

COMMISSION OF THE EUROPEAN COMMUNITIES

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FINANCIAL CONSEQUENCES OF THE AGRICULTURAL PRICE PROPOSALS AND RELATED MEASURES FOR 1978/79

(Communication from the Commission to the Council)

COM(77)639 (see Doc. COM(77)525)

INTRODUCTION

The Commission has just drawn up its agricultural price proposals for the 1978/79 marketing year. (see Doc. COM(77)525). These proposals take account of the Community's current precarious economic situation; the aim is to redress present market imbalances for certain products and a start is made on the gradual phasing out of the monetary compensatory amounts.

When drawing up these proposals, the Commission also took account of their likely financial impact on the Community Budget, both for 1978 and for subsequent years.

The purpose of this communication is to lay prompt information before the budgetary authority, and to enable the Council to take its decision in the light of the most accurate information available about the budgetary consequences.

The Commission's proposals suggest that EAGGF expenditure will fall, in a full year, by 11.8 m u.a. (see table on p.16).

This saving results from the following:

- (a) increase of 192.6 m u.a., from the upward revision of prices;
- (b) decrease of 161.4 m u.a., from the related measures (especially for sugar and cereals), and from the first stage in the phasing out of the monetary compensatory amounts (43 m u.a.)

For the reasons given above, these proposals will mean a saving of 9.1 m u.a. (see table on p.20) for 1978; the proposed measures will take only partial effect in that year, depending on the opening date of the marketing years.

This means that the proposals will not, of themselves, require a supplementary budget - that is, leaving aside any unfavourable trend in the short-term situation and the measures proposed for Mediterranean agriculture (see Doc. COM(77)674 presented at the same time).

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I. SUMMARY OF THE PRICE PROPOSALS FOR THE 1978/79 MARKETING YEAR
AND RELATED MEASURES

1. General Presentation

In drafting its proposals, the Commission took its bearings from the following:

- (a) the Community's general economic situation;
- (b) the existence of certain market imbalances;
- (c) the need to phase out the MCAs.

(a) The general economic situation

The Community is still suffering from its most serious post-war recession. There are now over six million unemployed and this figure is still rising. Many industrial sectors (steel, textiles, shipbuilding and others) are in extremely serious difficulty.

The recession has also affected agriculture, as the result of the increased cost of certain means of production and the stagnation of the demand for certain products, which might not have occurred had the general economic situation been more favourable.

However, it should be recognized that, because of the common market organization, the agricultural sector is, in the present economic context spared the major difficulties facing many industrial sectors at present.

The Commission therefore considers that its price proposals should be moderate: it feels that, as things now stand, the agricultural community too should play its part in redressing the general economic situation, in view of the advantages it enjoys, by accepting that part of inflation will not be offset by a corresponding increase in guaranteed prices. This concern must be borne in mind when proposed price increases are weighed.

(b) Certain market imbalances

The common agricultural policy has achieved to an already satisfactory degree the objectives of Article 39 of the Treaty, particularly as regards the regular availability of food supplies, but the policy has also caused the build-up of surpluses of some commodities - chiefly in the milk, sugar, wine and olive oil sectors.

The imbalances thus created are indeed due to a number of factors, which may vary according to the market organization concerned.

It is nevertheless clear that the system of guaranteed prices (and their level and interrelationships) is one of the factors which has contributed to the build-up of surpluses. In addition, the price level itself has restrained consumption of some products, especially where substitutes are available (e.g. butter, beef, olive oil). Annex I highlights some points which are significant for an understanding of the situation, and brings out the financial implications of the biggest surpluses.

Any increase in prices can have a twofold effect on the surpluses:

- it could stimulate production even more, and this, coupled with fairly stagnant consumption, could mean even bigger surpluses;
- it would also increase the cost of disposal.

In drafting its price proposals for the 1978/79 marketing year, the Commission has paid particular attention to these problems, and generally speaking, price increases for the products concerned have been kept as low as possible.

(c) MCAs must be phased out

The purpose of the monetary compensatory amounts is to afford a certain stability to prices expressed in national currencies, despite currency fluctuations without causing major disturbances in intra-Community trade. The principle and the objectives of the system were justifiable when it was introduced, but it was intended, by its very nature, to be a temporary measure.

In practice, however, it has almost become a permanent feature, undermining the unity of the agricultural market.

An effort must therefore be made to restore the single market. To this end, the Commission submitted a proposal on 31 October 1977 for phasing out the MCAs over a seven-year period. The figures given in this document show the impact of the first stage of this proposal.

2. The proposal for price increases in the 1978/79 marketing year

It will be remembered that the Commission's proposals fall into three groups:

- (a) proposals to adjust the prices expressed in u.a. (common prices) for the 1978/79 marketing years;
- (b) changes in the representative rates used¹ for common agricultural policy operations. As is known, the effect of these changes is to reduce the monetary compensatory amounts;
- (c) a number of related measures comprising changes in the principle or the procedure of some market organizations.

(a) Price increases in u.a.

Annex II gives product-by-product details of the proposed agricultural price increases.

In broad outline, the proposal:

- suggest an average increase of approximately 2%;
- but also introduces significant differentiation.

¹In accordance with the proposal submitted on 31 October 1977.

For the reasons given above, the Commission considers that, in the present situation, the increases in agricultural prices should be kept within fairly strict limits.

(b) Adjustment of the representative rates

In Document COM(77)482 of 31 October 1977 the Commission presented to the Council a programme for phasing out the compensatory amounts over a period of seven years.

This document therefore shows the financial implications for 1978 of the first stage of phasing out the MCAs.

