COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION

ON THE IMPACT ON EAGGF GUARANTEE SECTION EXPENDITURE OF:

- MOVEMENTS OF THE DOLLAR/ECU EXCHANGE RATE
- INCREASES IN THE CORRECTING FACTOR RESULTING FROM MONETARY REALIGNMENTS WITHIN THE EUROPEAN MONETARY SYSTEM

1995 FINANCIAL YEAR

REPORT

on the impact on EAGGF Guarantee Section expenditure in 1995 of:

- movements of the dollar/ecu exchange rate, and
- increases in the correcting factor resulting from monetary realignments within the European Monetary System

I.   INTRODUCTION

The value of the dollar affects a major proportion of EAGGF Guarantee Section expenditure. A number of production aids and almost all export refunds are fixed on the basis of the gap existing between Community prices, expressed in ecus, and world prices, generally expressed in dollars (USD).

Other things being equal, a change in the value of the dollar in relation to the ecu automatically implies a change in the gap between Community prices and world prices and consequently a change in the production aids and export refunds concerned. If the dollar rises, the gap diminishes, leading to a reduction in expenditure; if the dollar falls, the gap widens, raising expenditure.

The European Council of 11 and 12 February 1988, in its conclusions, expressed the will to take explicit account of the impact of the change in the dollar on agricultural expenditure.

On that basis, by its Decision of 24 June 1988 concerning budgetary discipline[1], the Council provided for the inclusion of ECU 1 000 million in a reserve of the general budget of the European Communities "as a provision for covering developments caused by significant and unforeseen movements in the dollar/ecu market rate compared to the dollar/ecu rate used in the budget". The latter is equal to the average market rate during the first three months of the year preceding the budget year.

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[1]   OJ No L 185, 15.7.1988, p. 29.

If the average value of the dollar in the period from 1 August of the preceding year to 31 July of the current year falls in relation to the rate used in the budget, the additional budget costs are financed by a transfer from the monetary reserve. Equally, savings of up to ECU 1 000 million in the Guarantee Section when the dollar strengthens are to be transferred to the monetary reserve[1].

Recourse is to be had to the monetary reserve when the said expenditure (or, as the case may be, the saving) exceeds a margin ('franchise') - ECU 400 million up to and including the 1994 financial year. Similarly, the amount of the transfer relates to that fraction of the impact which exceeds that margin.

The Edinburgh European Council of 11 and 12 December 1992 confirmed that the monetary reserve would remain in place for the period 1993-99 but decided that the amount should be cut to ECU 500 million from 1995 onwards and the 'franchise' reduced from ECU 400 million to ECU 200 million.
Noting also that the monetary movements between the Member States' currencies at the time would substantially increase EAGGF Guarantee Section expenditure, the Edinburgh European Council agreed that adjustments should be made to the arrangements for the operation of the monetary reserve so as to make due allowance for the costs resulting from the monetary alignments between Member States.

The Edinburgh European Council also agreed that if such an increase should cause agricultural expenditure to exceed the guideline and thus jeopardise the financing of the new common agricultural policy as already approved, appropriate measures would be taken by the Council to fund the EAGGF Guarantee Section.

On 31 October 1994 the Council adopted a new Decision on budgetary discipline which took account of the Edinburgh European Council's conclusions[2]. Articles 7 to 12 of that Decision contain the provisions relating to consideration of the dollar exchange rate and of the impact of monetary realignments. The Decision specifies that the special provisions relating to the financing of costs arising from monetary realignments within the European Monetary System will apply until the end of the 1997 financial year (Article 11(3)) and that the transfers from the reserve will only be used if the additional costs (due either to the variation in the dollar rate or to monetary realignments) cannot be met from the budget appropriations entered in Titles 1 to 5 of the EAGGF Guarantee Section (Article 12(1)).

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[1]   Up to ECU 1 000 million up to the 1994 financial year and up to ECU 500 million from 1995 onwards.
[2]   OJ No L 293, 12.11.1994, p. 14.

Under Article 9 of the Decision the Commission is required to present a report to the budgetary authority by the end of October each year on the impact on EAGGF Guarantee Section expenditure of:

- movements in the average dollar/ecu market rate for the period from 1 August of the preceding year to 31 July of the current year in relation to the rate used in the budget;

- the monetary realignments within the European Monetary System since 1 September 1992[1].

This report, which relates to the 1995 financial year, contains information to be used to assess:

- whether, on account of the impact of changes in the dollar/ecu exchange rate, a transfer should be proposed to or from the monetary reserve and, if so, the relevant amount;

- whether, on account of the impact of the monetary realignments within the European Monetary System, a transfer from the monetary reserve should be proposed and whether, if the reserve is used up, appropriate arrangements should be made by the Council to finance the EAGGF Guarantee Section in accordance with the conditions laid down in Article 11 of the new decision on budgetary discipline.

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[1] According to the statement by the Council when the common guidelines on the new budgetary discipline were adopted in October 1994, these are budget costs resulting directly from the existence of a switchover mechanism.

II. IMPACT OF THE DOLLAR ON EAGGF GUARANTEE SECTION EXPENDITURE IN 1995

To gauge the impact of movements in the dollar/ecu rate on the 1995 financial year, consideration must be given, pursuant to Article 7 of the Council Decision of 31 October 1994, to the gap between the average rate recorded for the dollar between 1 August 1994 and 31 July 1995 and the rate used in the 1995 budget. The rate used to assess appropriations for the 1995 financial year is $ 1 = ECU 0.89. In accordance with the Council Decision, this corresponds to the average rate in the first three months of the year preceding the financial year in question (January, February and March 1994).

