

# GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY



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**FINANCING  
THE MARKET SIDE  
OF THE COMMON  
AGRICULTURAL POLICY  
EAGGF-GUARANTEE**

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## INTRODUCTION

The financial implications of the common agricultural policy (CAP) have become an issue of growing importance in recent years in discussions on questions of European integration, both in government bodies in the Member States and within the Community institutions, especially the Council and Parliament, which together constitute the budgetary authority. The election of Parliament by universal suffrage for the first time in 1978 has of course made Parliament a body with more direct and substantial responsibilities to the citizens of the Community than in the past. Parliament's powers with regard to the Community budget are among the most important it possesses.

The European Agricultural Guidance and Guarantee Fund (EAGGF) finances the CAP and has always accounted for the bulk of the Community budget (between 60 and 70%); its appropriations are therefore examined very carefully by the budgetary authority. Many observers feel that the proportion is too high. Others argue that the annual cost of the policy, for each European citizen, of about 45 ECU (DM 114, FF 270), is not unreasonable and provides a valuable guarantee of reliable supplies of food.

Now that the signs of weakness in the national economies are becoming more pronounced -- mainly because of the increase in oil prices -- the question as to whether the guarantees given to farmers under the CAP can be financed and consequently maintained is becoming an issue of greater importance.

The EAGGF appropriations form an integral part, with all the other appropriations, of the Community budget, which in total amounts to about 1.0% of the Community's GDP. Under the financial regulations approved, these funds are no longer managed, committed or disbursed by the Member States.

They represent a sum of money no longer under the control of the budgetary authority of the Member States but which, having become Community funds, is now under the control of the corresponding European authority, i.e. the Council and Parliament. The Court of Auditors of the European Communities, set up a few years ago, verifies the proper utilization of Community funds.

The EAGGF has two sections which have different objectives and different methods of operation:

- The Guidance Section is concerned with the financing of policy on farm structures. Expenditure by this section is justified by the fact that no medium- or long-term improvement in the situation of agriculture can be achieved without adaptation of structures and consequently without investments which can benefit only future generations. Land consolidation, reorganization and irrigation are paying propositions in the long term but seldom prove profitable within only a few years. Without contributions from public funds, structures in agriculture would change more slowly.

For investments which will prove worthwhile in the shorter term, particularly in the farms themselves, a financial incentive is needed and serves to lighten a burden which is often too heavy for the farmers.

Official assistance stimulates the processing of products when it is provided for investment in marketing. An efficient system for marketing agricultural products, combined, where appropriate, with their processing, means better prices for the farmer and a steadier outflow of his products.

- The Guarantee Section finances markets policy. This policy has entailed the establishment of machinery for the stabilization of the markets within the Community and at its external frontiers. Appropriate schemes have been set up involving expenditure chargeable to the budget, but also generating revenue (cf. Annex 5).

A price area shielded from world market fluctuations has been established, but this necessitates official support for exports to

bridge the gap between world prices - themselves not always reflecting real production costs - and prices within the Community.

The aids - called "refunds" - are in fact partly offset by revenue from levies charged on imports of agricultural products and by levies charged to producers. Other schemes not involving export aids could be envisaged, but this would entail the general payment of aids to production, which would be bound to increase the charge to the public purse.

All agricultural products except alcohol and potatoes are now covered by a common organization of the market, including, since October 1980, sheepmeat and goatmeat (Regulation (EEC) No 1837/80<sup>1</sup>).

The table below gives a general summary of all expenditure by the two EAGGF sections:

(million ECU)

Expenditure	1975	1976	1977	1978	1979	1980	1981 <sup>2</sup>	1982 <sup>3</sup>
EAGGF Guarantee	4 522.5	5 587.1	6 830.4	8 672.7	10 440.7	11 315.2	11 141.2	13 703
EAGGF Guidance	184.3	218.2	296.7	323.6	403.4	479.0	475.0	803.0
TOTAL	4 706.8	5 805.3	7 126.1	8 996.3	10 844.1	11 794.2	11 616.2	14 506.0

This paper is an attempt to describe the main features of the financing of the policy on markets and the instrument of this policy, which is the EAGGF Guarantee Section.

<sup>1</sup> OJ No L 183, 16.7.1980.

<sup>2</sup> Provisional expenditure.

<sup>3</sup> Figures from the general budget of the European Communities for 1982.

I. MARKETS POLICY EXPENDITURE: NATURE AND PROGRESS

1. Nature of expenditure

The Guarantee Section finances in full the following types of measure:

- (a) "Refunds" on exports to non-member countries. The main function of the refunds is to enable Community agricultural products to be sold on world markets by bridging the price gap between the world market and the Community market. The Community thus enables basic or processed products to be marketed on outside markets by placing producers on an equal footing with those in non-member countries.

The refunds are financed by the EAGGF but paid in the first instance by the Member States from which the relevant products are exported.

It should also be mentioned that the EAGGF contributes to food aid schemes which the Community operates in the form of donations for developing countries. Expenditure on this item was 314 million ECU in 1980.

Other expenditure relating to these deliveries is charged to the Community budget as cooperation expenditure.

Main refund expenditure

(million ECU)

Sectors	1978	1979	1980	1981 provisional	1982 Budget
Milk and milk products	1 565.0	2 087.9	2 745.9	1 886	2 398
Cereals and rice	848.7	1 226.4	1 219.1	1 224	1 468
Sugar	640.4	685.1	286.2	409	789
Processed agricultural products	208.5	252.1	221.3	282	410



(b) Intervention on the internal market is designed to ensure a sufficient income for the farmer for his production by tempering the impact of market fluctuations and guaranteeing a minimum price, and to ensure continuity in supplies to consumers. There are two types of intervention:

- that for which the unit amounts of expenditure are fixed uniformly by the regulations. This includes the various production or processing aids and premiums (tobacco premiums, distilling aids, private storage aids, etc.);
- intervention deriving from operations resulting from the public storage of intervention products. These operations result from the obligation incumbent upon the intervention agencies to buy in products offered so as to ensure that farmers receive the minimum price. EAGGF Guarantee financing is identical in all the Member States for:
  - . technical expenditure relating to actual storage operations, on a flat-rate basis (entry, removal, holding and, where appropriate, processing of goods);
  - . interest charges - at an average flat rate of 9% - payable in respect of the funds immobilized for buying in;
  - . any expenditure arising from the difference between the buying-in price on entry and the selling price on withdrawal.