They are calculated on the basis of the following data:

National currency	Changes in the green rates				NB: EUA rate
	Present rep. rates (1 u.a. expressed in national currency)	New rep. rates (1 u.a. expressed in national currency)	Revaluation (+) Devaluation (-)	Rise (+) or fall (-) in fixed prices	
DM	3.41258	3.37357	+ 1.156 ./.	- 1.143 ./.	2.64926
Bfrs/Lfrs	49.3486	49.2482	+ 0.204 ./.	- 0.203 ./.	40.70590
FL	3.4027	3.39583	+ 0.202 ./.	- 0.202 ./.	2.79766
FF	5.78051	5.89126	- 1.880 ./.	+ 1.916 ./.	5.57568
Lit	1.030	1.052	- 1.998 ./.	+ 2.037 ./.	1004.51
£ (sterling)	0.586638	0.605679	- 3.144 ./.	+ 3.246 ./.	0.653596
£ (Ir)	0.7397	0.741851	- 0.290 ./.	+ 0.291 ./.	0.653596

These changes in the representative rates will result in the following reductions in the rates of monetary compensatory amounts:

Country	Present position	Reduction	Position after change
FR Germany	+ 7.5	- 1.1	+ 6.43
Benelux	+ 1.4	- 0.2	+ 1.2
Ireland	- 1.9	- 0.3	- 1.6
France	- 15.5	- 2.2	- 13.3
Italy	- 17.8	- 2.5	- 15.3
United Kingdom	- 28.9	- 4.1	- 24.8

The EUA was used for drafting the Budget for the 1978 financial year. Changing over from the u.a. (IMF) to the EUA does not eliminate the dual rate, but it does modify the effect for each Member State, without significantly affecting the Budget as a whole. It was therefore thought useful to summarize the changes in the dual conversion rate coefficients resulting from the changes to the representative rates. This summary is given in Annex III.

3. RELATED MEASURES WITH FINANCIAL CONSEQUENCES

The main related measures proposed by the Commission which have a financial implication are designed: to redress the balance of the market (sugar); or to facilitate the disposal of Community products (cereals, fruit and vegetables); or to expand Community production (processed feedingstuffs, the cattle herd).

The measures are as follows:

cereals: changes to the criteria for qualities to be eligible for the application of reference prices and reductions; this will promote the use of Community cereals in animal feed.

sugar: reduction of the B quota from 135% to 120% of the basic quota.

milk: subsidies to butter consumption and expansion of the school milk programme.

fruit and vegetables: continued payment of marketing premiums for lemons.

beef and veal: continued payment of calving premiums.

processed feedingstuffs: expansion of production by the grant of aid to make these products competitive against protein-rich feedingstuffs.

A number of measures in the olive oil and processed fruit and vegetable sectors are set out in the Communication on Mediterranean agriculture (Docs. COM(77)526 and 674).

II. BUDGETARY IMPLICATIONS OF THE PROPOSAL IN A FULL YEAR

For the Budget, a description of the financial impact of the price proposals on a full year's application, i.e. for the marketing year for all products, will give the best picture of the real effect which the new prices will have on future budgets.

The financial impact is described here without reference to possible short-term changes (cf Section III C below).

A. Expenditure

The financial effect of the price proposals and related measures for the 1978/79 marketing year must be looked at from several angles:

- consequences of the increases in common prices expressed in u.a.;
- consequences of the proposed related measures;
- consequences of the adjustments in the representative rates.

1. Consequences of the increases in common prices expressed in u.a.

In general, and although the whole question is highly complex and governed by several factors, it can be assumed that expenditure will increase in money terms if the common prices are increased.

It will be remembered that 86% of all EAGGF expenditure is devoted to five sectors: cereals, milk products, beef and veal, sugar, and oils and fats. The milk products sector alone accounts for more than 42% of total EAGGF Guarantee expenditure. Expenditure on monetary compensatory amounts represents 10.7% of total EAGGF Guarantee expenditure.

(a) Consequences of the increase in the common prices on expenditure under the common market organizations

- Overall, acceptance of the Commission's proposal would mean, in money terms and all other things being equal, an increase in expenditure for a full marketing year of 157.1 m u.a., or 2.2% of the appropriations entered in the 1978 Budget. Expenditure on export refunds would rise by 76 m u.a. and other expenditure by 81.1 m u.a.
- By product, the expenditure increases would be as follows:

Product	m u.a.	% of 1978 appropriations
Cereals	+ 29.0	+ 2%
Milk/milk products	+ 72.4	+ 2.5%
Sugar	+ 9.6	+ 1.2%
Beef and veal	+ 5.7	+ 1.2%
Olive oil	(1)	
Oilseeds	+ 14.7	+ 11.7%
Other	25.7	
TOTAL	157.1	+ 2.2%

The increases in expenditure for the various products have been fixed in the light of the following three factors:

- (i) the relative importance of the product in agricultural production;
- (ii) the way the common market organization is set up:
in a market organization based on a system of countervailing aid, expenditure is spread over the entire production in that market, whereas in other market organizations, expenditure is borne only by that part which is exported or disposed of under special conditions;
- (iii) market imbalance between supply and demand:
the imbalance, especially when it becomes endemic, results in continuous expenditure for the disposal of surpluses, which is or will be a burden on the Community Budget.

For these products, then, any price rise will increase the cost of disposal, both for existing stocks and for future surpluses.

For butter, any increase of 1% in the intervention price will mean additional expenditure of the order of 3 m u.a. for the disposal of surpluses; the same increase for milk powder would mean additional expenditure of approximately 4 m u.a.

(b) Consequences of the increase of the common prices for MCAs and dual rate expenditure

Monetary compensatory amounts

Since the MCAs are, in general, calculated from the intervention price, any increase in the price means an increase in MCAs.

Acceptance of the Commission's proposal would mean an increase of 16 m u.a. in MCAs.

¹ See accompanying proposals for Mediterranean agriculture (Doc. COM(77) 674).

Dual rate

Acceptance of the Commission's proposal would mean an increase of 19.5 m u.a.

2. Financial consequences of the proposed related measures

CEREALS

The reform in the cereals market, which was introduced in the 1976/77 marketing year, is intended, by improving the relationship between cereal prices, to give greater flexibility to the market mechanisms within the Community.