The following table gives the monthly exchange rate gaps recorded in the reference period:

a	Recorded rate 1$ = ... ECU b	Budget rate 1$ = ... ECU c	Gap in ECU d = b - c	Gap in % e = b/c
August	0.8176	0.8900	- 0.0724	- 8.1
September	0.8095	0.8900	- 0.0805	- 9.0
October	0.7932	0.8900	- 0.0968	- 10.9
November	0.8042	0.8900	- 0.0858	- 9.6
December	0.8225	0.8900	- 0.0675	- 7.6
January	0.8060	0.8900	- 0.0840	- 9.4
February	0.7946	0.8900	- 0.0954	- 10.7
March	0.7594	0.8900	- 0.1306	- 14.7
April	0.7455	0.8900	- 0.1445	- 16.2
May	0.7569	0.8900	- 0.1331	- 15.0
June	0.7511	0.8900	- 0.1389	- 15.6
July	0.7437	0.8900	- 0.1463	- 16.4
Average 1.8.94-31.7.95	0.7844	0.8900	- 0.1056	- 11.9

Over the period under consideration the average dollar rate, rounded off, was $ 1 = ECU 0.78, 12% below the budget rate.

That reduction in the value of the dollar involved additional expenditure charged to the EAGGF Guarantee Section.

The recorded average rate of $ 1 = ECU 0.78 is the arithmetical mean of the daily rates for the twelve-month period in question. The average monthly rate fluctuated greatly around that 12-month average, between a maximum of $ 1 = ECU 0.8225 in December 1994 and a minimum of $ 1 = ECU 0.7437 in July 1995. In fact, the fluctuation became even greater towards the end of the period, with the average drop in the dollar in relation to the budget rate rising from about 9% for the first half of the period to about 15% for the second half.

If an accurate assessment of the additional expenditure incurred owing to the depreciation of the dollar is to be made during a period when the gaps compared to the budget rate were large and highly variable, it is necessary to establish a weighted average dollar rate for every agricultural product for which expenditure in ecus is affected by the dollar, taking account of the seasonal variation in exports with refund or in quantities eligible for Community aid.

On that basis, additional expenditure charged to the EAGGF Guarantee Section as a result of the depreciation of the dollar in relation to the budget rate is estimated at ECU 543 million for the 1995 financial year.

Annex I gives a detailed calculation of this expenditure, which breaks down by sector as follows:

	(ECU million)
Cereals:	280
Sugar:	112
Rice:	5
Non-Annex II products:	48
Dried fodder:	31
Fibre plants:	57
Islands and most remote regions:	10
TOTAL:	543

It should be noted that, like last year, it was considered that the refund rates for livestock sector products were influenced very little by the short- or medium-term variation in the dollar rate. As a consequence, there is no need to evaluate the impact of the dollar-rate changes on refunds for these products.

The financial impact of dollar movements on EAGGF Guarantee Section expenditure is therefore ECU 343 million greater than the margin of ECU 200 million:

Total additional expenditure:	543
Margin:	200
Expenditure exceeding the margin:	343

The amount of ECU 343 million can be withdrawn from the monetary reserve pursuant to Article 10 of the Decision of 31 October 1994. Nevertheless, bearing in mind Article 12(1) of the Decision, the Commission considers that owing to the favourable trend in the agricultural economy, all the additional expenditure due to the drop in the dollar rate may be financed from within the budget appropriations entered in Titles 1 to 5 of the EAGGF Guarantee Section. As a result, there is no need to call upon the monetary reserve.

III. THE IMPACT ON EAGGF GUARANTEE SECTION EXPENDITURE IN 1995 OF INCREASES IN THE CORRECTING FACTOR RESULTING FROM MONETARY REALIGNMENTS WITHIN THE EUROPEAN MONETARY SYSTEM SINCE 1 SEPTEMBER 1992

Between the beginning of September 1992 and mid-May 1993 there were five monetary realignments within the European Monetary System.

To gauge the impact of these realignments on EAGGF Guarantee Section expenditure, two factors have to be taken into account:

-       As a direct consequence of the monetary realignments since September 1992, the correcting factor (switchover) used for the purposes of the common agricultural policy rose by 5.4% from 1.145109 to 1.207509 from 14 May 1993.
Other things being equal, this increase in the correcting factor is reflected in a corresponding increase in the double rate, the coefficient expressing the difference between EAGGF Guarantee Section expenditure expressed, on the one hand, in terms of agricultural ('green') ecus, known as ECU(A) and, on the other, the expenditure charged to the budget (budget ecus), designated ECU(B).
This increase in the double rate coefficient, from 1.145 to 1.207, thus leads to a corresponding increase in agricultural expenditure expressed in budget ecus[1].

-       Article 9 of Council Regulation (EEC) No 3813/92 of 28 December 1992 on the unit of account and the conversion rates to be applied for the purposes of the common agricultural policy[2] lays down that where the correcting factor is increased, the prices fixed in ecus are to be reduced at the beginning of the following marketing year by 25% of the percentage of the change in the correcting factor. The other amounts fixed in ecus, with the exception of certain aids provided for under the 1992 reform of the common agricultural policy, are to be altered appropriately as the need arises[3].