(c) The compensatory amounts

The compensatory amounts are paid or charged under temporary arrangements designed to safeguard the operation of the agricultural market set up under the common agricultural policy. They have the advantage of ensuring compliance with the principle of single prices and the maintenance of agricultural trade both within the Community and with non-member countries.

There are two groups:

- the "accession" compensatory amounts designed to offset the effects of price differences persisting between Member States and new Member States until the end of the transitional period, enabling the joining countries to adjust gradually to Community prices.

Already operated from 1 January 1973 until 31 December 1977, on the occasion of the first enlargement (United Kingdom, Denmark and Ireland), the device is now used again as of 1 January 1981 on the occasion of the accession of Greece, for a period due to end on 31 December 1985.

- the "monetary" compensatory amounts are designed to temper, in respect of agricultural trade, the upward or downward impact of exchange rate changes on the common prices when translated from ECU into national currencies. Without them, trade under the Community regulations would be disrupted.

Since 1978, expenditure in this connection has been steadily declining. The satisfactory operation of the European Monetary System has been one of the main reasons for this, for it has had the effect of restricting exchange rate changes and therefore promoting some degree of currency exchange stability between the Member States. The Commission has also pressed, in its agricultural price proposals to the Council, for a more rapid phasing out of the MCAs, which have in fact been reduced.

Under this heading, the EAGGF Guarantee Section spent 989 million ECU in 1977 but only 238 million ECU in 1981.

## 2. Expenditure growth

(a) The overall total of EAGGF Guarantee expenditure rose from 4 500 million ECU in 1975 to 11 100 million ECU in 1981, an average annual increase of 16%, slightly above the Community inflation rate.

EAGGF Guarantee Section expenditure

('000 million ECU)

	Total expenditure		Milk	Beef/Veal	Cereals	Sugar (net expenditure) <sup>2</sup>
	Gross	Net <sup>1</sup>				
1975	4.5	3.9	1.2	0.9	0.6	0.2
1976	5.6	4.4	2.3	0.6	0.7	0.1
1977	6.8	4.7	2.9	0.5	0.6	0.3
1978	8.7	6.4	4.0	0.6	1.1	0.5
1979	10.4	8.3	4.5	0.7	1.6	0.5
1980	11.3	9.5	4.8	1.4	1.7	0.1
1981 <sup>3</sup>	11.1	9.2	3.3	1.4	1.9	0.3
1982 <sup>3</sup> appropriations	13.7	11.0	4.2	1.4	2.2	0.4

<sup>1</sup>Gross expenditure minus levies including sugar levy.

<sup>2</sup>Gross expenditure minus production levies and storage levies.

<sup>3</sup>Including Greece.

Efforts to streamline policy and to ensure rigorous management have in recent years curbed the rate of increase of agricultural expenditure. In 1980, expenditure was only 8.4% up on the figure for 1979 and in 1981 it actually fell by 3%.

Expenditure for 1981 - 11 100 million ECU - was not up on that for 1980, although it included appropriations required to cover the accession of Greece and the operation - for the first time for a full year - of the new sheepmeat market organization. The share of EAGGF Guarantee expenditure in the total budget thus came down from 72% in 1979 to 61% in 1981.

Seen in terms of the economy as a whole, EAGGF Guarantee expenditure is on a modest scale; it accounts for less than 0.5% of the EEC's Gross Domestic Product and less than 3% of EEC consumer spending on food, and these ratios have shown little change in recent years. The proportion of the total budgets of the Member States is only about 1.8%.

EUR 9	EAGGF Guarantee expenditure (net) %	
	of Gross Domestic Product (GDP) of the EEC	of consumer food expenditure
1975	0.35	
1976	0.35	2.1
1977	0.33	2.0
1978	0.41	2.4
1979	0.47	2.8
1980	0.47	2.8
1981 (prov.)	0.43	2.6
1982 (forecast)	0.45	2.7

As a proportion of GDP and of consumer spending, Guarantee expenditure varies from country to country in relation with the share of expenditure actually made in the various Member States and their contributions to the Community's own resources.

(b) Analysis by sector of expenditure shows (cf. Annex 1) that milk and milk products, cereals, sugar and beef/veal are the main areas enjoying Community market support. Production of these items has been growing from year to year, especially for milk and sugar, because of improving techniques and therefore yields. Storage and the search for export outlets involve expenditure increasing EAGGF Guarantee costs.

(c) Expenditure according to economic nature (cf. graph at Annex 2). Expenditure on refunds, though increasing in absolute terms, declined relatively in 1980 and 1981 as compared with 1979 from nearly 50% to 44%, although the Community maintained its export drive, especially for agricultural products of which there are surpluses (milk products, sugar, cereals, beef/veal). The relative decline was mainly accounted for by the recovery of world prices in 1980 and 1981 for the products mentioned above. In its turn the recovery of world prices was largely due, in the milk and milk products sector, to the fact that the heavy public stocks, constituting a major burden on the market, had been sharply scaled down. In 1980, sugar exports were partially subject to levies. In 1981, given the world market situation, refunds were paid once again.

With regard to intervention expenditure, the major share, namely aids offsetting prices, which are aids for the internal market, was 31% in 1980 and 34% in 1981.

Price-compensating aids are on a large scale because they constitute an adjunct to the farmer's income, where they are paid directly to him, or a guarantee that he can market his production, where they are used to encourage the processing of basic products.

Annex 3 gives a breakdown of all these aids: it shows that those benefiting producers are predominant.

Storage expenditure, which amounted to 17% in 1979, declined in 1980 and 1981 to about 14%, the main factor here being an appreciable decline in intervention stocks of skimmed-milk powder and butter.

On the other hand, this type of expenditure for beef/veal rose sharply in 1980 and remained high in 1981 for cyclical reasons. The drive to find outlets for this product must be maintained.

(d) The breakdown of expenditure by beneficiary Member State for 1978 to 1981 is given in Annex 4. The largest shares of the appropriations, i.e. between 40 and 45%, go to France and Germany. No exact breakdown can in fact be established because the amounts going to each of the Nine do not reflect accurately the scale of their production or marketing, since the common market is a unified economic area, despite the payment or charging of monetary compensatory amounts at certain frontiers. What is produced in one Member State may thus be exported to non-member countries from another Member State; the Netherlands, and to a lesser extent, Belgium and Germany, are major processors and exporters of products originating in neighbouring countries. Another point is that merchandise from some countries is often stored in other countries having better storage facilities or, sometimes, for purposes of currency speculation.