For the 1978/79 marketing year it is proposed to bring in the next stage of the reform by fixing a single intervention price for all feed grains (common wheat not of breadmaking quality, barley, maize).

In addition to stimulating the production of common wheat of breadmaking quality by increasing the intervention price by 15%, the Commission proposes that a penalty be applied to the intervention price for breadmaking wheat of less than average quality. This will mean that less of the high-yield poorer qualities will be bought into intervention and that more common wheat can be disposed of for animal feed; this process will be given an added push by the improvement in the wheat/maize price relationship.

Consequently, expenditure in the cereals sector should decline by 85 m u.a., corresponding to a drop in cereal exports of about one million tonnes.

SUGAR

On the basis of the latest data and taking into account imports of 1.3 million tonnes from the ACP countries, the surplus available for export in this sector will be about 3.3 million tonnes, of which 2.6 million will be eligible for refunds. The Commission proposes to reduce the present imbalance, in accordance with the Council's stated intention (24 April 1977), by restricting the maximum quota to 120% of the basic quota for the 1978/79 and 1979/80 marketing years.

This should make it possible to reduce the quantities produced under the B quota by approximately 670 000 tonnes, which will mean a saving of about 161 m u.a., on the basis of the refund rates proposed for the 1978 Budget. This does not take account of expenditure which could be caused by the use of land released for other crops.

In addition, expenditure on storage will fall by 12 m u.a., making a total saving of 173 m u.a. for the sugar sector.

PROCESSED FODDER

The restructuring of the market organization proposed by the Commission, which will make Community protein products more competitive against imported proteins, would involve an estimated additional expenditure of 16.4 m u.a. for a full year.

FRUIT AND VEGETABLES

(a) Fresh products

Extension of the degressive market penetration premium system for lemons will involve an increase in expenditure of approximately 5.6 m u.a. in a full year.

(b) Processed products

Further measures have been proposed under the policy for Mediterranean agriculture.

MILK AND MILK PRODUCTS

Extension of the grant of aid to butter consumption, as laid down in Regulation (EEC) No 880/77, will mean an estimated expenditure increase of 50 m u.a. (United Kingdom).²

The increase in the Community's contribution to school milk (Regulation (EEC) No /77) will mean an estimated expenditure increase of 13 m u.a.

BEEF AND VEAL

The continued grant of calving premiums for 1978/79 will involve a supplementary expenditure of 77 m u.a.

OLIVE OIL

PEAS AND FIELD BEANS

{ New measures have been proposed
{ under the policy for
{ Mediterranean agriculture

¹See Doc. COM(77)674, presented together with this document.

²An increase of 17 m u.a. over the 1978 Budget appropriation in respect of that part of the 1977/78 marketing year which falls within the 1978 Budget.

3. Consequences of the adjustments to the green rates

At budgetary level, the adjustments to the green rates will affect:

- the monetary compensatory amounts, and
- the dual rate.

(a) Monetary compensatory amounts

If the representative rate of a depreciated currency is devalued, the cost to the EAGGF will increase in the case of a net exporting country, (France, Ireland), and decrease in the case of a net importing country (United Kingdom, Italy).

If the representative rate of an appreciated currency is revalued, the cost to the EAGGF will increase in the case of a net importing country (FR Germany) and decrease in the case of a net exporting country (Netherlands, BLEU).

(b) Dual rate

Dual rate expenditure in fact reflects the difference between expenditure converted at the representative rate and the equivalent of such expenditure if it were converted at the conversion rate used in the Budget (EUA).

As a general rule, in countries with a depreciated currency, when the representative rate moves closer to the EUA rate (devaluation), the prices in the national currency increase in relation to the common prices. This brings about an increase in dual rate expenditure (or agricultural expenditure expressed in EUA).

In countries with an appreciated currency, when the representative rate moves closer to the EUA rate (revaluation), prices in national currency fall in relation to the common prices; and this means a reduction in dual rate expenditure (or in agricultural expenditure expressed in EUA).

The scale of the increases or reductions depends on the EAGGF Guarantee Section expenditure paid out in each of the Member States.

(c) Financial consequences

Under the Commission's proposal, the adjustment of the representative rates will bring about the following changes in expenditure for the whole of a marketing year.

	Change in MCAs (chap. 78)	Change in dual rate effect		TOTAL
		On MCAs ¹	On CM Orgs.	
FR GERMANY	+ 3.2	+ 1.2	- 19	- 14.6
BLEU	- 0.6	- 0.1	- 0.9	- 1.6
NETHERLANDS	- 3.5	- 0.7	- 1.6	- 5.8
FRANCE	+ 25.9	- 1.9	+ 38	+ 62
ITALY	- 43.8	+ 6.1	+ 19.2	- 20.5
UNITED KINGDOM	-126.7	+36.5	+ 5.5	- 84.7
IRELAND	+ 4.7	+ 0.4	+ 1.3	+ 6.4
TOTAL	-104.8	+39.5	+ 42.5	- 58.8 ²

¹The dual rate at present depresses the MCAs by 95 m u.a. The increase will be approximately 40 m u.a. during the first marketing year in which the phasing out of the MCAs begins to take effect. The impact of this increase will decline in the following stages and will eventually disappear altogether.

²Not including the MCAs deducted in respect of export refunds: the net impact is 43 m u.a. (see column 1 of the table on p. 16).

The table on the following page shows the financial consequences for a full year in all sectors.

TABLE SUMMARIZING THE IMPLICATIONS, BY ECONOMIC TYPE OF MEASURE, ON 12 MONTHS' EXPENDITURE BY THE EAGGF GUARANTEE SECTION OF THE L.E.U.P. PROGRAMS AND RELATED MEASURES, OTHER THAN THOSE ON MEDITERRANEAN POLICY

U.S.

