

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 400/78-ANNEX

ANNEX

to the report by Mr M. BANGEMANN (Doc. 400/78)
drawn up on behalf of the Committee on Budgets

OPINION OF THE COMMITTEE ON AGRICULTURE

on the letter of amendment (Doc. 377/78) to the draft
general budget of the European Communities for the 1979
financial year

Draftsman: Mr H.-J. KLINKER

The Committee on Agriculture appointed Mr KLINKER draftsman.

At its meeting of 19/20 October 1978 it considered the draft opinion and adopted it unanimously.

Present: Mr Caillavet, chairman; Mr Klinker, draftsman; Mr Albertini, Mr Brégégère, Mr Brugger, Mr Cunningham, Mr Durand, Mr Früh, Mr Howell, Mr Lemp, Mr L'Estrange, Mr Vernaschi (deputizing for Mr Tolman).

I. INTRODUCTION

1. The letter of amendment adopted by the Council to the 1979 draft budget increases expenditure on the EAGGF, Guarantee Section, by 101.2m EUA (see Annex I), a rise of 1.2%, and expenditure on the EAGGF, Guidance Section, by 44.9m EUA, a rise of 12.7% (see Annex II).

2. Compared with the letter of amendment from the Commission to the preliminary draft budget, the Council cannot be said to have acted with great daring, since the Commission was proposing to increase expenditure on the Guarantee Section by 123.2m EUA (without taking into account refunds in connection with Community food aid in respect of rice, arising out of the Community's external commitments) and to increase expenditure on the Guidance Section by 69.004m EUA.

3. This small rise in the estimates shows that the 1979 budget is an austerity budget, particularly where structural expenditure is concerned, and one which is far from consistent with the targets announced by the Commission when drawing up the preliminary draft (see paragraph 2 of the Opinion of the Committee on Agriculture on the draft general budget of the European Communities for the 1979 financial year¹).

4. Following these general remarks, the changes resulting from the letter of amendment must now be considered in detail.

II. ANALYSIS OF THE CHANGES RESULTING FROM THE COUNCIL'S LETTER OF AMENDMENT

(A) EAGGF, GUARANTEE SECTION

Cereals

5. In the case of cereals, the Council has followed the Commission in adopting the principle of increasing expenditure in this sector by 21.3m EUA. This rise is due to the good cereal harvests in 1978, leading to the export of an additional 500,000 tonnes. This expenditure therefore concerns export refunds.

Milk and milk products

6. This chapter alone takes up 60% of the appropriations in the Council's letter of amendment, which endorses the Commission's proposals.

(a) As regards the refunds, there is provision for a decrease of 15.7m EUA, due to a slight downward trend in refunds on certain dairy products other than butter and powdered milk.

¹ PE 54.928/fin.

- (b) Aid for skimmed milk powder for use as feed for calves is increased by 28.4m EUA, following the increase in the level of aid. The same applies to liquid skimmed milk for use as feed for calves (+ 9.5m EUA). On the other hand, aid for liquid skimmed milk for pigs and poultry feed is reduced by 26.3m EUA, following an improved assessment of requirements.
- (c) Aid for skimmed milk processed into casein is increased by 9.7m EUA on account of the continued increase in casein production.
- (d) Public storage of skimmed-milk powder and special disposal measures are increased by 14.7m EUA, resulting from the increase in the forecast stock average, due to the tardiness of farmers in taking advantage of the premiums for non-marketing of milk and conversions.
- (e) Intervention in respect of butter and cream is increased by 12.3m EUA due to a slight change in the butter situation.
- (f) The Council proposes an increase of 28.2m EUA in respect of the financial contribution by the Guarantee Section to premiums for non-marketing of milk and premiums for conversion, bringing the appropriation for 1979 up to 81.8m EUA. To this figure should be added the 106.1m EUA not taken up in 1978, which should be carried over to 1979. The appropriation for this project should thus amount to 187.9m EUA.
- (g) Finally, expenditure to promote the expansion of markets for milk products shows a net increase of 0.3m EUA.

Oils and fats

7. The Council, following the Commission, has proposed an increase of 17.4m EUA in the production aid for colza and sunflower seeds to reflect the expected increase in production.

Sugar and isoglucose

8. The reduction in the need for appropriations is mainly due to the fall in refunds (-40m EUA) as internal consumption should increase by approximately 2% (up 200,000 tonnes). This fall is slightly offset by an increase in the intervention in respect of sugar (+4.9m EUA), largely due to a rise in the reimbursement of storage costs.