## II. THE PREPARATION OF THE BUDGET AND THE COMMUNITY'S OWN RESOURCES

### 1. The preparation of the general budget of the Communities

The Community's expenditure comes under two main headings:

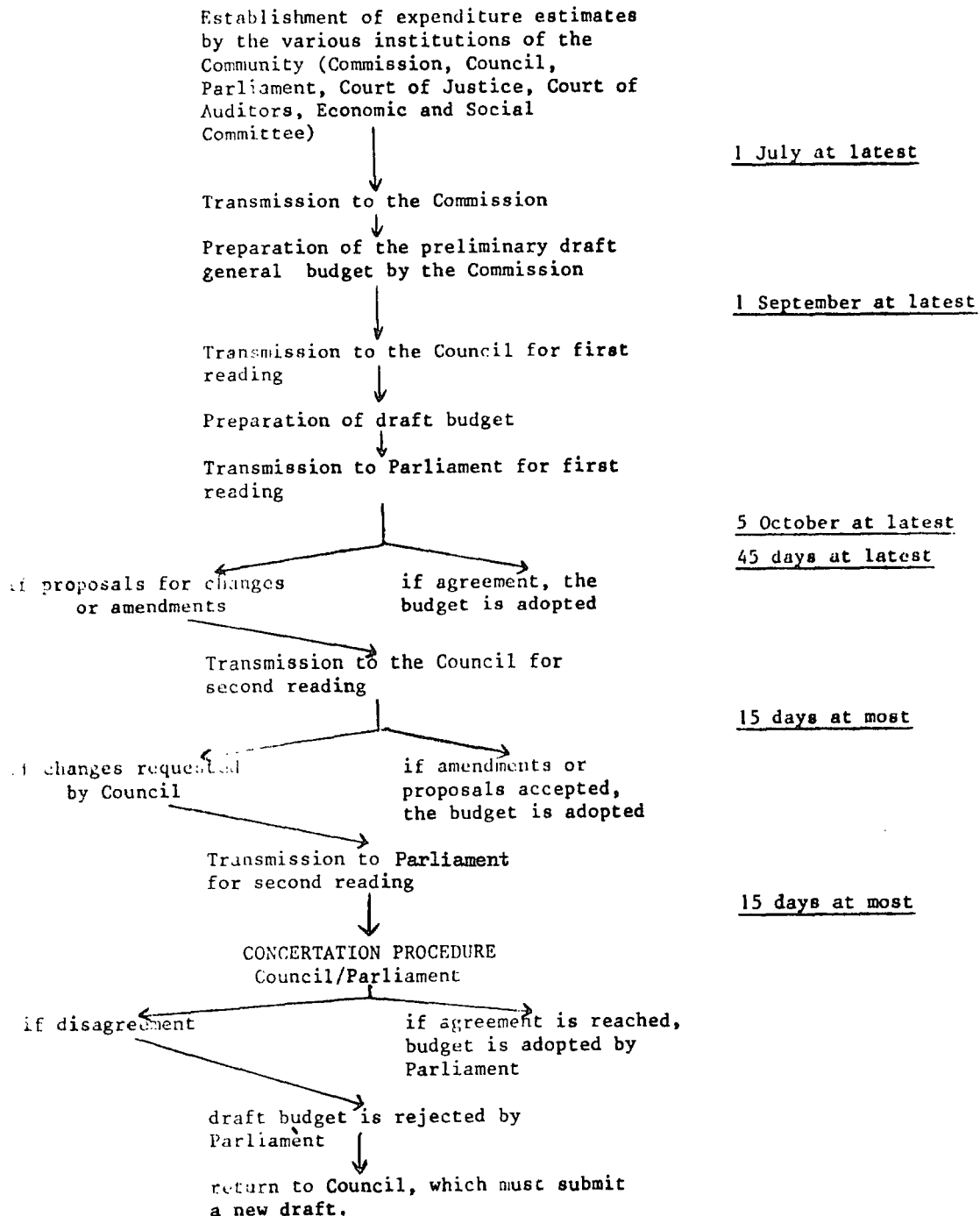
- firstly, expenditure described as "compulsory", which derives necessarily from the Treaty or from acts adopted in accordance with it, and represents about 70% of the total budget;
- secondly, non-compulsory expenditure, the amount of which is not established by regulations.

The first category is in fact mainly CAP expenditure which the regulations, adopted under the policy, render indispensable. The amounts having been fixed by the Council, the corresponding appropriations are approved in the last instance by the same body; Parliament, nevertheless, has power to propose changes or make amendments for submission to the Council.

Most of the second class of expenditure, "non-compulsory expenditure", covers the regional and social policies, the industrial policy, development aid and food aid. The relevant amounts are not determined by regulations and the relevant appropriations are agreed, after "concertation" with the Council, by Parliament.

The preparation of the annual Community budget is the subject of a relatively complex procedure involving the Commission, Parliament and the Council. The procedure now used was started on 1 June 1977. The various stages through which the preliminary draft budget and then the draft budget are channelled before final adoption by Parliament are summarized below.

Procedure used for the preparation of the general budget of  
the Communities



During the procedures, the Council votes by a qualified majority, whilst Parliament works on the basis of an absolute majority of those voting. The two members of the budgetary authority concert their work during the budget preparation procedure in an effort to align their views. Two meetings are arranged between a Parliament delegation and the Council: the first meeting when the Council is about to establish the draft budget; the second when the Council, having received the amendments and proposed changes from Parliament, is about to take its decision before Parliament adopts the budget.

2. The appropriations specifically for EAGGF Guarantee expenditure have the following special features:

- (a) they are obligatory, in that Guarantee expenditure derives from existing market regulations. The Community must pay the beneficiaries the sums to which they are entitled pursuant to the agricultural regulations;
- (b) the sums actually needed are not easy to forecast: the actual expenditure under the CAP depends on a number of factors - new political decisions or approaches, market management (quantities produced, price differences between the world market and the Community market) and, of course, the weather;
- (c) they are changed during the year, since the appropriations earmarked often prove wide of the mark. The adjustments may take the form of transfers between appropriations or, where this is not possible, the adoption of a supplementary budget. This was the case, for example, in October 1979, to meet payments for the disposal of milk products. The appropriations approved for 1980 and 1981, on the other hand, proved more than sufficient.