Sectors and budgetary nomenclature	Appropriations 1978	Economic type of measure													GRAND TOTAL	
		Total	Refunds ordinary and food aid	Storage proper	Compensatory aids	Guidance prices	Other	Co-responsibility	Total	Refunds ordinary and food aid	Storage proper	Compensatory aids	Guidance prices	Anti-monetary measures		
			% ₁	% ₂	% ₃	% ₄	% ₅	% ₆	% ₄	% ₁	% ₂	% ₃	% ₄	%		
60 Cereals	1,428.3															
- excl. aid for durum wheat	1,304.3	+ 20.1	+ 20.1	-	-	-	-	-	-	- 85.-	- 85.-	-	-	-	+ 7.7	- 57.2
- aid for durum wheat	124.-	+ 8.9	-	-	+ 8.9	-	-	-	-	-	-	-	-	-	-	+ 8.9
61 Rice	36.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62 Milk and milk products	2895.9															
- Items 200 to 6240	3,110.1	+ 76.7	+ 31.-	+ 2	+ 43.7	-	-	-	-	+ 29.9	-	-	+ 29.9	-	+ 3.5	+ 110.1
- co-responsibility	- 214.2	- 4.3	-	-	-	-	-	-	- 4.3	-	-	-	-	-	-	- 4.3
63 Oils and fats	413.3															
- olive oil	233.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- colza, rape & sunfl. seeds	111.5	+ 13.6	-	-	+ 13.6	-	-	-	-	-	-	-	-	-	-	+ 13.6
- other oil seeds	13.3	+ 1.1	-	-	+ 1.1	-	-	-	-	+ 0.1	-	-	+ 0.1	-	-	+ 1.2
64 Sugar	812.9	+ 9.6	+ 7.9	+ 1.7	-	-	-	-	-	- 173.-	- 162.1	- 11.9	-	-	+ 2.4	- 161.-
65 Beef and veal	460.8	+ 5.7	+ 3.8	+ 1.9	-	-	-	-	-	+ 77.-	-	-	+ 77.-	+ 1.8	+ 84.5	
66 Other products	942.4	+ 25.7	+ 13.2	-	+ 8.4	-	+ 4.1	-	-	+ 22.-	-	-	+ 22.-	+ 0.6	+ 45.3	
67																
TOTAL COMS AND ACCESSION COMP. AMOUNTS	6989.8	+ 157.1	+ 76.-	+ 5.6	+ 75.7	-	+ 4.1	- 4.3	-	- 129.-	+ 246.1	- 11.9	+ 52.-	+ 77.-	+ 16.-	+ 44.1
73 Monetary compensatory amounts	992.6	+ 16.-								-					- 141.-	- 125.-
75 Effect of the dual rate on (COY's) (RCAs)	806.8	+ 21.-								- 32.4					+ 42.5	+ 31.1
	- 93.9	- 1.5								-					+ 39.5	+ 32.-
GRAND TOTAL EAGGF GUARANTEE SECTION	8,695.3	+ 192.6								- 161.4					- 43.-	- 11.2

B. OWN RESOURCES

1. Agricultural levies

Every alteration to the common prices entails a change in the levies, for the difference changes between common prices and world prices.

All other things being equal, an increase in common prices must be reflected in additional own resources and also in an increase in the effects of MCAs, which are generally calculated by reference to intervention prices.

In a full year the prices proposed for the 1978/79 marketing year would produce an increase in levies of 44.8 m u.a., on the basis of the quantitative assumptions and world market price assumptions used in the preparation of the Letter of Amendment to the 1978 Budget.

However, the increase in the price of maize should cause an estimated drop in imports of 1 000 000 tonnes. The increase in levies would be only 15.8 m u.a.

The negative impact on the MCAs would be about 2 m u.a. (deficit between MCAs granted and MCAs collected).

As a result, expressed in agricultural units of account, the impact of the new prices in a full year would correspond to an increase in levies of 13.8 m u.a.

With the present representative rates and MCAs, conversion into EUA would produce a figure of 16 m EUA.

With the proposed representative rates and changes to the MCAs, the levies would increase by 74.8 m EUA.

Consequences for a full year of the price proposals and of the representative rates

	Letter of Amendment	Consequences of the new prices and representative rates	Outcome in a full year
Levies	1 698	+ 15.8	1 713.8
MCAs	- 200	+ 19.0	- 181.0
Dual rate	+ 188	+ 40.0	+ 228
Levies in EUA	1 686	+ 74.8	1 760.8

2. Sugar and isoglucose levies in a full year

In a full year, the measures proposed for sugar would produce production levies of 98.9 m u.a. and storage levies of 184.7 m u.a. Isoglucose levies would amount to 6.5 m u.a.

Levies in m EUA

Sugar production levies	115.-
Sugar storage levies	204.-
Isoglucose production levies	7.4

III. BUDGETARY IMPLICATIONS OF THE PROPOSAL IN 1978

A. Expenditure

For the following reasons, the financial implications of the proposal for the 1978 financial year differ from the implications over a full year:

1. Agricultural prices are fixed from the starting date of the marketing years, but these fall only partly within the budget year. In calculating the financial implications for the 1978 Budget, account is taken only of that part of the marketing years which affects the budget year.

2. In addition, the financial implications of fixing the new prices entails certain budgetary savings on storage in the budget year for which the prices are fixed (1978 in this case). These "book" savings resulting from stock evaluation methods concern only the 1978 Budget.