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[1]   It should be noted that even though the correcting factor was abolished with effect from 1 February 1995, the impact of monetary realignments on EAGGF Guarantee Section expenditure continues to be felt because abolition was accompanied by an increase in prices and aids in green ecus of 20.7509%. Without the effect of the monetary realignments which occurred between September 1992 and mid-May 1993 that increase would have been limited to 14.5109%.

[2]   OJ No L 387, 31.12.1992, p. 1.

[3]   Among the amounts excluded from the reduction are the majority of aids per hectare for arable crops, beef premiums, the amounts fixed in the context of accompanying measures and amounts of a structural nature or not affecting markets.

By virtue of this provision and in line with the increase in the correcting factor between September 1992 and May 1993, prices and aids in ecus were cut by 1.29% by the application of a reduction coefficient of 1.013088 from the start of the 1993/94 marketing year in the majority of cases. The resulting reduction in EAGGF Guarantee Section expenditure partially offsets the increase in expenditure resulting from the increase in the double rate.

Bearing in mind these two factors, the impact on EAGGF Guarantee Section expenditure in 1995 of the monetary realignments directly incurred by the existence of a switchover mechanism and potentially eligible for financing under the mechanisms decided by the Edinburgh European Council, as laid down in Article 11 of the 31 October 1994 Decision on budgetary discipline, is put at ECU 1 524 million, made up as follows:

	(ECU million)
- Rise in the double rate (from 1.145 to 1.207):	+ 1 868
- Cut in prices and some aids (-1.29%):	- 344
TOTAL:	+ 1 524

However, since it has been possible to finance this additional expenditure from within the budget appropriations entered in Titles 1 to 5 of the EAGGF Guarantee Section and within the agricultural guideline, there is no need to have recourse to Article 11 of the 31 October 1994 Decision.

It should also be pointed out that the change in the correcting factor also has an effect on the calculation of world prices for agricultural products expressed in green ecus. The increase in the correcting factor produces a decrease in world prices converted into green ecus and, consequently, an automatic increase in the main export refund rates and the rates for some aids. Generally speaking, this effect is seen for all products affected by dollar rate changes.

The impact of the increase in the correcting factor on refunds and aids whose level is influenced by world prices is estimated at ECU 264 million.

Overall, therefore, the monetary realignments that occurred in 1992 and 1993 have resulted in additional expenditure for the EAGGF Guarantee Section in 1995 of ECU 1 788 million, which, thanks to the favourable trend in the agricultural economy, has been covered in full within the budget appropriations and the agricultural guideline.

Annex II gives the details of the calculation of these estimates.

Annex I - Calculation of the impact on EAGGF Guarantee Section expenditure of changes in the dollar: 1995 financial year

a	Average world price recorded ($/t)	Technical adjustment coefficient	Average world price used ($/t)	Weighted average rate recorded 1$ =.... Ecu	World price converted into ecu		Unit impact of gap in rates (Ecu/t)	Quantities concerned 1000 t	Total budget impact		
					At rate 1$ = ECU 0.89 (corr. factor = 1.207509) (Ecu/t) (1)	At average weighted rate recorded (corr. factor = 1.207509) (Ecu/t) (1)			ECU (A) million	Double rate	ECU (B) million
a	b	c	d = b.x.c	e	f	g	h = f - g	j		k	l = j x k
A. REFUNDS											**445**
Cereals and rice											
- Common wheat	120	1.00	120	0.82	88.4	81.5	6.9	14410	99.4	1.226	122
- Durum wheat	158	1.00	158	0.81	116.5	105.6	10.5	1610	16.9	1.210	20
- Barley	106	1.00	106	0.81	78.1	71.1	7.0	7936	55.5	1.236	69
- Other cereals	85	1.00	85	0.81	62.6	57.0	5.6	5156	28.8	1.235	36
- Starch	100	1.00	100	0.81	117.9	107.3	10.6	2521	26.7	1.233	33
- Rice (milled equivalent)	365	1.00	365	0.78	269.0	235.8	33.2	137	4.5	1.187	5
Sugar (incl. chemicals industry)	354	1.00	354	0.79	260.9	231.6	29.3	3070	90.0	1.244	112
Milk products											
- Butter		1.00									
- Butteroil		1.00									
- Skimmed-milk powder		1.00									
- Other in milk equivalent		1.00									
Beef and veal											
- Fresh meat		0.50									
- Frozen meat		0.50									
Pigmeat											
- Cuts and sausages		0.50									
Eggs and poultry											
- Eggs		0.50									
- Poultry		0.75									
Non-Annex II products											
- Common wheat	120	1.00	120	0.78	88.4	77.5	10.9	692	7.5	1.226	9
- Barley	106	1.00	106	0.78	78.1	68.5	9.6	412	4.0	1.226	5
- Other cereals	100	1.00	100	0.78	73.7	64.6	9.1	1375	12.5	1.226	15
- Sugar	354	1.00	354	0.78	260.9	228.7	32.2	488	15.7	1.226	19
B. AIDS											**98**
Oilseeds (2)											
Dried fodder (3)	192	0.70	135	0.80	99.5	89.4	10.1	2500 (4)	25.3	1.222	31
Fibre plants (cotton)	1742	0.32	557	0.81	410.5	373.6	36.9	1280	47.2	1.200	57
Islands and most-remote regions											
- Common wheat	120	1.00	120	0.78	88.4	77.5	10.9	290	3.2	1.218	4
- Durum wheat	158	1.00	158	0.78	116.5	102.1	14.4	18	0.3	1.218	0
- Barley	106	1.00	106	0.78	78.1	68.5	9.6	128	1.2	1.218	1
- Other cereals	85	1.00	85	0.78	62.6	54.9	7.7	304	2.3	1.218	3
- Rice (milled equivalent)	365	1.00	365	0.78	269.0	235.8	33.2	17	0.6	1.218	1
- Sugar	354	1.00	354	0.78	260.9	228.7	32.2	22	0.7	1.218	1
TOTAL A + B											**543**

N.B. : On the basis of the figures in the Table, a change in the dollar rate of 10% would lead to a change in expenditure of ECU 576 million (not counting oilseeds).