3. The Community's own resources

(a) Nature and scale (cf. Annex 5)

The "own resources" accruing to the Community budget are made up of:

- levies and other charges on trade with non-member countries instituted under the agricultural policy and production and storage levies provided for under the common organization of the sugar market;
- customs duties levied on Community imports on the basis of duties listed in the Common Customs Tariff;
- a proportion of VAT revenue accruing to the Member States, the ceiling on this being set at the present time at 1% of a common basis of assessment;
- miscellaneous revenues<sup>1</sup>.

The charges of agricultural origin (general levies, sugar levies) are estimated, for 1981, at 1 800 million ECU and at 2 700 million ECU for 1982. Since 1978, the rate of increase of these resources has been negative because of the relatively high world prices, the tendency for world imports to stabilize, and import concessions granted to certain non-member countries.

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<sup>1</sup>Including the yield on the tax on the salaries of the staffs of the Community institutions.

During the 1975-80 period, revenue from customs duties, general levies and sugar levies increased at the rate of 12.5% per year, half the rate at which EAGGF Guarantee expenditure increased. VAT revenue, needed to make up the discrepancy, rose from 0.64% in 1978 to 0.72% in 1980 of the common basis of assessment. The rate for 1981 is nearly 0.76%.

	EEC expenditure ('000 million ECU)	Share of EAGGF Guarantee expenditure (%) in the budget	Share of VAT basis of assessment accruing to overall EEC budget (%)
1976	8.5	66	-
1977	9.6	71	-
1978	12.2	70	0.64
1979	14.6	72	0.79
1980	16.2	70	0.72
1981 <sup>1</sup>	18.4	61	0.79
1982 <sup>1</sup>	(Budget) 22.0	62	0.92

<sup>1</sup>Including Greece.

(b) Expenditure/resources equilibrium

The overall Community budget increases every year, not only because of increasing expenditure on the agricultural markets but also because of efforts to develop the other policies (social, regional and agricultural structures). It uses a steadily growing share of available own resources and the sums being spent are gradually getting nearer to the 1% limit. The question of whether this threshold should be exceeded, which will be necessary if future Community expenditure is to be met, now arises and is being studied by the relevant bodies and institutions.

The need to curb the rate of increase of expenditure, particularly that of EAGGF Guarantee expenditure, was reflected in 1980 in a moderate adaptation of prices for the 1980/81 agricultural year and market management by the Commission concentrating on operations with only limited financial implications. Not only was it not necessary in 1980 to introduce a supplementary budget, although this has generally been needed in the past, but a sum of 190 million ECU was actually saved. A similar development took place in 1981 when 1.722 million ECU were left unused - an unprecedented event.

The share of budget appropriations accounted for by the EAGGF Guarantee Section should go on declining in coming years (cf. Annex 6), given the efforts now being made to develop the other common policies and provided always that the appropriations approved for guarantee spending are managed carefully by the Community bodies, as was the case in 1980 and 1981.



III. THE MANAGEMENT OF THE APPROPRIATIONS: PAYMENT TO THE BENEFICIARIES  
AND CHARGING TO THE BUDGET

A detailed description of the financial machinery of the Guarantee Section will be found in other documents, including the Commission's brochure, published in 1978, on the scale and operation of the EAGGF.

The diagram below gives an outline of the process followed for the management of appropriations relating to year A, namely:

- the use of Guarantee appropriations and the channelling of the funds from the Community's "till" to the beneficiaries;
- the charging to the budget of the European Communities of expenditure incurred in the Member States;
- the control and verification of the expenditure.

BUDGET YEAR "A" (1 January to 31 December)

Monthly transmission on the 20th of the month "n" of the financial requirements of the Member States (MS) to the Commission for the advances<sup>1</sup> to be granted

in month "n + 2"



Commission decision on advances to the MS adopted before the

20th of the month "n + 1"



Overall commitment of expenditure of month "n + 2" in

the budget



Payment before the 23rd of the month "n + 1" of the advances for month "n + 2" to a special account in each MS



Distribution according to needs to the various payment agencies of each MS by the competent national minister<sup>2</sup>



