



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Goods not covered by Annex I to the Treaty

Temporary flat-rate reduction of refunds

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The purpose of this communication is to inform the Council that, despite the three unfavourable opinions delivered by the joint management Committee on milk and milk products, cereals and sugar on 25 November 1999 (milk products: 5 votes in favour, 15 abstentions, 67 votes against; cereals: 72 votes against, 15 abstentions; sugar: 20 abstentions, 67 votes against), the Commission has decided to adopt, by means of regulations (EC) No 2533/1999, No 2534/1999, No 2535/1999, a temporary flat-rate reduction of 4.5% in the rate of refunds for agricultural products exported in the form of goods not covered by Annex I.

- (1) The European Council in Berlin decided to place a ceiling, as from the budget year 2000, on spending under the EAGGF guarantee section, at a level well below the agricultural guideline.
- (2) Thus, for the budget year 2000 the ceiling for overall spending under the EAGGF guarantee section is € 41 738 million (of which € 37 352 million for conventional EAGGF guarantee section spending), which is well below the guideline for the year in question (€ 46 549 million: see Annex 1).
- (3) Consequently, in its letter of amendment to the preliminary draft budget for the year 2000 the Commission puts appropriation requirements for export refunds for goods not covered by Annex I to the Treaty at € 560 million.
- (4) Current forecasts for the year 2000 are about € 578 million (due to the general increase in refund levels compared with 1999). In addition, this figure does not take account of a possible upturn in the Russian market and/or the Asian market.
- (5) A saving of € 18 million must therefore be made for the budget year 2000.
- (6) In its Communication to the Council adopted on 24 November, the Commission indicated the problem which will be caused in the medium and long term by placing a ceiling on expenditure on non-Annex I refunds, and proposed a global approach involving the introduction of several economy measures.
- (7) In any event, it will be impossible to implement these measures until the second half of the budget year at the earliest.
- (8) In addition, the Commission estimates the time lag between export and the payment of non-Annex I refunds to be three months. Accordingly, a reduced rate applied on the day of export will have only a delayed effect on the budget (even more delayed where refund rates are fixed in advance).
- (9) To make an immediate saving of € 18 million over the period 16 October 1999 to 15 October 2000, the Commission, aware that reduced refund rates would not affect the budget until 1 February 2000, has taken the initiative of proposing a general and

temporary flat-rate reduction of 4.5%. This reduction has been in application since 1 November 1999, following the joint Committee's failure to deliver an opinion on 28 October 1999.

- (10) Since then, two new factors have complicated the situation: firstly, the budget for non-Annex I refunds has been reduced to € 557 million; secondly, prices have continued to fall on the world markets, notably for sugar and cereals, forcing the Commission to maintain and increase refund rates beyond what was forecast.
- (11) Article 4(1) of Commission Regulation (EC) No 1222/94 stipulates that "The rate of refund shall be fixed for each month...". The opinions of the relevant management Committees ought therefore to be sought each month regarding the fixing of rates. Given the circumstances, the Commission proposed maintaining the temporary flat-rate reduction of 4.5% for the three types of product (milk products, cereals, sugar). This proposal was put to the joint management Committee for milk products, cereals and sugar on 25 November 1999 for an opinion, and received an unfavourable opinion (see above).
- (12) In view of the circumstances, the Commission has decided to adopt and apply the regulations (EC) No 2533/1999, No 2534/1999, No 2535/1999 as from 1 December 1999. This decision must be communicated to the Council in accordance with Article 23(3) of Council Regulation (EC) No 1766/92 on the common organisation of the market in cereals and the corresponding Articles of Council Regulation (EEC) No 804/68 (milk and milk products) and Council Regulation (EC) No 2038/1999 (sugar).

