2005 budget: section III, Commission

2004/2001(BUD) - 26/10/2004 - Document attached to the procedure

PURPOSE : to present the amending letter No 3 to the preliminary draft budget (PDB) for 2005.

CONTENT : in accordance with 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, 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.

The Commission presents herewith this ad hoc amending letter to the preliminary draft budget 2005. It covers the following elements:

1) Agricultural expenditures: update on the estimated needs for heading 1 : the Commission has carefully updated the agricultural budget on a line by line basis. In addition to changing market factors, the AL 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.

The amending letter 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 real market conditions, on the actual rate of exchange EUR/USD 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 will be reimbursed in full.

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 2004. It comes to 1.22 (EUR 1=USD1.22), and results in some economies (about EUR 84 million) compared to the preliminary draft, in particular for cereals, sugar and cotton.

Overall needs for subheading 1a (CAP expenditure excluding rural development) are estimated at EUR 43 610,5 million, EUR 224 million lower than in the preliminary draft, leaving a margin of EUR 987,5 million below the ceiling of the Financial Perspectives for EU-25.

This decrease is largely explained by reduced needs in three sectors. The most substantial change is that for milk and milk products (- EUR 367 million), where favourable market conditions have triggered lower expenses for the different market measures. Savings for 2005 have also been recorded in the case of sugar (- EUR 146 million), and for olive oil (-EUR 74 million). However, these savings have been partly offset by increased needs for other sectors, notably market measures for cereals (+ EUR 244 million), fruit and vegetables (+ EUR 85 million) and textile plants (+ EUR 30 million).

For rural development (subheading 1b), the PDB estimates for commitment and payment appropriations remain unchanged at EUR 6 841 million and EUR 6 279 million respectively. The level of commitment appropriations is at the ceiling of the Financial Perspective.

Changes in nomenclature are also proposed to increase transparency in recoveries and clearance of accounts.

2) External Actions: update on the international fisheries agreements concluded : To take account of the latest information available on the international fisheries agreements, the Commission proposes to move EUR 2.5 million in commitment appropriations and EUR 3.6 million in payment appropriations from the reserve to the line. There is an increase on item 11 03 01 of EUR 2 500 000 in commitment appropriations and of EUR 3 565 000 in payment appropriations. The amounts entered in the reserve are decreased by the same amounts since the uncertainties that existed at the time of drafting the PDB have now been removed. Thus the net overall effect is zero since the increase on item 11 03 01 is made possible by a corresponding decrease of chapter 31 02.