PAYMENT TO BENEFICIARIES

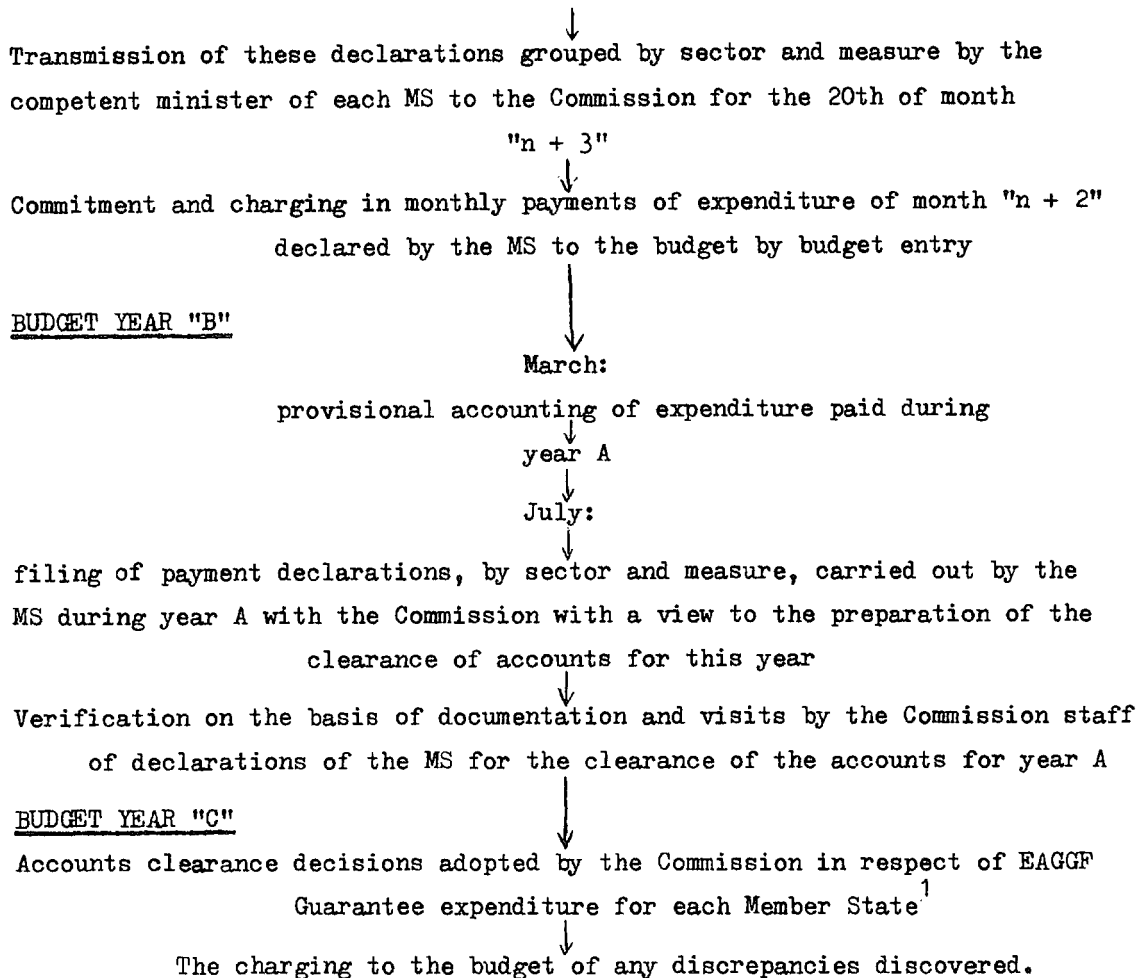


Transmission of expenditure declaration for month "n + 2" by the payment agencies to the competent minister<sup>2</sup>

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<sup>1</sup>The advance payments constitute the appropriations needed by the Member States to enable the appointed departments and payment agencies to proceed, in accordance with the Community regulations and national laws, to the payments of expenditure chargeable to the EAGGF Guarantee Section. The amounts of the advances are fixed monthly by Commission decision for each Member State. At the present time they are about 1 000 million ECU monthly.

<sup>2</sup>For the Member States which have several payment agencies.




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<sup>1</sup> At the present time, because of the backlog that has built up, this work takes about four to five years, because of the long and complex controls and verifications of the volume of expenditure and because of the number of measures financed. It must also be added that the Commission's staff and the Member States have to cope with difficulties arising from the legal interpretation of Community regulations as to eligibility for EAGGF Guarantee payments of certain expenditure made by the Member States. It is hoped to shorten the delay to about two years once the backlog has been worked down.

#### IV. FINANCIAL IMPLEMENTATION AND THE BODIES INVOLVED

For the purpose of monitoring the management of EAGGF Guarantee appropriations and of expenditure carried out under the markets policy, Community procedures and agencies have been set up enabling the justification of expenditure and its proper execution to be verified.

##### (a) EAGGF Committee

For its financing decisions, the establishment of execution procedures and the proper implementation of payments made, the Commission's staff is assisted in the preparation of drafts to be adopted by the EAGGF Committee, the Chairman of which is a Commission representative and the members of which are representatives of the Member States. This procedure thus makes possible close cooperation with the States. The Committee is consulted on all financial questions relating to the markets policy and, in cases fixed by the regulations, is required to give opinions.

##### (b) Internal management within the Commission

Any new decision to be taken in respect of markets policy is examined in respect of financial implications. For this purpose, each Commission proposal going to the Council is accompanied by a "financial statement". To improve the efficiency of financial management, cooperation has been strengthened in recent years between the EAGGF staff, the markets divisions, and the Directorates-General for Budgets and for Financial Control.

At the end of each year, the expenditure declared by the Member States is given a general audit. This opens the way to accounts clearance decisions adopted by the Commission, thus officially closing the accounts for the past year.

##### (c) Budgetary authority

The budgetary authority - the Council and Parliament working together - is not only the agency responsible for the formation of the budget and consequently the creation of available appropriations, but is also responsible for the proper management of the appropriations during the year and at year-end.

A financial report has to be presented annually, before 1 July, to the budgetary authority on the administration of the EAGGF during the previous year, in order to show how the amounts and nature of fund expenditure have changed and how Community financing has been carried out.

After the completion of each year, Parliament gives a discharge to the Commission, normally before 30 April of the following year, on the execution of the budget as a whole. This procedure leads Parliament to examine the management of the appropriations granted to the Commission by the budgetary authority and on this occasion it makes its comments and indicates desiderata for present and future management.

(d) The Court of Auditors

The establishment of the Court of Auditors marked a further stage in the strengthening of the control of execution of Community budgets and, consequently, of EAGGF Guarantee operations. The Treaty amending certain financial provisions, concluded on 22 July 1975 between the Governments of the Member States and entering into force on 1 June 1977, provided, with the enlargement of the budgetary powers of Parliament, for the institution of the Court of Auditors of the European Community.

The Court verifies all Community revenues and expenditure and checks that the appropriations have been properly managed. It may also carry out verification work in the Member States and demand for this purpose the submission of relevant vouchers. It makes an annual report to the Community institutions and publishes this in the Official Journal of the European Communities with replies from the institutions to its comments. It is also in a position to comment at any time - even before the closing of the year - on particular points and verify or carry out a specific analysis of operations not yet completed. Because of the very large sums involved, the Court of Auditors gives special attention to EAGGF Guarantee operations.

V. DEALING WITH "IRREGULARITIES"

Despite every effort and precaution taken, particularly with regard to the control of existing appropriations and expenditure carried out, the EAGGF Guarantee Section does sometimes suffer losses because of irregularities, particularly irregularities for which operators are responsible.

The financial responsibility for these losses lies with the Community unless a government department has been negligent. The Member States are required to attempt to prevent irregularities, and to follow up and recuperate lost sums where irregularities have occurred.

For 1975 to 1980, 969 cases of irregularities were noted, covering a total of 44 million ECU. In respect of 549 cases (more than half), sums wrongly paid were recovered (10.1 million ECU).

As for the 3.4 million ECU outstanding, investigations are in hand and some at least of the money should be recovered at some time in the future, depending on the outcome of enquiries and questions of legal interpretation.

With a view to better prevention and follow-up, the Community has introduced a mutual information arrangement between the Member States and the Commission for cases discovered or liable to occur.

