2006 budget: Section III, Commission

2005/2001(BUD) - 26/10/2005 - Document attached to the procedure

PURPOSE: The presentation of an amending letter No2 to the preliminary draft budget for 2006 relating to Section III of the European Commission with particular relevance to agriculture.

CONTENT: In accordance with the 1999 Inter-institutional Agreement on budgetary discipline, whereby the European Commission may until the end of October submit amendments to the PDF, the European Commission is forwarding an *adhoc* letter of amendment (or amending letter, AL) in order to update figures on agricultural expenditures. The AL contains 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 sectors since the PDB was drawn up, as well as any proposals, which are expected to have effect during the coming budget year.

As far as market measures are concerned, no break down of appropriations between the Member States is available. The Commission stresses 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 euro-dollar exchange rate and on the rhythm of the payments by the Member States. Since this is a 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 is in accordance with Council Regulation on Budgetary Discipline. It comes to 1,22 (EUR 1 = USD 1,22) and results in a decrease in needs of about EUR 169 million compared to the PDB, effecting in particular cereals, sugar and cotton.

Overall needs for subheading 1a (CAP expenditure excluding rural development) are estimated at EUR 43 280 million. EUR 362 million lower than in the PDB, leaving a margin of EUR 1 567 million below the ceiling of the Financial Perspectives.

This decrease results mainly from the chapter 05 02 “Interventions on agricultural markets” (EUR 350 million). For plant products, lower needs are foreseen for cereals (- EUR 136 million), for rice (- EUR 22 million), sugar (- EUR 122 million) and textile plants (- EUR 28 million). These are offset by a forecast increase for fruits and vegetables (+ EUR 110 million) and wine (+ EUR 165 million). For animal products there are lower needs for milk and milk products (EUR 285 million) in addition to forecast lower spending for beef and veal (- EUR 80 million). Increased needs are also foreseen for food programmes (+ EUR 48 million). The appropriations for decoupled direct aids remain unchanged.

For rural development (subheading 1b), the PDB estimates for commitment and payment appropriations remain unchanged at EUR 7 771 million and EUR 7 711 million respectively. For the 15 “old” Member States, the level of commitment appropriations is set at the ceiling of the Financial Perspective. For the 10 new Member States, the commitment appropriations proposed correspond to the amount agreed in Copenhagen.

In preparing this amending letter, the Commission has taken account of some of the opinions expressed by the budgetary authority during its first reading. In order to incorporate these wishes in the AL the Commission is proposing the following modifications:

- EUR 500 000 will be made available under 05 01 04 07 pilot project to conduct a feasibility study on introducing a security fund in the fruit and vegetables sector.

- EUR 300 000 will be made available under 05 04 03 01 to finance a study of the means to combat the dying back of forests in the European Union (under Heading 3 of the Financial Perspective).

To conclude, the presentation of the AL will result in Heading 1 of the DPB 2006 being reduced by EUR 361,6 million and to increase Heading 3 (internal policies) by EUR 300 000.