(1) The correcting factor represents the difference between the 'green' central rates of the ecu (agricultural ecu) and the central rates of the normal ecu.

(2) Because the reference price recorded in ecus for oilseeds in 1994/5 exceeded the forecast reference price by more than 13% the hectare aids in that sector were reduced by 5% (13% less the 8% margin).
  The average dollar rate during the period used to record the reference price was 1' = ECU 0.81, 9% lower than the budget rate. Without that drop in the dollar, the reference price recorded in ecu would have exceeded
  the forecast reference price by more than 24%, leading to a reduction in hectare aids of 16% (24% - 8%). For that sector, then, the change in the dollar in relation to the budget rate prevented an additional
  11% reduction in the aids (16% -5%). The impact of not reducing the aids is assessed at ECU 285 million.

(3) Excluding the intervention price for barley which is included in the basket but is not affected by changes in the exchange rate.

(4) Quantities for which aid was granted in 1995 under the arrangements in force up to 31.3.1995.

EXPLANATORY REMARKS TO ANNEX I

Column (a) of the tables 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. For example, 1.6 times the world price for maize is used in the determination of the production refund for starch.

Column (d) gives average world prices in dollars corrected by the adjusting coefficient.

Column (e) gives the average dollar/ecu exchange rates recorded, established by heading on the basis of a weighting taking account of the seasonal nature of the quantities eligible for export refunds or Community aids.

Columns (f) and (g) give the corrected average world prices converted into ecus using the exchange rate adopted in the budget of $ 1 = ECU 0.89 and the recorded weighted average rates in column (e), allowing for the correcting factor (switchover) in both cases. The unit impact of the lower value of the dollar is given in column (h) in ecus per tonne. This unit amount multiplied by the estimated quantities qualifying for aids and/or refunds during the period under review (column i) gives the impact in millions of agricultural ecus (column (j)) and in millions of budget ecus (column (l)).

ANNEX II a - Estimate of the financial impact of change in the double rate (DR) resulting from monetary realignments: 1995 financial year

Chap.	Sector	Appropr. requirement 1995 Mio Ecu (A)	Appropr. requirement x 1.145	Appropr. requirement x (*) 1.157	Appropr. requirement x 1.195	Appropr. requirement x 1.205	Appropr. requirement x 1.207	Impact DR Sept. '92 realignment (ECU million)	Impact DR Nov. '92 realignment (ECU million)	Impact DR Jan. '93 realignment (ECU million)	Impact DR May '93 realignment (ECU million)	Impact DR all realignments (ECU million)
a	b	c	d=c x 1.145	e=c x 1.157	f=c x 1.195	g=c x 1.205	h=c x 1.207	i = e - d	j = f - e	k = g - f	l = h - g	m = h - d
10	Arable crops	12554.4	14375	14525	15003	15128	15153	150	478	125	25	778
11	Sugar	1484.2	1699	1717	1774	1788	1791	18	57	14	3	92
12	Olive oil	745.2	853	862	891	898	899	9	29	7	1	46
13	Dried fodder and dried vegetables	284.9	326	330	340	343	344	4	10	3	1	18
14	Fibre plants	732.0	838	847	875	882	884	9	28	7	2	46
15	Fresh fruit and vegetables	988.2	1131	1143	1181	1191	1193	12	38	10	2	62
	Processed fruit and vegetables	565.9	648	655	676	682	683	7	21	6	1	35
16	Wine	781.6	895	904	934	942	943	9	30	8	1	48
17	Tobacco	842.6	965	975	1007	1015	1017	10	32	8	2	52
18	Other sectors	399.8	458	463	478	482	483	5	15	4	1	25
20	Milk and milk products	3389.3	3881	3921	4050	4084	4091	40	129	34	7	210
21	Beef and veal	3317.2	3798	3838	3964	3997	4004	40	126	33	7	206
22	Sheepmeat	1705.4	1953	1973	2038	2055	2058	20	65	17	3	105
23	Pigmeat	117.0	134	135	140	141	141	1	5	1	0	7
24	Eggs and poultry	158.4	181	183	189	191	191	2	6	2	0	10
25	Other animal product aid measures	93.5	107	108	112	113	113	1	4	1	0	6
26	Fisheries	47.3	54	55	57	57	57	1	2	0	0	3
30	Non-Annex II products	489.2	560	566	585	589	590	6	19	4	1	30
31	ACA	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.					
32	MCA (1)											
33	Food aid	61.3	70	71	73	74	74	1	2	1	0	4
34	Interest for prefinancing (1)											
35	Distribution to deprived persons (1)											
36	Measures to combat fraud (1)											
37	1990 accounts clearance (provision)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.					
38	Rural development	439.5	503	509	525	530	530	6	16	5	0	27
39	Other measures	16.5	19	19	20	20	20	0	1	0	0	1
Titles 1, 2 and 3		29213.4	33448	33799	34912	35202	35259	351	1113	290	57	1811
40	Income aids	29.0	33	34	35	35	35	1	1	0	0	2
50	Accompanying measures	885.7	1014	1025	1058	1067	1069	11	33	9	2	55
Total EAGGF Guarantee Section		30128.1	34495	34858	36005	36304	36363	363	1147	299	59	1868

(*) The realignments of 13 and 17 September 1992 were considered together, as the former lasted only four days.