In view of this, the financial implications of the proposal for 1978 are as shown in the following table:

TABLE SUMMARIZING THE IMPLICATIONS, BY ECONOMIC TYPE OF MEASURE, ON THE 1978 BUDGET OF
THE EAGGF GUARANTEE SECTION OF THE PRICE PROPOSALS AND RELATED MEASURES, OTHER THAN THOSE ON MEDITERRANEAN POLICY

m LGA

Sectors and budgetary nomenclature	Approps for 1978	Implications for expenditure in 1978													GRAND TOTAL	
		Prices Aids							Related measures					Agri-monetary measures		
		Total	Refunds (ordinary and food aid)	Storage proper	Compensatory aids	Guidance premiums	Other	Coreponsibility	Total	Refunds (ordinary and food aid)	Storage proper	Compensatory aids	Guidance premiums			
a	b	c	c ₁	c ₂	c ₃	c ₄	c ₅	c ₆	d	d ₁	d ₂	d ₃	d ₄	e	f	
60 Cereals	1.428,3															
- exc ¹ aid for durum wheat	1.304,3	- 0,6	+ 5,-	- 5,6	-	-	-	-	- 21,3	- 21,3	-	-	-	-	+ 1,9	- 20,-
- aid for durum wheat	124,-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61 Rice	36,6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62 Milk and milk products	2.895,9															
- items 6200 to 6240	3.110,1	+19,5	+ 18,1	- 24,1	+ 25,5	-	-	-	+ 21,-	-	-	+ 21,-	-	+ 2,1	+ 42,6	
- coreponsibility	- 214,2	- 3,3	-	-	-	-	-	- 3,3	-	-	-	-	-	-	- 3,3	
63 Oils and fats	413,3															
- olive oil	288,5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- viza, rape & sunfl. seeds	111,5	+ 6,-	-	-	+ 6,-	-	-	-	-	-	-	-	-	-	+ 6,-	
- other oil seeds	13,3	+ 0,3	-	-	+ 0,3	-	-	-	-	-	-	-	-	-	+ 0,3	
64 Sugar	812,5	+ 3,2	+ 2,6	+ 0,6	-	-	-	-	- 14,4	- 13,4	- 1,-	-	-	-	+ 0,8	- 10,4
65 Beef and veal	460,8	- 3,-	+ 2,2	- 5,2	-	-	-	-	-	-	-	-	-	+ 1,1	- 1,9	
66 Other products	942,4	+ 2,6	+ 1,3	-	+ 0,8	-	-	+ 0,5	+ 8,2	-	-	+ 8,2	-	-	+ 10,8	
75																
TOTAL COMS AND ACCESSION COMP. AMOUNTS	absolute values 6.989,8	+24,7	+ 29,2	- 34,3	+ 32,6	-	+ 0,5	- 3,3	- 6,5	- 34,7	- 1,-	+ 29,2	-	+ 5,9	+ 24,7	
73 Monetary compensatory amounts	992,6	+ 5,-							-					- 61,-	- 56,-	
79 Effect of the COMS dual rate on NCAs	806,8) 712,9 - 93,9)	+ 3,7 p.m.							- 5,-					+ 9,4 + 14,7	+ 8,1 + 14,7	
GRAND TOTAL EAGGF GUARANTEE SECTION	absolute values 8.695,3	+33,4							- 11,5					- 31,-	- 9,-	

B. RESOURCES

The price proposals and the representative rates would increase the agricultural levies by 39.8 m u.a. in 1978.

The effects in the 1978 financial year on sugar and isoglucose levies would be negligible.

C. Implications for the implementation of the 1978 Budget

In view of the foregoing, the Commission's proposal would entail a small saving (9.1 m u.a.) in the present Budget allocation of the EAGGF Guarantee Section (see table on p. 20).

However, the Commission would point out to the Council that the financial implications have been calculated on the same assumptions as the Letter of Amendment. It is too early to think about the changes in expenditure due to changes in the economic situation. This will be attended to after the Council has decided on the matter now in hand.

IV. TECHNICAL DATA

To make this document easier to read and understand, the Commission thinks it advisable to attach two annexes giving an order-of-magnitude impression of:

- the implications of a 1% increase in prices (Annex 5a)
- the implications of a 1% change in representative rates on MCAs and the dual rate (Annex 5b).

ANNEXES

COMMUNITY STOCKS: SITUATION AND IMPLICATIONS

PRODUCT	QUANTITIES					COSTS			
	ANNUAL STOCK FORMULATION			ESTIMATED PUBLIC STOCKS		STORAGE		DISPOSAL	
	Year	Quantities (t)	% of production	Date	Quantities (t)	u.a./t./a.	p.a. for estimated stock (in EUA) g = fxe	u.a./t.	in u.a. 100
a	b	c	d	e	f		h	i	
BUTTER	1977	235.000	12,9%	31.12.1978	320.000	410	131,2	1670 (1) 1520 (2)	167 152
MILK POWDER	1977	220.000	7%	31.12.1978	610.000	100	61	675 (1) 800 (3)	67,5 80
BEEF AND VEAL				31.12.1978	200.000	760 (4)	152	700 (1)	70

- (1) if export.
- (2) if used in industry.
- (3) if used in animal feed (pigs and poultry).
- (4) order of magnitude.

Summary of price proposals in u.a.

ANNEX II

Product	Type of price or amount	Fixed amounts 1977/78 u.a./tonne	Proposals 1978/79		Period of application
			absolute value u.a./tonne	% charge 1977/78 against 1978/79	
1	2	3	4	5	6
Durum wheat	Target price	224.27	218.46	- 2.59	1.8.78 - 31.7.79
	Single intervention price	203.01	195.72	- 3.59	
	Aid	60 uc/ha	66 uc/ha		
Common wheat	Target price	158.08	162.39	2.72	1.8.78 - 31.7.79
	Common single intervention price	120.06	121.57	1.26	
	Breadmaking quality reference price	135.59	139.20	3.10	
Barley	Target price	144.97	147.23	1.56	1.8.78 - 31.7.79
	Common single intervention price	120.06	121.57	1.26	
Rye	Target price	155.12	154.65	- 0.30	1.8.78 - 31.7.79
	Single intervention price	128.96 (1)	127.00	- 1.52	
Maize	Target price	144.97	147.23	1.56	1.8.78 - 31.7.79
	Single intervention price	118.03	121.57	(3.0)	
	Common single intervention price	-	-	-	
Rice	Target price for husked rice	295.71	296.15	0.15	1.9.78 - 31.8.79
	Single intervention price for paddy rice	171.55	171.55	0.0	
Sugar	Minimum price for sugarbeet	25.43	25.73	1.16	1.7.78 - 30.6.79
	Target price for white sugar	345.60 (2)	349.60		
	Intervention price for white sugar	328.30 (2)	332.10	1.16	
Isoglucose	Production levy	50.00	50.00	-	1.7.78 - 30.6.79
Olive oil	Production target price	1 877.80	1 877.80	0.0	1.11.78 - 31.10.79
	Market target price	1 419.10 (4)	-	-	
	Intervention price	1 346.20 (4)	1 454.90	8.07	
	Production price	-	350.00	-	