Beef and veal

9. Expenditure on beef and veal should show an additional increase of 46.3m EUA, due largely to the expectation of larger herds than originally forecast.

Wine

10. Whereas the Commission proposed an increase of 5.4m EUA in expenditure in the wine sector, the Council plans a reduction of 16.6m EUA. The difference is due to the fact that the appropriation of 22m EUA which the Commission had earmarked for aid for concentrated musts for the enrichment of wine has been replaced by a token entry by the Council, as the relevant proposal¹ has not yet been adopted by that body. The fall in expenditure is due to the expectation of a poor grape harvest which will be reflected in a fall in expenditure on storage (-8.8m EUA) and distillation (-15.6m EUA).

Refunds and appropriations for the distillation of by-products of wine-making should however be increased (by 3.4m EUA and 4.4m EUA respectively).

Other sectors or products subject to common market organization

11. As a result of the fall in world market prices for dehydrated fodder, the Commission and Council have provided for an increase in the aid for Community dehydrated fodder, which is reflected in the additional expenditure of 9.1m EUA.

(B) EAGGF, GUIDANCE SECTION

12. There is an increase of 44.9m EUA in the milk sector of the EAGGF, Guidance Section. The purpose of these additional appropriations is to increase the allocation provided in the draft budget, which was only 28.5m EUA compared with 123.9m EUA in 1978. Despite this increase, the milk sector still shows an overall drop, as the appropriations now total 73.4m EUA (down 40% on 1978).

These additional appropriations are to finance premiums for the non-marketing of milk and the conversion of dairy herds. Nevertheless, this measure alone will not be enough to restore equilibrium on the dairy market.

13. It should be noted that the Council has not followed the Commission in the case of certain projects :

¹ COM(78) 260 final, volumes I to IV

Article or item	Headings	Commission's letter of amendment	Council's letter of amendment
8354	Reorganization of vineyards as part of collective operations	+17.84	token entry
8355	Programme to accelerate the conversion of certain areas under vine in the Charentes region	+2.664	token entry
8401	Collective irrigation works in Corsica	+1.2	token entry
8441	Arterial drainage operations on both sides of the border between Ireland and Northern Ireland	+0.8	token entry
845	Prevention of flooding in the Hérault valley	+1.6	token entry

All this expenditure is concerned with joint operations which the Council has not yet adopted. In keeping with its policy, that Institution has provided a token entry in the corresponding budget lines. The Committee on Agriculture stresses the urgency of these proposals designed to restore equilibrium on the market in wine or to improve or rationalize the situation in certain Community regions.

(C) FOOD AID

14. The Council, here following the Commission, has provided for an increase in refunds in connection with Community food aid in respect of rice of 1.1m EUA. This increase in refunds reflects the situation on the world rice market.

Your rapporteur considers that this expenditure should not be charged to the common agricultural policy as it is in fact a consequence of the Community's external commitments¹.

III. CONCLUSIONS

15. Following the Council's letter of amendment, the draft general budget of the European Communities for the 1979 financial year amounts to 13,174.952m EUA.

¹ See point 17 of the Opinion of the Committee on Agriculture on the draft general budget of the European Communities for the 1979 financial year.

- (a) The Guarantee Section, with 8,439.9m EUA, represents 64.06% of that amount. Taking into account the revenue allocated of the budget of the European Communities by the common agricultural policy (1,734.9m EUA, increased by 28.9m EUA following the letter of amendment in respect of the production levies on sugar), market support expenditure totals 6,705m EUA, or 50.89% of the Community budget. If account is also taken of ACP sugar (380m EUA) and New Zealand butter (240m EUA) which are external Community commitments¹, market support expenditure amounts to 6,085m EUA or 46.18% of the Community budget.
- (b) The Guidance Section, with 396.3m EUA, accounts for only 3% of the Community budget. It is thus clear that market support expenditure is 21 times higher than expenditure on structural improvements.

16. As a result of the Council's letter of amendment, market support expenditure shows an increase of 12.88% on 1978, whereas expenditure on structural improvements shows a fall of 6.42%.

It can only be regretted that the EAGGF, Guidance Section, is not better endowed in 1979, as agricultural incomes cannot be improved without the establishment of modern production structures.