(1) Appropriations fixed in ECU (B) million.

ANNEX II b - Estimate of the financial impact of the reduction in prices in ecus following monetary realignments: 1995 financial year

Chap	Sector			Impact of price cut Ecu (A) mil	DR	Impact of price cut Ecu (B) mil
a	b	c	d	e	f	g = e x f
10	Arable crops	- refunds .1993/94	1.88 million t x (120.507 Ecu/t x -1.29%) or -1.6 Ecu/t	-3.0		
		- refunds .1994/95	18.32 million t x (110.933 Ecu/t x -1.29% or -1.4 Ecu/t	-25.6		
				-28.6	-28.6	1.230	-35
		- Storage				
		- buying-in	5.1 million t x (110.93 Ecu/t x -1.29%) or -1.4 Ecu/t = -7.1			
		- sales	14.9 million t x (110.93 Ecu/t - 113.5 Ecu/t x -1.29%) or 0.03 Ecu/t = 0.4			
		- final stock	6.1 million t x 0 Ecu/t = 0.0			
		- financial costs	10.2 million t x (-1.4 Ecu/t x 6.00%) or -0.1 Ecu/t = -1.0			
				-7.7	-7.7	1.240	-10
		- refund: use of stark	0.85 million t x (110.93 Ecu/t x -1.29%) or -1.4 Ecu/t x 1.6 = -1.9			
		- refund: use of maize	1.2 million t x (110.93 Ecu/t x -1.29%) or -1.4 Ecu/t x 1.6 = -2.7			
		- refund: use of wheat	0.47 million t x (110.93 Ecu/t x -1.29% or -1.4 Ecu/t x 1.6 = -1.1			
		- Portuguese production aid	1.1 million t x (108.0 Ecu/t x -1.29%) or -1.4 Ecu/t x 0.65 = -1.0			
				-6.7	-6.7	1.231	-8
	Total for Arable crops			-43.0		-53
11	Sugar	- Refunds	2.892 million t x (530.15 Ecu/t x -1.29%) or -6.8 Ecu/t = -19.7	-19.7	1.244	-25
		- Reimbours. storage costs	83.6 million t x (530.15 Ecu/t x -1.29%) or -6.8 Ecu/t x 6.0% /12 = -2.8	-2.8	1.229	-3
		- Refund chemical industry	0.2 million t (-6.8 -0.04) or -6.84 Ecu/t = -1.0	-1.0	1.235	-1
	Total for Sugar			-23.5		-29
12	Olive oil	- Refunds .1993/94	20000 t x (1944.93 Ecu/t x -1.29% or -25.1 Ecu/t = -0.5			
		- Refunds .1994/95	64000 t x (1610.2 Ecu/t x -1.29% or -20.8 Ecu/t = -1.3			
				-1.8	-1.8	1.208	-2
		- Production aids	1993/94: see Annex p. 16	-5.2	1.157	-6
		- Consumption aids 1993/94	386100 t x (399.177 Ecu/t x -1.29% or -5.1 Ecu/t = -2.0			
		1994/95	756000 t x (101.309 Ecu/t x -1.29% or -1.3 Ecu/t = -1.0			
				-3.0	-3.0	1.209	-4
		- Refund use canning industry	50000 t x (-20.8 Ecu/t +(-5.1 Ecu/t x 33%) + (-1.3 Ecu/t x 67%) or -23.3 Ecu/t = -1.2	-1.2	1.205	-1
		- Sales intervention	105000 t x (1610.2 Ecu/t x -1.29% or -20.8 Ecu/t = -2.2	-2.2	1.219	-3
	Total for Olive oil			-13.4		-16