Product	Type of price or amount	Fixed amounts 1977/78 u.a./tonne	Proposals 1978/79		Period of application	
			Absolute value u.a./tonne	% change 1977/78 against 1978/79		
1	2	3	4	5	6	
Oilseeds	Target price					
	- colza and rape seeds	285.30	296.70	4.0	1.7.78 - 30.6.79	
	- sunflower seeds	307.80	320.10	4.0	1.9.78 - 31.3.79	
	Basic intervention prices					
	- colza and rape seeds	277.10	288.20	4.0	1.7.78 - 30.6.79	
	- sunflower seeds	298.90	310.90	4.0	1.9.78 - 31.8.79	
	Guide price					
	- soya beans	306.40	318.70	4.0	1.11.78 - 31.10.79	
- linseed	311.80	324.30	4.0	1.8.78 - 31.7.79		
- castor-oil bean	-	400.00	-	1.10.78 - 30.9.79		
Lump-sum aid (per ha)						
- cotton seed	104.52	108.70	-	1.8.78 - 31.7.79		
Processed fodder	Lump-sum aid	9.55	3.00	-	1.4.78 - 31.3.79	
	Guide price	-	102.00	-		
Peas and field beans	Trigger price	-	230.00	-	1.7.78 - 30.6.79	
	Minimum price	-	150.00	-		
Flax and hemp	Lump-sum aid (per ha)					
	- fibre flax	194.76	202.55	-	1.8.78 - 31.7.79	
	- hemp	176.88	183.96	-		
Seeds	Aid (per 100 kg)					
	- monoecious hemp	9.00	10.50	-		
	- fibre flax	13.00	14.50	-		
	- oleaginous flax	10.00	11.50	-	1.7.78 - 30.6.79	
	- grass seeds	10 to 33	10 to 38	-		
	- leguminous seeds	4 to 25	4 to 28	-		
Table wine	Type A1 " A2 " R1 " R2 " R3	Guide price	2.03	2.07	2.0	
			2.03	2.07	2.0	
			31.65	32.23	2.0	16.12.78 - 15.12.79
			1.90	1.94	2.0	
			42.18	43.02	2.0	
			48.16	49.12	2.0	

Product	Type of price or amount	Fixed amounts 1977/78 u.a./tonne	Proposals 1978/79		Period of application
			Absolute value u.a./t	% change 1977/78 against 1978/79	
1	2	3	4	5	6
Raw tobacco	Norm price Intervention price	(5)	(5)	2,0 average	1.1.78 - 31.12.78
Fruit and vegetables	Basic price Intervention price	(6)	(6)	2,0	1978 - 1979
Milk	Target price for milk Intervention price - butter - skimmed milk powder - cheese • Grana-Padano 30-60 days • Grana-Padano 6 months • Parmigiano-Reggiano 6 months	173.50 2 309.50 940.90 2 237.20 2 693.40 2 925.70	177,00 2 353,30 956,30 2 273,10 2 731,30 2 963,60	2,0 1,9 1,6 1,6 1,4 1,3	1.4.78 - 31.3.79
Beef and veal	Guide price for adult bovine animals (live weight) Intervention price for adult bovine animals (live weight)	1 229.00 1 106.10	1 244,40 1 112,00	1,25 1,25	4.4.78 - 3.4.79
Pigmeat	Basic price (pig carcasses)	1 202.00	1 238.10	3.0	1.11.78 - 31.10.79
Silkworms	Aid per case of silkworm eggs Aid to recognized producer groups (per case)	40.20 14.07	50.00 -	- -	1.4.78 - 31.3.79

1. For 1977/78, a special increase of 3.11 u.a./t was granted for rye of breadmaking quality with an amylographic index of at least 200; for 1978/79, an increase of 6.1 u.a./t is proposed.
2. Not including the levy for storage costs.
3. Continued application of the levy system until 30 June 1980 proposed.
4. Allowing for the new representative rates, increase in national currency of 4.5% for Italy and about 0.5% for France in 1977/78.
5. Nineteen tobacco varieties the prices for which apply to the calendar year crop.
6. Products falling within Annex II of the Council Regulation of 18 May 1972, and periods:

Cauliflower:	1.5.1978 to 30.4.1979	Lemons	1.6.1978 to 31.5.1979	Apples	1.8.1978 to 31.5.1979
Tomatoes:	1.6.1978 to 30.11.1978	Pears	1.7.1978 to 30.4.1979	Mandarins	16.11.1978 to 28.2.1979
Peaches:	1.6.1978 to 30.9.1978	Table grapes	1.8.1978 to 31.10.1978	Sweet oranges	1.12.1978 to 31.5.1979

It is proposed to increase by 2% the compensation payments to promote the disposal of fresh Community citrus fruit on the Community importing markets, for oranges, mandarins and clementines; for lemons, the compensation payments are continued, with phased reductions.

NB For the 1976 harvest, aids to help producers ranged from 250 to 550 u.a./ha, depending on the variety.