## CONCLUSIONS

For some years now a number of problems have arisen in connection with the EAGGF Guarantee work resulting from the sums involved and the difficulties attendant upon their utilization and management. An important factor is the difficult general economic situation which the Community, like so many other countries, has to contend with at the present time.

Hence a growing need to achieve savings in all departments. The funds needed to achieve the objectives of the common policy with regard to markets are becoming more and more difficult to find. The need to cut back appropriations sharply is shown clearly in the figures for recent years, since increases in Guarantee spending, which were running at 23% per year between 1975 and 1979, were down to 8.4% for 1980 and stopped altogether in 1981, despite the accession of Greece.

Expenditure in certain sectors has been strongly criticized for a number of years. The Community has long sought ways and means of reorganizing the markets burdened by surpluses, especially the milk and milk products market. The latter is the one presenting the most formidable difficulties and costing the Community most (42% of EAGGF Guarantee spending in 1980 and 30% in 1981). But the dairy farming tradition in our countries is so strong that so far there has been no clear evidence of cuts in production. Milk ensures farmers, especially the small farmers, a guaranteed daily income which is very important to them. It is true that the number of cows is declining, but probably not fast enough in view of rising yields.

In order to reconcile market constraints with budget constraints, the Commission has proposed to the Council that the financial involvement of producers in market support policy should be increased in various ways (taxes, variations in aid amounts). When the prices were fixed for the 1981/82 season, the Council accepted these ideas to some extent by increasing the participation of dairy farmers and sugar producers and endorsing the principle that the production guarantee for cereals should not be unlimited.

With regard to policy for financing agricultural markets, the need to curb the growth in expenditure has meant that in recent years no agricultural decision has been taken without careful analysis and discussion within the bodies concerned (Commission, budgetary authority) of financial implications for the budget. Thanks to closer cooperation between economists and finance experts, a number of proposals have been amended to trim down costs without affecting efficiency.

The common agricultural policy thus approaches a turning-point. Originally framed on the basis of essentially economic and political considerations, it must take growing account of financial implications, since there is a limit to the funds available. Indeed it has been found that the proper weighting of this third factor has proved constructive in that it has enabled the authorities to adopt measures the implications of which are more carefully worked out and the procedures for which have been spelled out more accurately.

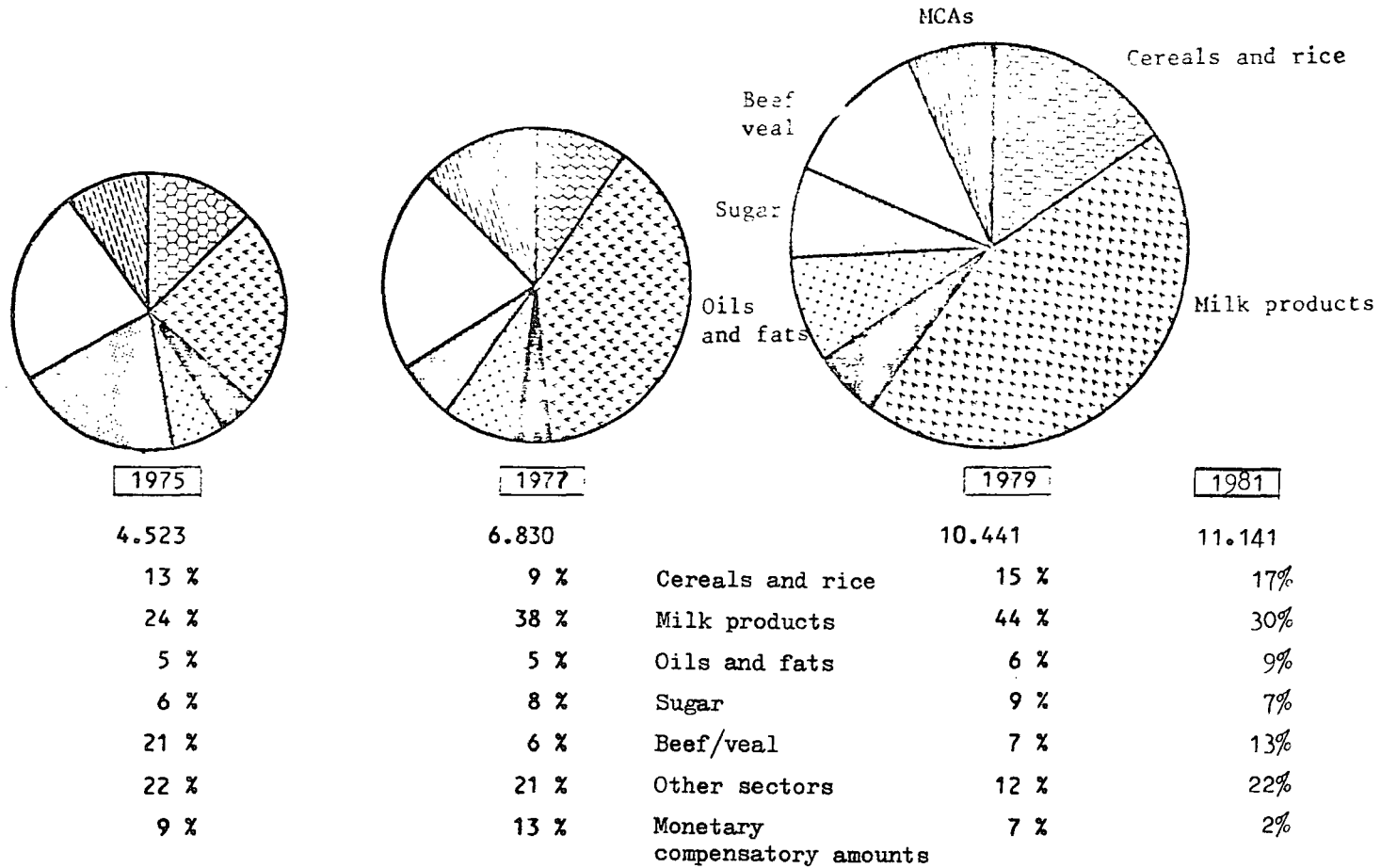
It must be added that the principle of financial solidarity is one of the essential factors safeguarding the Community character of the markets policy, providing at the same time an authentic symbol of European integration at its most effective, since the relevant expenditure has been transferred entirely from the Member States to the Community budget. The principle of financial solidarity, the practical expression of which is the EAGGF Guarantee Section, must therefore be upheld, whatever the obstacles and however long they may persist.