Chap	Sector			Impact of price cut Ecu (A) mil	DR	Impact of price cut Ecu (B) mil
a	b	c	d	e	f	g = e x f
13	Dried fodder	- artificially dried	4.50 million t x (178.61 Ecu/t x -1.29% Ecu/t) or -2.3 Ecu/t = -10.3			
		- sun-dried	0.44 million t x (178.61 Ecu/t x -1.29% : 25.0 Ecu/t x -1.29%)			
			or -2.0 Ecu/t = -0.9			
	Total for Dried fodder		-11.2	-11.2	1.226	-14
14	Fibre plants	- cotton				
		1994/95	1.33 million t x (1027.9 Ecu/t x -1.29% Ecu/t) or -13.3 Ecu/t x 0.8 = -14.2	-14.2	1.200	-17
		- fibre flax				
		aid/ha	89000 Ha x (774.9 Ecu/t x -1.29% Ecu/t) or -10.0 Ecu/t = -0.9	-0.9	1.233	-1
	Total for Fibre plants			-15.1		-18
15	Fresh fruit and vegetables	- fin. comp. withdrawals	Bying-in price			
		- cauliflowers	170000 t x 1 x (95.3 Ecu/t x -1.29%) or -1.2 Ecu/t x 1.085 = -0.2			
		- tomatoes	50000 t x 1 x (86.6 Ecu/t x -1.29%) or -1.1 Ecu/t x 0.781 = 0.0			
		- aubergines	500 t x 1 x (71.1 Ecu/t x -1.29%) or -0.9 Ecu/t x 0.779 = 0.0			
		- peaches	800000 t x 0.86 x (240.4 Ecu/t x -1.29%) or -3.1 Ecu/t x 0.799 = -1.7			
		- nectarines	190000 t x 0.84 x (262.5 Ecu/t x -1.29%) or -3.4 Ecu/t x 0.869 = -0.5			
		- apricots	54932 t x 1 x (237.4 Ecu/t x -1.29%) or -3.1 Ecu/t x 0.835 = -0.1			
		- pears	90272 t x 1 x (147.3 Ecu/t x -1.29%) or -1.9 Ecu/t x 0.682 = -0.1			
		- grapes	20212 t x 1 x (198.8 Ecu/t x -1.29%) or -2.6 Ecu/t x 0.664 = 0.0			
		- apples	628729 t x 0.93 x (134.8 Ecu/t x -1.29%) or -1.7 Ecu/t x 0.871 = -0.9			
		- lemons	20000 t x 0.84 x (249.5 Ecu/t x -1.29%) or -3.2 Ecu/t x 0.543 = 0.0			
		- mandarins	5000 t x 0.9 x (230.7 Ecu/t x -1.29%) or -3.0 Ecu/t x 0.717 = 0.0			
		- satsumas	1000 t x 1 x (124.1 Ecu/t x -1.29%) or -1.6 Ecu/t x 0.621 = 0.0			
		- clementines	40880 t x 1 x (185.9 Ecu/t x -1.29%) or -2.4 Ecu/t x 0.594 = -0.1			
		- oranges	220275 t x 0.97 x (217.2 Ecu/t x -1.29%) or -2.8 Ecu/t x 0.734 = -0.4			
			-4.0	-4.0	1.206	-5
		- processing of citrus fruits				
		- oranges	1150000 t x (109.2 Ecu/t x -1.29%) or -1.4 Ecu/t = -1.6			
		- lemons	470000 t x (106.2 Ecu/t x -1.29%) or -1.4 Ecu/t = -0.7			
		- mandarins	60000 t x (106.1 Ecu/t x -1.29%) or -1.4 Ecu/t = -0.1			
		- satsumas	160000 t x (40.5 Ecu/t x -1.29%) or -0.5 Ecu/t = -0.1			
		- clementines	40000 t x (87.3 Ecu/t x -1.29%) or -1.1 Ecu/t = 0.0			
			-2.5	-2.5	1.208	-3
	Total for Fresh fruit and vegetables			-6.5		-8

Chap	Sector											Impact of price cut Ecu (A) mil	DR.	Impact of price cut Ecu (B) mil
a	b	c				d						e	f	g = e x f
15	Processed fruit and vegetables	- processing aids fruit	2602500 t x	95%	x (	127.3 Ecu/t x	-1.29%) or	-1.6 Ecu/t			=	-4.0	-4.0	1.208	-5
		- processing aids tomatoes												
		- peaches	582000 t		x (	72.6 Ecu/t x	-1.29%) or	-0.9 Ecu/t			=	-0.5			
		- pears	102800 t		x (	174.6 Ecu/t x	-1.29%) or	-2.3 Ecu/t			=	-0.2			
		- prunes	45000 t		x (	618.9 Ecu/t x	-1.29%) or	-8.0 Ecu/t			=	-0.4			
		- dried figs	17000 t		x (	279.3 Ecu/t x	-1.29%) or	-3.6 Ecu/t			=	-0.1			
												-1.2	-1.2	1.207	-1
	Total for Processed fruit and veg.												-5.2		-6
16	Wine	- distillation of wine												
		- market support	0 mill. HL		x (	2.03 Ecu/HL x	-1.29%) or	-0.03 Ecu/HL x	11.5	=		0.0			
		- voluntary preventive	5.2 mill. HL		x (	1.47 Ecu/HL x	-1.29%) or	-0.02 Ecu/HL x	11.0	=		-1.1			
		- compuls. table w. 1993/94	8.1 mill. HL		x (	0.20 Ecu/HL x	-1.29%) or	0.00 Ecu/HL x	10.0 x 30% =			0.0			
		- compuls. table w. 1994/95	0 mill. HL		x (	0.99 Ecu/HL x	-1.29%) or	-0.01 Ecu/HL x	10.0 x 80% =			0.0			
		- other than table wine	3 mill. HL		x (	0.54 Ecu/HL x	-1.29%) or	-0.01 Ecu/HL x	8.5	=		-0.3			
		- compulsory dist.by-product	1.1 mill. HL		x (	0.42 Ecu/HL x	-1.29%) or	-0.01 Ecu/HL alcohol at 100		=		-1.1			
		- aids use grape musts	50 mill. HL		x (	1.76 Ecu/HL x	-1.29%) or	-0.02 Ecu/HL		=		-1.0			
												-3.5			
	Total for Wine												-3.5	1.211	-4
17	Tobacco	- tobacco pemiums												
		- Flue cured	124260 t		x (	2533 Ecu/t x	-1.29%) or	-32.7 Ecu/t			=	-4.1			
		- Light air cured	74120 t		x (	2103 Ecu/t x	-1.29%) or	-27.2 Ecu/t			=	-2.0			
		- Dark air cured	46490 t		x (	2124 Ecu/t x	-1.29%) or	-27.4 Ecu/t			=	-1.3			
		- Fire cured	8130 t		x (	2199 Ecu/t x	-1.29%) or	-28.4 Ecu/t			=	-0.2			
		- Sun cured	29700 t		x (	2001 Ecu/t x	-1.29%) or	-25.9 Ecu/t			=	-0.8			
		- Basmas	26100 t		x (	3465 Ecu/t x	-1.29%) or	-44.8 Ecu/t			=	-1.2			
		- Katerini et simil.	22250 t		x (	2940 Ecu/t x	-1.29%) or	-38.0 Ecu/t			=	-0.8			
		- Kaba Koulak cl.	19550 t		x (	2101 Ecu/t x	-1.29%) or	-27.1 Ecu/t			=	-0.5			
												-10.9	-10.9	1.135	-12
	Total for Tobacco												-10.9		-12
18	Other plant sectors	- seeds	301200 t		x (	224 Ecu/t x	-1.29%) or	-2.9 Ecu/t				-0.9			
		- production aids hops	28760 HA		x (	417 Ecu/Ha x	-1.29%) or	-5.4 Ecu/t				-0.2			
		- refunds rice	154000 t		x (	319.6 Ecu/t x	-1.29%) or	-4.1 Ecu/t				-0.6			
												-1.7	-1.7	1.187	-2
	Total for Other plant sectors												-1.7		-2