Dual rate coefficient on the basis
of the Commission's proposal

Currency	EUA rate 1978 Budget assumption 1 EUA =	Representative rate 1 u.a. =	Dual rate coefficient
(1)	(2)	(3)	(4) = $\frac{(3)}{(2)}$
DM	2,64926	3,37357	1,2734
BFR/LFR	40,7059(conv)	49,2482	1,2098
HFL	2,79766	3,39583	1,2138
FF	5,59568	5,89126	1,0528
Lit.	1004,51	1052,-	1,0472
UKL	0,653596	0,605679	0,9266
IRL	0,653596	0,741851	1,1350

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**TABLE SUMMARIZING THE IMPLICATION FOR THE 1978 BUDGET AND FOR 12 MONTHS' EXPENDITURE BY THE EAGGF GUARANTEE SECTION,
 OF THE PRICE PROPOSALS AND RELATED MEASURES, OTHER THAN THOSE ON MEDITERRANEAN POLICY**

29
 ANNEX IV

Sector and budgetary nomenclature	Appropriations for 1978		Probable changes in expenditure in 1978 due to:				Implications over 12 months												
			Prices and aids	Related measures CM Orgs.	Agri-monetary measures	Total	Price proposal	Related measures proposal	Proposal for agri-monetary measures	Total									
											c	d	e	f = c + d + e	g	h	i	j = g + h + i	
60 Cereals	1.428,3																		
. excl. aid for durum wheat		1.304,3	- 0,6	- 21,3	+ 1,5	- 20,0	+ 20,1	- 85,-	+ 7,7	- 57,2									
. aid for durum wheat		124,-	-	-	-	-	+ 8,9	-	-	+ 8,9									
61 Rice	36,6																		
62 Milk and milk products	2.895,9																		
. Items 6200 and 6240		3.110,1	+ 19,5	+ 21,-	+ 2,1	+ 42,6	+ 76,7	+ 29,9	+ 3,5	+ 110,1									
. coresponsibility		- 214,2	- 3,3	-	-	- 3,3	- 4,3	-	-	- 4,3									
63 Oils and fats	413,3																		
. olive oil		288,5	-	-	-	-	-	-	-	-									(See Med. measures)
. colza, rape & sunfl. seeds		111,5	+ 6,-	-	-	+ 6,-	+ 13,6	-	-	+ 13,6									+ 13,6
. other oil seeds		13,3	+ 0,3	-	-	+ 0,3	+ 1,1	+ 0,1	-	+ 1,2									+ 1,2
64 Sugar	812,5																		
. Sugar			+ 3,2	- 14,4	+ 0,8	- 10,4	+ 9,6	- 173,-	+ 2,4	- 161,-									
65 Beef and veal	460,8																		
. Beef and veal			- 3,-	-	+ 1,1	- 1,9	+ 5,7	+ 77,-	+ 1,8	+ 84,5									
66 Pigmeat	84,5																		
. Pigmeat			-	-	-	-	+ 10,-	-	+ 0,6	+ 10,6 (x)									
67 Eggs and poultrymeat	25,4																		
. Eggs and poultrymeat			-	-	-	-	token entry	-	-	token entry									token entry
68 Fruit and vegetables	139,2																		
. Fruit and vegetables			+ 1,-	token entry	-	+ 1,-	+ 2,8	+ 5,6	-	+ 8,4 (see also Med. meas.)									
69 Wine	224,3																		
. Wine			-	-	-	-	+ 3,-	-	-	+ 3,- urea									
70 Tobacco	237,4																		
. Tobacco			token entry	-	-	token entry	+ 6,2	-	-	+ 6,2									
71 Fisheries	18,-																		
. Fisheries			-	-	-	-	-	-	-	-									
72 Alcohol	token entry																		
. Alcohol			-	-	-	-	-	-	-	-									
73 Other products :	63,6																		
. fibre flax and hemp		15,-	+ 0,2	-	-	+ 0,2	+ 0,6	-	-	+ 0,6									+ 0,6
. seeds		23,-	+ 0,4	-	-	+ 0,4	+ 1,1	-	-	+ 1,1									+ 1,1
. hops		8,-	-	-	-	-	-	-	-	-									-
. silkworms		1,4	-	-	-	-	-	-	-	-									-
. processed fodder		16,2	token entry	+ 8,2	-	+ 8,2	token entry	+ 16,4	-	+ 16,4									token entry
. field beans		-	token entry	-	-	-	-	-	-	-									+ 16,4
. peas		-	-	-	-	-	-	-	-	-									(See Med. measures)
. potatoes		token entry	-	-	-	-	-	-	-	-									-
. sheepmeat		token entry	-	-	-	-	-	-	-	-									-
. other		token entry	-	-	-	-	-	-	-	-									-
74 Products not within Annex II	120,-																		
. Products not within Annex II			+ 1,-	-	-	+ 1,-	+ 2,-	-	-	+ 2,-									+ 2,-
75 Accession compensatory amount	30,-																		
. Accession compensatory amount			-	-	-	-	-	-	-	-									-
ADMINISTRATION OF MARKETS AND ADMISSION COMP. AMOUNTS: TOTAL	6.989,8																		
. Administration of markets and admission comp. amounts			+ 24,7	- 6,5	+ 5,9	+ 24,1	+ 157,1	- 129,-	+ 16,-	+ 44,1									
76 Monetary compensatory amounts	992,6																		
. Monetary compensatory amounts			+ 5,-	-	- 61,-	- 56,-	+ 16,-	-	- 141,-	- 125,-									
77 Dual rate effect on	606,8																		
. Dual rate effect on		712,9	+ 3,7	- 5,-	+ 9,4	+ 8,1	+ 21,-	- 32,4	+ 42,5	+ 31,1									
CM Orgs.			- token entry	-	+ 14,7	+ 14,7	- 1,5	-	+ 39,5	+ 38,-									
NCAs			-	-	-	-	-	-	-	-									
BASIC GUARANTEE: TOTAL	6.695,3																		
. Basic guarantee			+ 33,4	- 11,5	- 31,-	- 9,1	+ 192,6	- 161,4	- 43,-	- 11,8									
. of the Budget	0,6		+ 0,38	-	-	- 0,1	+ 2,2	-	-	- 0,02									

(x) Highly theoretical increase, valid for the long term, but not for the short term, as the refunds for pigmeat are not directly governed by the basic price.

