

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 1956 final

Brussels, 19 October 1990

REPORT ON THE
IMPACT ON EAGGF GUARANTEE SECTION EXPENDITURE
OF MOVEMENTS OF THE DOLLAR/ECU EXCHANGE RATE

1990 FINANCIAL YEAR

(presented by the Commission)

The estimated size of this extra expenditure - the detailed calculations for which are given in Annex I - is ECU 371 million, which breaks down by sector as follows :

	<u>m ECU</u>
Cereals	142
Milk & milk products	72
Beef & veal	16
Pigmeat	10
Eggs and poultry	13
Oilseeds	76
Protein plants	25
Cotton	17
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TOTAL	<u>371</u>

The extra expenditure was less than the margin (*franchise*) of ECU 400 million, so there is no necessity to have recourse to the monetary reserve. Indeed, the buoyancy of world prices throughout most of the 1990 financial year resulted in substantial savings for the Community budget which considerably exceeded the effects of the depreciation of the dollar.

CALCULATION OF THE IMPACT OF THE DOLLAR ON THE COMMUNITY BUDGET: 1990 FINANCIAL YEAR

ESTIMATED AVERAGE WORLD PRICE	TECHNICAL ADJUSTMENT COEFFICIENT	AVERAGE WORLD PRICE USED	AVERAGE WORLD PRICE CONVERTED INTO ECU AT RATE \$ 1 = ECU 0.890 (CONV. COEFF. = 1.125)	UNIT IMPACT OF GAP IN RATES	QUANTITIES CONCERNED	TOTAL BUDGET IMPACT	
						m ECU (A)	m ECU (B)
148	1.00	148	133	3.8	17060	67.9	1.120
180	1.00	180	117	3.9	2040	80.0	1.121
120	1.00	120	93	3.1	8760	30.3	1.103
105	1.00	105	82	2.8	3200	9.1	1.139
120	1.00	102	140	5.0	2200	11.0	1.123
385	1.00	385	299	10.1	180	1.8	1.127
1000	1.00	1000	1283	43.2	178	7.4	1.135
2000	1.00	2000	1593	63.7	62	3.3	1.135
1075	1.00	1075	1302	43.9	378	16.6	1.122
101	1.00	101	126	4.2	8470	38.6	1.124
1700	0.50	850	681	22.3	810	11.4	1.133
1100	0.80	880	428	14.4	200	2.0	1.133
1400	0.60	700	544	18.3	478	8.7	1.132
1000	0.80	800	408	13.8	90	1.2	1.141
1300	0.75	975	768	23.6	406	10.4	1.120
260	1.00	260	202	8.8	8180	35.3	1.108
278	1.00	278	214	7.2	2763	19.9	1.116
280	1.00	280	194	6.8	1903	15.7	1.116
336	1.00	336	280	8.8	115	1.8	1.098
287	1.00	287	200	6.7	209	1.3	1.123
215	0.48	97	75	2.6	4608	10.2	1.123
215	0.80	128	190	3.4	88	0.6	1.113
128	1.00	128	95	3.3	3108	10.6	1.131
2764	0.32	884	438	14.8	1100	18.3	1.021
						332.7	
							118
							252

NOTES: 1. A FALL IN THE RATE OF THE DOLLAR OF 10% WOULD LEAD TO ADDITIONAL EXPENDITURE OF ECU 1 100 MILLION. 2. THE CORRECTION FACTOR REPRESENTS THE DIFFERENCE BETWEEN THE "GREEN" CENTRAL RATES OF THE ECU (1990 CENTRAL RATE) AND THE CENTRAL RATES OF THE NORMAL ECU.

EXPLANATORY REMARKS RELATING TO ANNEX I

Column (a) of the table gives all the budget headings which are affected explicitly and directly by movements in the value of the dollar.

Column (b) gives estimated average world prices in dollars for the period concerned. They correspond either to average selling prices of Community products when exported or to prices used for the calculation of the various aids.

These prices are multiplied by an adjusting coefficient [column (c)] indicating the weighting of the world price used to determine an aid or refund. By way of example, 1.6 times the world price for maize is used in the determination of the production refund for starch while only 45% of the world price for soya cake is used to calculate the production aid for peas intended for animal consumption.

In other cases, the coefficient expresses the estimated proportion of trade directly affected by world prices expressed in dollars (e.g. beef and veal, eggs and poultry).

Column (d), gives average world prices corrected by the adjusting coefficient while column (e) gives the same prices converted into Ecu using the exchange rate adopted in the budget. The unit impact of the 3.4% lower value of the dollar is given in column (f) in Ecu per tonne. This unit amount multiplied by the estimated quantities qualifying for aids and refunds during the period under review gives the impact in million agricultural Ecus [column (h)] and in million budget Ecus [column (j)].