ANNEX 1

Budget year 2000: Appropriation requirements from the EAGGF Guarantee Section

Million Euro

Chapter	Sector	Budget appropriations 1999 (1) (2)	Appropriation requirements based on PDB 2000	Appropriations PDB 2000 (2)	Requirements based on LA in PDB 2000	Appropriation to be entered in LA in PDB 2000 (2)	Variation in LA requirements compared with PDB requirements	Variation in LA appropriations compared with PDB appropriations
a	b	c	d	e	f	g	h = f - d	i = g - e
B1 - 10	Arable crops	17 831	16 815	16 704	16 930	16 842	115	138
B1 - 11	Sugar	1 937	1 873	1 861	2 031	2 020	158	159
B1 - 12	Olive oil	2 233	2 387	2 371	2 228	2 216	-159	-155
B1 - 13	Dried fodder and grain legumes	388	385	382	387	385	2	3
B1 - 14	Fibre plants	968	934	928	1 041	1 036	107	108
B1 - 15	Fruit and vegetables	1 701	1 680	1 669	1 682	1 673	2	4
B1 - 16	Wine	661	718	713	708	704	-10	-9
B1 - 17	Tobacco	980	978	972	992	987	14	15
B1 - 18	Other sectors or vegetable products	290	307	305	316	314	9	9
B1 - 20	Milk and milk products	2 621	2 686	2 668	2 788	2 773	102	105
B1 - 21	Beef/veal	4 916	4 733	4 702	4 542	4 518	-191	-184
B1 - 22	Sheepmeat and goatmeat	1 755	2 050	2 037	1 864	1 854	-186	-183
B1 - 23	Pigmeat, eggs and poultrymeat	365	236	234	472	470	236	236
B1 - 25	Other animal product measures	29	10	10	10	10	0	0
B1 - 26	Fisheries	20	20	20	14	14	-6	-6
B1 - 30	Non-annex I products	610	560	556	560	557	0	1
B1 - 31	Food programmes	368	316	314	340	338	24	24
B1 - 32	POSEI	246	245	243	245	244	0	1
B1 - 33	Veterinary and plant health measures		105.5	104.5	109.5	108.5	4	4
B1 - 36	Monitoring and preventative measures	56	59	59	59	59	0	0
B1 - 37	Clearance of previous years' accounts	-510	-400	-400	-700	-700	-300	-300
B1 - 38	Promotion	92	70.5	70.5	69.5	69.5	-1	-1
B1 - 39	Other measures	266	796	791	849	845	53	54
	Total titles 1.2 and 3	37 823	37 564	37 314	37 537	37 337	-27	23
	"Berlin" subceiling	-	37 352	37 352	37 352	37 352		
	Margin	-	-212	38	-185	15		
B1 - 40	Rural development	2 617	3 587	3 587	3 787	3 787	200	200
	"Berlin" subceiling	-	4 386	4 386	4 386	4 386		
	Margin	-	799	799	599	599		
	Total EAGGF Guarantee	40 440	41 151	40 901	41 324	41 124	173	223
	Guideline	45 188	46 549	46 549	46 549	46 549		
	Margin compared with guideline	4 748	5 398 (3)	5 648 (3)	5 225 (3)	5 425 (3)		

- (1) Expenditure or appropriations covered by EAGGF Guarantee in 1999 but subdivided according to the nomenclature proposed for 2000.
(2) Including appropriations entered in B0 - 40 (reserve and provision).
(3) SAPARD expenditure is also to be financed within the guideline (EUR 529 million).

FINANCIAL STATEMENT

DATE: 25/11/99

1. BUDGET HEADING: B I-30		APPROPRIATIONS:			
2. TITLE: Measures to reduce refund rates for goods not covered by Annex I					
3. LEGAL BASIS: Articles 36 and 37 of the Treaty					
4. AIMS OF PROJECT/ Budget saving of € 18 million					
5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS (EUR million)	CURRENT FINANCIAL YEAR (98) (EUR million)	FOLLOWING FINANCIAL YEAR (99) (EUR million)		
5.0 EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL ADMINISTRATION - OTHER					
5.1 REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL					
	2000	2001	2002	2003	
5.0.1 ESTIMATED EXPENDITURE					
5.1.1 ESTIMATED REVENUE (see observations)					
5.2 METHOD OF CALCULATION:					
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?					NO
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?					NO
6.2 IS A SUPPLEMENTARY BUDGET NECESSARY?					NO
6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?					NO
OBSERVATIONS:					