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OPINION

of the Committee on Agriculture
on Draft Amending Budget No. 1
of the European Communities for 1981

Draftsman: Mr David CURRY

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr David CURRY

At its meeting of 14 September 1981, the Committee on Agriculture considered the draft opinion and adopted it by 19 votes with 3 abstentions.

Present: Sir Henry Plumb, chairman; Mr Colleselli, vice-chairman; Mr Curry, draftsman; Miss Barbarella, Mr Battersby, Mr Clinton, Mr Dalsass, Mr Diana, Mr Fanton, Mr Gatto, Mr Hord, Mr Kirk, Mr de Lipkowski (deputizing for Mr Davern), Mr McCartin (deputizing for Mr Tolman), Mr Maffre-Baugé, Mr Maher, Mr Nielsen, Mr d'Ormesson, Mr Papaefstratiou, Mr Sutra, Mr Thareau and Mr Vernimmen.

INTRODUCTION

1. The Draft Amending Budget No. 1 for 1981 proposes savings of 662 mECU. This is largely to be made up of savings of 561 mECU in the Guarantee Section of the EAGGF.

2. These savings are to be distributed as follows:

	<u>Council Draft</u>	<u>Commission Draft</u>
Regional Fund	+ 200	+ 250
Food Aid	+ 100	+ 131
Aid to non-associated developing countries	+ 44	+ 60
Guidance Section EAGGF	+ 50	+ 55
Miscellaneous	+ 20	+ 24

These will result, therefore, on balance in savings of 198 mECU. This sum will contribute to solving the conflict between Germany, France and Belgium over increased contributions required of Member States following Parliament's adoption of the budget.

3. The figure of 561 mECU of savings in the Guarantee Section is a net figure arrived at after taking into account increases as well as decreases in expected expenditure for individual budget items:

Decreases	- 1,810,240,000	- 14.34%
Increases	+ <u>1,250,230,000</u>	+ 10.12%
	560,010,000	- 4.2%

Adjustments have been made to every single budget line in the Guarantee Section of the EAGGF, the most significant being:

	%
6.2.2.1 Financial costs, public storage of butter	- 33.81
6.4.0.0 Sugar refunds	- 15.73
6.2.0.0 Refunds on milk and milk products	- 9.52
6.0.0.0 Refunds	- 8.79
6.0.2.1 Financial costs, public storage of cereals	+ 89.50
6.3.1.5 Storage of olive oil	+ 51.17
6.5.0.0 Refunds on beef and veal	+ 39.30
6.3.3.0 Production aid for colza, rape and sunflower seeds	+ 25.84
6.2.3.0 Storage of cheese	+ 15.65
6.2.1.4 Aid for casein	+ 9.08
6.8.2.2 Processing premiums for fruit and vegetables	+ 4.14

I. SAVINGS

4. The net savings of 560 mECU are very largely, according to the Commission, the result of the continuation of firm prices on the cereals, milk and sugar sector world markets, together with the strength of sterling and the devaluation of lira.

5. Savings are to be made under a number of sectors and items, as noted above, to a total of 1,810,240,000 ECU. The greater part of these savings come from the following entries:

(a) Sectors

	mECU	%
Refunds for cereals	- 132.70	- 8.38
Milk refunds	- 284.94	- 11.17
Rice refunds	- 10.96	- 21.53
Market development measures milk	- 16.00	- 4.66
Sugar refunds	- 60.94	- 15.43
Intervention sheepmeat	- 57.72	- 22.31
Dehydrated fodder	- 17.80	- 30.27

(b) Monetary compensatory amounts

The devaluation of the lira, the reductions in MCAs decided by the Council and the rise in sterling is expected to lead to savings of 229.88 mECU¹.

(c) Non-utilization of provisional appropriations

Following the compromise between the Council and Parliament on the 1981 Budget, 2% had been deleted from each Guarantee line to be entered as a reserve for the price review. This sum of 254.5 mECU is no longer required.

(d) Clearance of previous years' accounts

- 40 mECU

¹ This figure includes a decrease from - 249,900,000 to - 581,000,000 for intra Community imports and an increase from + 232,260,000 to + 338,000,000 for intra Community exports.

II. INCREASES

Increases of + 125,250,000 ECU result from both political decisions and market factors.

(i) Price increases

The Council's Decisions of April 1981 on farm prices and related measures require an additional 350 mECU in the 1981 budget.

(ii) Production increases

(a) Oil seeds

Additional appropriations of 111.92 mECU are required by increased production of colza seed.

(b) Beef sector

There is likely to be a slight beef surplus in 1981. Since public stocks were relatively high at 350,000 tonnes at the beginning of 1981, further exports are planned to balance the market, thus requiring 209.9 mECU for additional expenditure on export refunds.

