation (EC) No 1846/2002 of 16 October 2002 fixing depreciation percentages to be applied when agricultural products are bought in, for the 2003 financial year (OJ L 279, pp. 29–30),
- Commission Regulation (EC) No 1843/2003 of 17 October 2003 fixing depreciation percentages to be applied when agricultural products are bought in for the 2004 financial year (OJ L 268, 18.10.2003, pp. 61–62).

### (c) Additional depreciation at the end of the financial year

- Decision C(2003) 3552 of 10 October 2003 (not published) fixing the amounts and detailed rules for the depreciation of stocks of certain agricultural products bought into public intervention during the 2003 financial year.

(d) Uniform interest rate

- Commission Regulation (EC) No 1852/2002 of 17 October 2002 on the rate of interest to be used for calculating the costs of financing intervention measures comprising buying-in, storage and disposal (OJ L 280, p. 4),
- Commission Regulation (EC) No 1842/2003 of 17 October 2003 fixing the interest rates to be used for calculating the costs of financing intervention measures comprising buying-in, storage and disposal for the EAGGF Guarantee Section for the accounting year 2004 (OJ L 268, 18.10.2003, p. 60).

(e) Standard amounts

- Commission Decision C(2002) 3840 of 16 October 2002 (not published) fixing, for the 2003 financial year, the standard amounts to be used for financing physical operations arising from the public storage of agricultural products,
- Commission Decision C(2003) 3914 of 28 October 2003 (not published) fixing, for the 2004 financial year, the standard amounts to be used for financing physical operations arising from the public storage of agricultural products.

N.B.: Totals or subtotals of expenditure in the following tables sometimes differ by EUR 0.1 million from the amount obtained arithmetically by adding the lines or columns. This difference is due to rounding up and down. The totals are generally expressed in million euros while the calculations are done using amounts in euros.

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Available in French on paper from the Directorate-General for Agriculture

and in electronic form from its website

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