Chap	Sector			Impact of price cut Ecu (A) mil	DR	Impact of price cut Ecu (B) mil
a	b	c	d	e	f	g = e x f
20	Milk and milk produ	- Refunds				
		- Butter	187153.3 t x (2753.6 Ecu/t x -1.29%) or -35.5 Ecu/t x 90% = -6.0			
		- Butteroil	62960 t x (2753.6 Ecu/t x -1.29% x 1.22) or -43.3 Ecu/t x 90% = -2.5			
		- Skimmed-milk powder	272230 t x (1724.28 Ecu/t x -1.29%) or -22.2 Ecu/t = -6.0			
		- Cheese	4.18 million t x 40% x (257.4 Ecu/t x -1.29%) or -3.3 Ecu/t x 0.946 = -5.2			
		- Other products	6.39 million t x 60% x (257.4 Ecu/t x -1.29%) or -3.3 Ecu/t x 0.946 = -12.0			
			-31.7	-31.7	1.243	-39
		- Storage skim.-milk powder				
		- buying-in	0 t x (1724.28 Ecu/t x -1.29%) or -22.2 Ecu/t = 0.0			
		- sales	71000 t x (1724.28 Ecu/t x 1.29%) or 22.2 Ecu/t = 1.6			
			1.6	1.6	1.235	2
		- Aids skimmed milk				
		- powder for calf feed	620000 t x (600 Ecu/t x -1.29%) or -7.7 Ecu/t = -4.8	-4.8	1.237	-6
		- liquid for calf feed	390666.7 t x (48.6 Ecu/t x -1.29%) or -0.6 Ecu/t = -0.2	-0.2	1.241	0
		- casein	4623333 t x (63 Ecu/t x -1.29%) or -0.8 Ecu/t = -3.7	-3.7	1.236	-5
		- Private storage butter				
		. Remainder 1994	135000 t x (1724.3 Ecu/t x -1.29% x 91% x 7% x 0.20) or -0.3 Ecu/t = 0.0			
		. advances 1995	95800 t x (2753.6 Ecu/t x -1.29% x 91% x 7% x 0.33) or -0.7 Ecu/t = -0.1			
		. Increase 1994	75000 t x (2753.6 Ecu/t x 1.29% x 90%) or 32.0 Ecu/t = 2.4			
			2.3	2.3	1.246	3
		- Public storage butter				
		- buying-in	1000 t x (2753.6 Ecu/t x -1.29% x 90%) or -32.0 Ecu/t = 0.0			
		- sales	80000 t x (2753.6 Ecu/t x 1.29%) or 35.5 Ecu/t = 2.8			
			2.8	2.8	1.227	3
		- Special measures butter				
		- for pastry products	369933 t x (2753.6 Ecu/t x -1.29%) or -35.5 Ecu/t = -13.1			
		- for ice cream	90667 t x (2753.6 Ecu/t x -1.29%) or -35.5 Ecu/t = -3.2			
		- for institutions	40000 t x (2753.6 Ecu/t x -1.29%) or -35.5 Ecu/t = -1.4			
		- concentrated butter	20800 t x (2753.6 Ecu/t x -1.29%) or -35.5 Ecu/t = -0.7			
		- social butter	10000 t x (2753.6 Ecu/t x -1.29%) or -35.5 Ecu/t = -0.4			
			-18.8	-18.8	1.221	-23
		- School milk	393000 t x (259.958 Ecu/t x -1.29% x 0.95) or -3.2 Ecu/t = -1.3	-1.3	1.223	-2
		- Portuguese production aid	1.35 million t x (16.67 Ecu/t x -1.29%) or -0.2 Ecu/t = -0.3			
			0.28 million t x (12.50 Ecu/t x -1.29%) or -0.2 Ecu/t = -0.1			
			-0.4	-0.4	1.220	0
	Total for Milk and milk products			-54.2	1.236	-67