It must therefore be hoped that during 1979 the Commission and Council will make the necessary corrections. Moreover, the Commission and Council must be urged to show a bold approach in the 1980 budget, to ensure that the budget ceases to have the characteristics of an austerity measure and becomes the dynamic instrument of European integration.

¹ See point 79 of the Opinion of the Committee on Agriculture, on the draft general budget of the European Communities for the 1979 financial year

EAGGF, GUARANTEE SECTION, EXPENDITURE

Chapter	Sector	Appropriations proposed in 1979 draft budget	Change proposed in letter of amendment	New amount in draft budget	Percentage of appropriations for 1979
60	Cereals ¹	1,803.2	+21.3	1,824.5	21.62
61	Rice ¹	34.8	- 1.1 ²	33.7	0.40
62	Milk and milk products ¹	3,364.1	+60.8	3,424.9	40.58
63	Fats	505.5	+17.4	522.9	6.20
64	Sugar and isoglucose ¹	1,038.9	-36.0	1,002.9	11.88
65	Beef and veal	442.0	+46.3	488.3	5.79
66	Pigmeat	84.9	-	84.9	1.00
67	Eggs and poultry meat	41.2	-	41.2	0.49
68	Fruit and vegetables	326.5	-	326.5	3.87
69	Wine	136.0	-16.6	119.4	1.41
70	Tobacco	262.0	-	262.0	3.10
72	Ethyl alcohol of agricultural origin	token entry	-	token entry	-
73	Other sectors ³	103.4	+9.1	112.5	1.33
74	Refunds ⁴	176.2	-	176.2	2.09
88	Fisheries	20.0	-	20.0	0.24
TOTAL GUARANTEE SECTION		8,338.7	+101.2	8,439.9	100.00

¹ Less refunds in respect of food aid

² This figure represents the refunds for Community food aid projects amounting to +1.1m EUA, which must be deducted as this expenditure does not result from the common agricultural policy

³ Other products or sectors subject to common market organization

⁴ Refunds on certain goods obtained by processing agricultural products

EAGGF GUIDANCE SECTION
(payment appropriations)

Chapter or article	Heading	Appropriations proposed in 1979 draft budget	Change proposed by letter of amendment	New amount in draft budget (in m ECU)
80	Projects for the improvement of agricultural structures under Art. 13 of Reg. No. 17/64/EEC	40	-	40
81	Common measures for the reform of agricultural production structures	146.4	-	146.4
82	Common measures concerning the marketing and processing of agricultural products	18.1	-	18.1
83	Common measures in particular sectors	88.5	+44.9	133.4
831	*beef and veal sector	4.5	-	-
832	*fruit and vegetable sector	4.0	-	-
834	*farm structure sector	token entry	-	-
835	*wine sector	31.5	token entry	31.5
836	*milk sector	28.5	+44.9	73.4
837	*eradication of certain cattle diseases (brucellosis, tuberculosis, leucosis)	20.0	-	20.0
84	Common measures concerning agricultural infrastructures	54.8	token entry	54.8
840	*collective irrigation works in the Mezzogiorno	20.0	token entry	20.0
841	*improvement of the infrastructure in certain rural areas	15.0	-	15.0
842	*restructuring and conversion of vineyards in Languedoc-Roussillon and certain other French regions	17.0	-	17.0
843	*forestry measures in certain dry Mediterranean regions	token entry	-	token entry
844	*land drainage operations in Ireland	2.8	token entry	2.8
845	*prevention of flooding in the Hérault valley	-	token entry	token entry

EAGGF, GUIDANCE SECTION (continued)
(payment appropriations)

Chapter or article	Heading	Appropriations proposed in 1979 draft budget	Change proposed by letter of amendment	New amount in draft budget (in m EUA)
85	Special measures	3.5	-	3.5
850	*producer groups in the fruit and vegetable sector	3.5	-	3.5
851	*premiums for slaughtering cows and for non-marketing of milk	token entry	-	token entry
852	*premium for grubbin fruit trees	token entry	-	token entry
853	*improvements in the citrus fruit sector	token entry	-	token entry
86	Common measures to improve fisheries structures	0.1	-	0.1
860	*non-industrial inshore fisheries	token entry	-	token entry
861	*deep-sea fishing	token entry	-	token entry
862	*producer groups	0.1	-	0.1
	TOTAL GUIDANCE SECTION	351.4	+44.9	396.3