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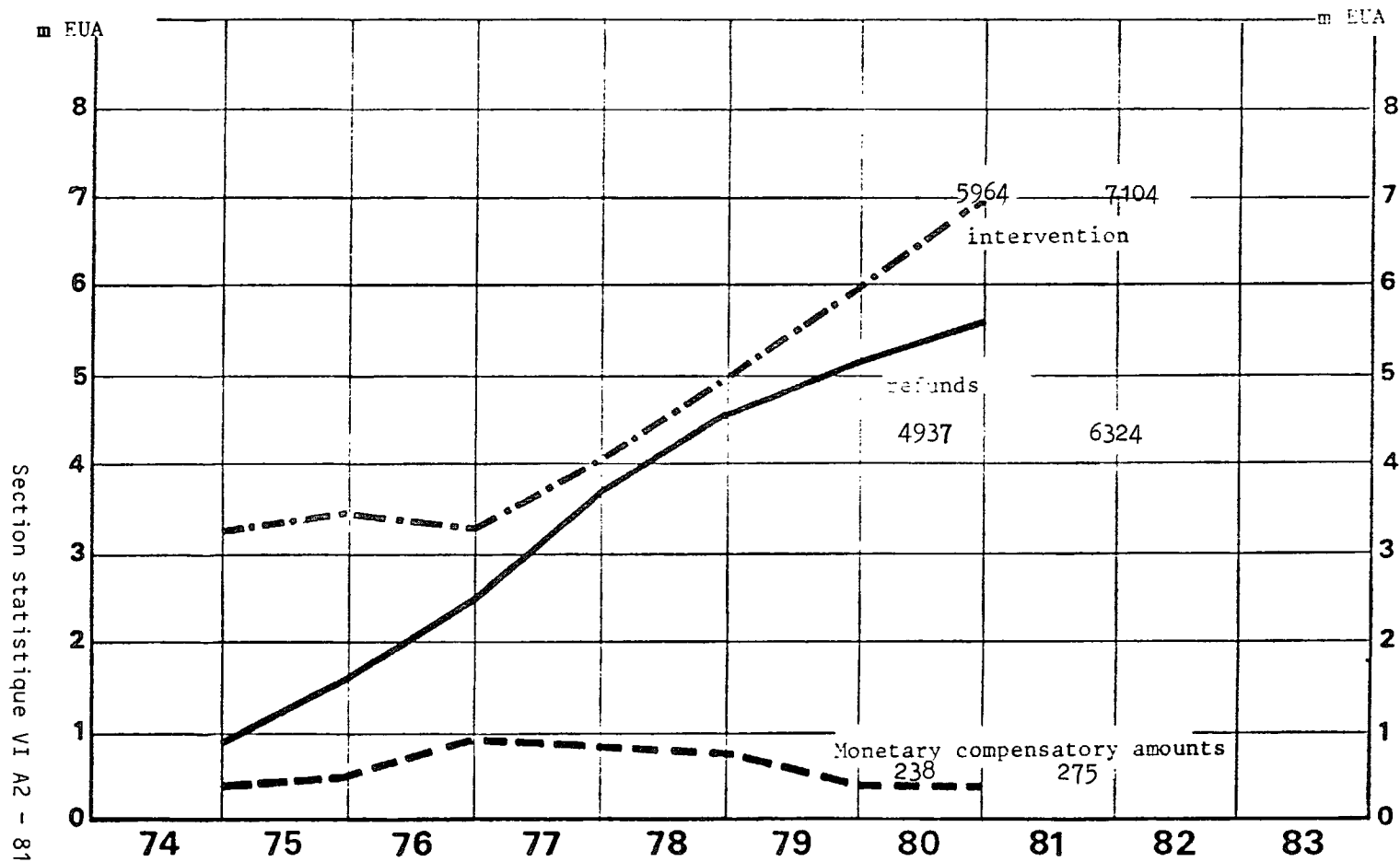
STATISTICAL ANNEXES



EAGGF Guarantee expenditure by sector



EAGGF GUARANTEE EXPENDITURE - ECONOMIC NATURE



Section statistique VI A2 - 8108

Breakdown of intervention expenditure in the  
form of aids offsetting prices (1981 figures)

(million ECU)

Sector	Production aids	Processing aids	Total
Cereals			
Rice	244,2	129,2	373,4
Milk products, of which:	4,5	-	4,5
- skimmed milk	(6) -82,3	1 079,2	996,9
- butter	(1) 290,0	(2) 867,4	1 157,4
- coresponsibility (6)	106,2	211,8	211,8
	- 478,5		- 478,5
Oils and fats, of which:			
- olive oil	959,4	11,9	971,3
- colza, rape, sunflower	376,6	11,9	388,5
	571,4	-	571,4
Sugar	11,6	2,4 (3)	14,0
Beef/veal	116,2 (4)	-	116,2
		-	
Sheepmeat	191,5	-	191,5
		-	
Fruit and vegetables	11,3	481,0 (5)	492,3
Wine	32,9	-	32,9
Tobacco	286,3	-	286,3
Other products, of which:	62,0	65,5	127,5
- flax and hemp	17	-	17,0
- seeds	38,8	-	38,8
- dried fodder	-	34,1	34,1
- peas and field beans	-	31,4	31,4
- hops	5,9	-	5,9
- silkworms	0,3	-	
SUB-TOTAL	1 837,6	1 769,2	3 606,8
Intra-Community MCAs	- 31,7	-	- 31,7
GRAND TOTAL	1 805,9	1 769,2	3 575,1

(1) Aid to liquid skimmed milk for cattle feed (calves, etc.)

(2) Aid for skimmed-milk powder for cattle feed (calves, etc.) and aid for skimmed milk processed into casein.

(3) Refund for use of sugar in the chemical industry.

(4) Premium for orderly marketing and slaughter of adult cattle plus premium for suckler cows.

(5) Processing and distribution of fruit and vegetables withdrawn from the market, financial compensation for the processing of citrus fruit, aids to grapefruit canning and premiums for the processing of fruit and vegetables.

(6) The negative figures represent the coresponsibility levy.

