

2008 budget: section III, Commission

2007/2019(BUD) - 26/10/2007 - Document attached to the procedure

PURPOSE: to present the Commission's amending letter 2/2008 to the preliminary draft budget 2008 which aims to **update the estimated needs for agricultural expenditure**.

CONTENT: the Interinstitutional Agreement on budgetary discipline and sound financial management provides that, "if it considers it necessary, the Commission may present to the two arms of the budgetary authority an ad hoc letter of amendment to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget (PDB) and/or to correct, on the basis of the most recent information available concerning fisheries agreements in force on 1 January of the financial year concerned, the amounts and their breakdown between the appropriations entered in the operational items for international fisheries agreements and those entered in reserve." This letter of amendment must be sent to the budgetary authority by the end of October.

In accordance, the Commission presents herewith this amending letter (AL No 2/2008) to the preliminary draft budget 2008, containing a careful, line by line update on the estimated needs for agricultural expenditure.

In addition to changing market factors, the AL also incorporates legislative decisions adopted in the agricultural sector since the PDB was drawn up, revised estimates of needs for direct payments, as well as any proposals, which are expected to have effect during the coming budget year. The AL comprises also an update as regards international fisheries agreements.

The AL is based, in the same way as the PDB itself, on the needs of the Community as a whole. As far as the market measures are concerned, no breakdown of the appropriations between Member States is available. In addition, it must be stressed that these appropriations are to be understood as a forecast and not as an objective of expenditure. The actual expenditure will depend, in particular, on actual market conditions, on the actual euro-dollar exchange rate, and on the rhythm of the payments by Member States.

Since this is compulsory expenditure, whatever the amount a Member State is obliged to pay in accordance with the regulations – within the limits set by the financial framework - will be reimbursed in full.

The euro-dollar rate used, in accordance with Council Regulation No 1290/2005 on the financing of the Common Agricultural Policy, is based on the average rate observed between 1 July and 30 September 2007. It comes to 1.37 (EUR 1=USD 1.37) and results in **an increase in needs of about EUR 17 million compared to the PDB**.

Overall appropriations for Heading 2 are estimated at EUR 55 305.5 million, leaving a margin of EUR 3 494.5 million in commitment appropriations below the corresponding ceiling of the Financial Framework. The appropriations for agricultural expenditure (including veterinary and fish expenditure financed under FEAGA) amount to EUR 41 166.5 million, a reduction of EUR 1 332.5 million compared to the PDB 2008.

This saving results, from a

- downward revision for the needs for intervention on agricultural markets (chapter 05 02 - EUR 659 million) because of more optimistic forecasts relating to the situation in agricultural markets;

- from a transfer of EUR 362 million from direct aids to Rural Development because of the voluntary modulation requested by UK;
- from an upwards revision of the assigned revenue resulting from the milk super levy (+ EUR 64 million) and from supplementary revenue carried over from 2007 (+ EUR 248 million).

It should also be noted that for clarification and transparency purposes, some budgetary comments have been updated.

Conclusion: Heading 2 appropriations have been reduced by

- EUR 970.35 in commitment appropriations;
- EUR 1 332 million in payment appropriations.

The amount of the **PDB 2008 + AL 1+2/2008** is set out as follows: **EUR 128 409 846 987** in commitments and **EUR 120 346 758 612** in payments compared to EUR 129 380 196 987 in commitments and EUR 121 678 058 612 in payments for PDB 2008 + AL 1/2008.