Annex V(a): Ready reckoner for the price
increases in u.a. (1%)

- comments

- table

Comments

1. The calculations give the orders of magnitude of the financial impact of prices.
2. The changes are in nominal values:
 - It is assumed that world prices will remain the same, which is true in the short term, but less so in the long term, when inflationary factors will be at work in the Community and the rest of the world.
 - It is taken that price increases have a total impact on marketing prices, an extreme assumption which may not be entirely borne out.
3. To simplify matters the following assumptions have been made:
 - for a given product the act of increasing a price (e.g. the intervention price) does not change the hierarchy of its prices. If the hierarchy is changed, however, the outcome may be quite different.
4. The calculations were done on the assumption of a 1% price increase from the starting date of the marketing year of each product, pursuant to the regulations in force:
 - as regards the 1978 Budget, the quantitative assumptions are as for the draft Letter of Amendment drawn up in September 1977;
 - as regards the impact in a full year, the quantitative assumptions used are the trends observed for the main products.

All calculations were carried out on the basis of the current legislation for the various common organizations of the market.

IMPACT OF AN INCREASE OF 1% IN PRICES AND AIDS ON EAGGF GUARANTEE EXPENDITURE

Sectors and products	Approps for 1978	charge: + 1% of	IMPACT ON 1978 BUDGET							IMPACT OVER 12 MONTHS						
			Total	Refunds (ord. and food aid)	Storage proper	Compensatory aids	Guidance premiums	Other	Core-sponsibility	Total	Refunds (ord. and food aid)	Storage proper	Compensatory aids	Guidance premiums	Other	Core-sponsibility
			d	d ₁	d ₂	d ₃	d ₄	d ₅		e	e ₁	e ₂	e ₃	e ₄	e ₅	
excl. aid for durum wheat	1.304,3	Interv. price for all cereals)	- 3,70	+ 4,30	- 8,-	-	-	-	-	+ 17,-	+ 17,-	-	-	-	-	
Milk and milk products	(3.210,1)	target price	(+ 9,80)	+ 8,78	- 11,60	+ 12,62	-	-	- 1,67	+ 35,54	+ 15,07	+ 0,96	+ 21,65	-	- 2,14	
gross expenditure	2.895,9		+ 8,13													
Oils & fats excl. olive oil (oilseeds)	124,8	target price	+ 1,57	-	-	+ 1,57	-	-	-	+ 3,65	-	-	+ 3,65	-	-	
Sugar	812,5	Interv. price	+ 2,71	+ 2,24	+ 0,47	-	-	-	-	+ 8,22	+ 6,78	+ 1,44	-	-	-	
Beef and veal	460,8	Interv. price (0,9% guide pr.)	- 2,39	+ 1,77	- 4,16	-	-	-	-	+ 4,53	+ 3,03	+ 1,50	-	-	-	
Other products: rice, oatmeal, fruit & vegetables, wine products not within Annex II	648,-		+ 0,52	+ 0,19	-	+ 0,08	-	+ 0,25	-	+ 6,78	+ 4,52	-	+ 0,22	+ 2,04	-	
Sub-total A	6.246,3		+ 6,84	+ 17,28	- 23,29	+ 14,27	-	+ 0,25	- 1,67	+ 75,72	+ 46,40	+ 3,90	+ 25,52	-	+ 2,04	
Aid for durum wheat	(a) 124,-	aid per ha.	-	-	-	-	-	-	-	+ 0,89	-	-	+ 0,89	-	-	
Tobacco	237,4	premiums	-	-	-	-	-	-	-	+ 2,28	-	-	+ 2,28	-	-	
Other products: fibre flax & hemp, seeds, dried fodder, silkworms	63,6	lump-sum aids	+ 0,11	-	-	+ 0,11	-	-	-	+ 0,53	-	-	+ 0,53	-	-	
Sub-total B	425,-		+ 0,11	-	-	+ 0,11	-	-	-	+ 3,70	-	-	+ 3,70	-	-	
Olive oil	(b) 285,5	production target pr. (-1% market target pr.)	-	-	-	-	-	-	-	+ 9,40	-	-	+ 9,40	-	-	
			-	-	-	-	-	-	-	(+ 7,10)	-	-	(+ 7,10)	-	-	
Accession CAs	30,-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GRAND TOTAL	6.989,1		+ 6,95	+ 17,28	- 23,29	+ 14,33	-	+ 0,25	- 1,67	+ 89,02	+ 46,40	+ 3,90	+ 38,52	-	+ 2,04	
MCAs	992,6	prices	+ 4,-	-	-	-	-	-	-	+ 8,-	-	-	-	-	-	
Dual rate (CNOrgs MCAs)	804,0 - 93,9	prices	p.p.m. - p.p.m.	-	-	-	-	-	-	+ 9,- - 1,-	-	-	-	-	-	
GRAND TOTAL	8.675,3		+ 10,95	-	-	-	-	-	-	+ 102,82	-	-	-	-	-	
% of the Budget	100%		+ 0,13%	-	-	-	-	-	-	+ 1,21%	-	-	-	-	-	

(a) and (b) these figures include part of the back payments in Italy.

BUDGETARY IMPACT OF REDUCING THE MCAs BY ONE POINT
(approximate figures)

	MCAs ¹	Dual rate		TOTAL
		on MCAs	on GM Orgs. (agric. expenditure in EJA)	
FR Germany	+ 2,9	+ 2,7	-16	-10,4
BLEU.	- 3,2	- 0,9	- 4,4	- 8,5
Netherlands	-17,4	- 3,9	- 7,9	-29,2
France	+20,5	- 1,5	+20,2	+39,2
Italy	-19,7	+ 3,3	+ 9,6	- 6,8
United Kingdom	-27,7	+ 9,7	+ 1,7	-16,3
Ireland	+ 8,1	+ 1	+ 4,4	+13,5

¹Including MCAs deducted in respect of refunds.

NB The figures in this table do not multiply exactly; especially the dual rate figures.