2004 Budget: section III, Commission

2003/2001(BUD) - 29/10/2003 - Document attached to the procedure

PURPOSE : to present the amending letter No 2 to the preliminary draft budget for 2004 (Volume 1 - General Statement of revenue and Volume 4 - Statement of revenue and expenditure by Section - Section III - Commission). CONTENT : the regular update of the estimate for next year's budget related to the Common Agricultural Policy (CAP) revealed lower needs than initially thought. Therefore, the Commission has proposed this amending budget to modify the budget proposal for 2004, and to reduce it by around EUR 1 billion. To recall, the period update of the budget the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure signed by the European Parliament, the Council and the Commission on 6 May 1999 provides that, "if it considers it necessary, the Commission may present to the budgetary authority an ad hoc letter of amendment to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget 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 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. Concerning agricultural expenditures : the Commission has carefully updated the agricultural budget on a line by line basis. In addition to changing market factors, the letter of amendment also incorporates legislative decisions adopted in the agricultural sector since the PDB was drawn up, as well as any proposals, which are expected to have effect during the coming budget year. For subheading 1a (CAP expenditure except for rural development), the new assessment leads to lower needs than estimated in the PDB (- EUR1 092.5 million). This sizeable decrease is largely explained by decreased needs in three sectors. The most substantial change is that of market measures for cereals (- EUR741 million). Drought during the summer of 2003 has meant a dramatic decline in harvests, which in turn means lower quantities for export, and an important reduction in the estimates for intervention stocks. Also as a result of the adverse climatic conditions, some direct aids in the animal sector were advanced, and paid from the 2003 budget. Thus savings for 2004 have been recorded in the case of beef and veal (- EUR107 million), and for sheep and goat meat (- EUR303 million). These savings have been slightly offset by increased needs for other sectors, notably dried fodder (+ EUR64 million). The euro-dollar rate used, in accordance with the Council Regulation on Budgetary Discipline, is based on the actual rate observed between 1 July and 30 September 2003. It comes to 1.12 (EUR 1= $1.12), and results in some increases compared to the preliminary draft for export sectors, in particular sugar. The Commission has also taken into account the opinions expressed by the Budgetary Authority during its first reading. In order to incorporate these wishes into the amending letter the Commission proposes the following modifications: - EUR 500 000 will be made available under 05 01 04 01 Support expenditure to enable further examination of the environmental indicators to be used in the context of the cross-compliancerules, as adopted under the mid-term review of the CAP. A new budget line 05 01 04 06 with credits of EUR500 000 will be created. The purpose is to enable the exploration of the possibility of establishing European quality labels, so as to ensure transparency for consumers. - Budget line 05 03 02 01 Export refunds for beef and veal shall be subdivided to ensure transparency between those credits intended for export refunds for meat, and those for live exports. The increase in costs related to animal diseases, and the different approaches of MS to compensation for those costs not covered by the Community has given rise to concern. - The Commission proposes the creation of a new line 17 01 04 04 for a pilot study on the financing of risks for livestock epidemics. The appropriations of EUR 500 000 are intended to cover further studies and a conference in this domain. The Commission also updates the estimates for International Fisheries Agreements (heading 4), leading to the transfer of EUR 3 million from the reserve to the line dedicated to EU contributions provided for international agreements. The update integrates the renewal and/or extension of four protocols in 2003 (Madagascar, Mauritius, Republic of Guinea and Ivory Coast) and the downwards adaptation of the agreement with Guinea-Bissau. This will limit the overall

increase of the 2004 budget proposed by the Commission from EUR 99 in 2003 to EUR 111 billion (+11. 6%) including the accession of 10 new Member States on 1 May. It will also leave a margin of EUR 4.3 billion under the maximum ceiling.