EAGGF Guarantee expenditure in the various Member  
States for 1978 to 1981<sup>1</sup>

(million ECU)

Member State	1978		1979		1980		1981	
	Value	%	Value	%	Value	%	Value	%
Belgium	558.8	6.5	752.6	7.2	571.1	5.1	500.1	4.5
Denmark	567.8	6.6	629.2	6.0	615.8	5.4	513.6	4.6
Federal Republic of Germany	2 316.1	26.7	2 346.5	22.5	2 452.9	21.7	2 058.0	18.5
France	1 450.9	16.7	2 281.2	21.8	2 829.7	25.0	3 146.8	28.2
Ireland	341.3	3.9	456.0	4.4	564.6	5.0	441.0	4.0
Italy	1 165.6	13.4	1 656.5	15.9	1 828.0	16.2	2 065.0	18.5
Luxembourg	23.9	0.3	13.3	0.1	11.6	0.1	4.0	0.0
Netherlands	1 094.9	12.6	1 377.0	13.2	1 543.3	13.6	1 179.5	10.6
United Kingdom	1 153.4	13.3	928.4	8.9	885.2	7.8	1 086.2	9.8
Greece <sup>3</sup>							146.2	1.3
TOTAL	8 672.7	100.0	10 440.7	100.0	11 315.2 <sup>2</sup>	100.0	11 141.2 <sup>4</sup>	100.0

<sup>1</sup>This breakdown takes account of the readjustment of EAGGF Guarantee expenditure in respect of MCAs granted for intra-Community imports into the United Kingdom and Italy, which are normally the beneficiaries.

<sup>2</sup>Including direct payments to beneficiaries for an amount of 13 million ECU.

<sup>3</sup>The figure for Greece is not representative since in practice Community financing only began in the last quarter of 1981 and the expenditure for 1982 will be appreciably higher.

<sup>4</sup>Not including a correction of -161 million ECU in connection with the clearance of the accounts for 1974 and 1975 and including direct payments by the Commission (0.8 million ECU).

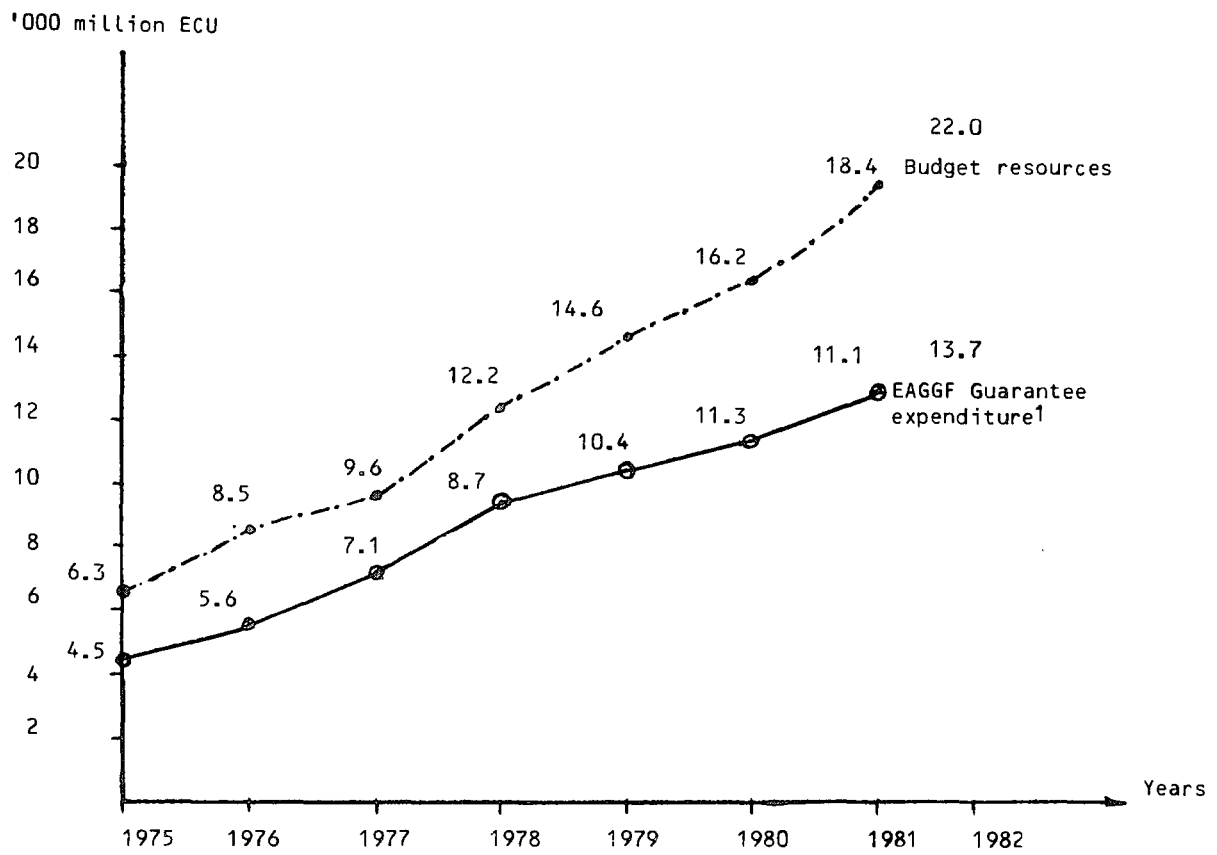
Overall resources from 1975 to 1981

('000 million EUA)

	1975	1976	1977	1978	1979	1980	1981	1982
Total resources, of which:	6.3	8.5	9.6	12.2	14.6	16.2	19.3	
- customs duties	3.0	4.1	3.7	4.4	5.2	5.9	6.4	6.9
- ordinary levies	0.5	1.0	1.8	1.9	1.7	1.5	1.3	1.9
- sugar levies	0.1	0.1	0.3	0.4	0.5	0.5	0.5	0.8
- VAT	2.0	2.5	2.6	5.3	7.0	7.1	10.2	
% VAT accruing to EC budget	-	-	-	0.64	0.79	0.73	0.79	0.92

(1) OJ No L 145, 13 June 1977, p.1.

BUDGET RESOURCES AND EAGGF GUARANTEE EXPENDITURE



<sup>1</sup> For 1982, the appropriations in the general budget have been referred to.

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