(c) Wine

Additional distillation is required (+ 60.86 mECU), and increased aid for private storage, exports and restorage (19.60 mECU).

(d) Pigmeat

+ 24.6 mECU

(e) Fruit and vegetables

Additional appropriations are required for processing of citrus fruits (+ 15.8 mECU) and premiums for processing food and vegetables (+ 19.7 mECU).

(iii) Assistance to Poland

The decision to assist Poland by supplying food on more favourable terms than usual on the world market will cost about 40 mECU in 1981.

III. TRANSFERS

7. Two transfers have taken place from Chapter 100, provisional appropriations, to the Guarantee Section following the appropriate Council decisions:

- (a) 66 mECU to Chapter 74 to cover export refunds for whisky and other spirituous beverages
- (b) 135 mECU under Article 622 to cover special measures to reduce the surplus of butter fats, in particular the decision to maintain the butter subsidy in the UK.

IV. GUIDANCE SECTION

8. 50 mECU are to be transferred to the Guidance Section in order to meet Member States' applications for reimbursement.

Article/ item	Action	mECU Additional appropriations (commitment = payment)
810	Modernization of farms	20
8230	Restructuring and conversion of vineyards in Languedoc-Roussillon	4
8313	Eradication of brucellosis, tuberculosis and leucosis in cattle	15
8320	Vineyards conversion premiums	11

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V. ADDITIONAL COMMENTS

(i) Co-responsibility levy

9. The preliminary draft and draft budgets of the Commission and Council had entered a figure of 509 mECU as a reduction in expenditure resulting from the co-responsibility levy. This figure was based on an assumption that there would be two levies: a flat rate of 2% on all production (except for the mountainous regions) together with a 1½% on additional deliveries. In the event the additional levy was not agreed upon; instead throughout 1981 two scales of fixed levies have been applied: of 2% until 5 April; and 2½% for the remainder of the year.

10. In the final adopted budget for 1981 the extraordinarily precise figure of 498.82 was entered as a producer's contribution. This has now been changed to 509.00, which is very close to the Commission's original figure of 508.00.

11.

Total receipts foreseen of 539 mECU for the period 16.9.1977 to 31.3.1982 are as follows:

	<u>mECU</u>
1977	24.1
1978	156.1
1979	94.2
1980	222.9
1981	508.0
1982	423.0

(ii) Sectors

12. The amending budget shows that there are still certain sectors requiring for differing reasons closer examination.

Beef sector

The beef sector remains an area in which considerable doubts must be expressed as to whether the present market instruments are best adapted to the needs of all concerned. Producers still fail to obtain reasonable incomes, while market prices in relation to other available meats are so high that consumption does not keep pace with normal demographic growth. Unless the Commission comes up with proposals which are adopted by the Council, this sector will continue to pose serious economic, social and budgetary problems.

Colza

Colza has become such an important break crop for many cereal producers that it is likely to place increasing pressure on the market and the budget. In particular, the Commission needs to address itself to the serious deficiencies in the Community's processing industry, which has been in receipt of very heavy subsidies.

Cereals

It is increasingly evident that the cereals market is in need of closer examination, and in particular the cost of the recent measures decided by the Commission in this field: reference price interventions for breadmaking wheat of minimum quality during August to October; measures to export about 2 mio tonnes of cereals

Fruit and vegetables

The increase in appropriations for processed fruit and vegetables: + 19.7 mECU (+ 4.14%), in addition to the increase of +202.671 mECU (+41.79%) over 1981/1979, shows that the Commission has still failed to devise mechanisms appropriate to a sector where output is extremely difficult to forecast and regulate.

(iii) The Budget conflict

13. The political character of the amending Budget is highlighted by the fact it has made it possible to resolve the Budget quarrel between the Commission, France, Germany and Belgium. These three countries had contested the 1981 Budget and the 1980 Supplementary Budget, and had refused to make the additional contributions required.

VI. CONCLUSIONS

14. This amending Budget can be seen as a purely accounting exercise: certain savings have been made, and these are to be distributed where required by existing programmes.

15. It is also true that the overall adjustment in Guarantee expenditure is small compared to total appropriations of 12,349 mECU.

16. Apart from these general considerations, the main concern of the Committee on Agriculture is to determine whether amendments or modifications are required to the Council's draft. Given that the amending Budget is largely a recognition of what the Commission now believe can and will be spent, amendments to the Council's draft would be largely symbolic and politically unjustified. The Committee on Agriculture can recommend, therefore, adoption of the Draft Amending Budget.