				Impact of price cut Ecu (A) mil	DR	Impact of price cut Ecu (B) mil
Chap	Sector					
a	b	c	d	e	f	g = e x f
21	Beef and veal	- Refunds				
		- fresh meat + live animals	664666.7 t x (2280 Ecu/t x -1.29%) or -29.4 Ecu/t = -19.5	-19.5	1.236	-24
		- Public storage				
		- buying-in	200000 t x (2280 Ecu/t x -1.29%) or -29.4 Ecu/t = -5.9	-5.9	1.247	-7
	Total for beef and veal			-25.4		-31
22	Sheepmeat	Pemiums 1994				
		. Heavy ewes	49.25 mill. head x -1.29% x 4229.5 Ecu/t x 0.93 x 0.016 x 1 = -40.0			
		. Light ewes	16.795 mill. head x -1.29% x 4229.5 Ecu/t x 0.93 x 0.016 x 0.8 = -10.9			
		. 50% ewes	1.498 mill. head x -1.29% x 4229.5 Ecu/t x 0.93 x 0.016 x 0.5 = -0.6			
		. She-goats	8.176 mill. head x -1.29% x 4229.5 Ecu/t x 0.93 x 0.016 x 0.8 = -5.3			
			-56.8			
		of wich 68% under 1995:	-38.6	-38.6	1.208	-47
		Pemiums 1995				
		. Heavy ewes	51.294 mill. head x -1.29% x 4229.5 Ecu/t x 0.93 x 0.016 x 1 = -41.6			
		. Light ewes	17.995 mill. head x -1.29% x 4229.5 Ecu/t x. 0.93 x 0.016 x 0.8 = -11.7			
		. She-goats	8.176 mill. head x -1.29% x 4229.5 Ecu/t x 0.93 x 0.016 x 0.8 = -5.3			
			-58.6			
		of wich 51% under 1995:	-29.9	-29.9	1.213	-36
	Total for Sheepmeat			-68.5		-83
33	Food aid	- refunds cereals	70000 t x (110.9331 Ecu/t x -1.29%) or -1.4 Ecu/t = -0.1	-0.1		
		- refunds rice	50000 t x (319.6 Ecu/t x -1.29%) or -4.1 Ecu/t = -0.2	-0.2		
		- refunds sugar	5000 t x (530.15 Ecu/t x -1.29%) or -6.8 Ecu/t = 0.0	0.0		
		- refunds skimmed-milk powd	20000 t x (1724.276 Ecu/t x -1.29%) or -22.2 Ecu/t = -0.4	-0.4		
		- refunds butteroil	1000 t x (2753.6 Ecu/t x -1.29% x 1.22) or -43.3 Ecu/t = 0.0	0.0		
	Total for Food aid			-0.7	1.224	-1
	GRAND TOTAL			-282.8		**-344**

ANNEX: OLIVE OIL PRODUCTION AIDS

	CALCULATION WITHOUT REDUCTION IN THE RATES	ECU (A) million	DR	ECU (B) million	Require-ment without reduction	Require-ment with reduction	Impact of rate reduction
production aids 1210		493.0	1.155	569.6	570	564.0	-6
(Art. 5(1)) reduced by the	1993/94 marketing year (MGQ.=1350000t)						
Art. 5(2) and (4) deductions	Total production in marketing year 1491 000 t						
	242000 t of which for small producers who have already received the aid						
	Calculation of aid rate for producers other than small:						
	EUR 10:((893.1 ECU/t x 0.905) - 2.40% (register))- 1.50% (quality) = 777.1						
	ESP :((667.2 ECU/t x 0.905) - 2.40% (register))- 1.50% (quality) = 580.7						
	PORT :((667.2 ECU/t x 0.905) - 2.40% (register))- 1.50% (quality) = 580.7						
	Calculation of expenditure Total marketing year Paid in1994						
	EUR 9 : 0.552 Mio t x 0.81 (1) 777.4 ECU/t = 348 - 0	347.3	1.143	397.0			
	GREECE : 0.323 Mio t x 0.75 (1) 777.4 ECU/t = 188 - 129	57.9	1.148	66.5			
	ESP : 0.588 Mio t x 0.93 (1) 580.7 ECU/t = 318 - 234	81.5	1.210	98.6			
	PORT : 0.027 Mio t x 0.65 (1) 580.7 ECU/t = 10 - 4	6.3	1.200	7.6			
	Total 1.491 Mio t 861 368	493.0		569.6			

ANNEX II c - Calculation of the impact on world prices of changes in the correcting factor: 1995 financial year

a	Average world price recorded ($/t)	Technical adjustment coefficient	Average world price used ($/t)	Average weighted rate recorded 1$ =.... Ecu	World price converted into ecu Using average weighted rate recorded (corr. factor = 1.145109) (Ecu/t) (1)	Using average weighted rate recorded (corr. factor = 1.207509) (Ecu/t) (1)	Unit impact of the gap in the rates (Ecu/t)	Quantities concerned 1000 t	Total budget impact ECU (A) million	Double rate	ECU (B) million
a	b	c	d = b x c	e	f	g	h = f - g	i	j = h x i	k	l = j x k
A. REFUNDS											217
Cereals and rice											
- Common wheat	120	1.00	120	0.82	85.9	81.5	4.4	14410	63.4	1.145	73
- Durum wheat	158	1.00	158	0.81	111.8	106.0	5.8	1610	9.3	1.145	11
- Barley	106	1.00	106	0.81	75.0	71.1	3.9	7930	30.9	1.145	35
- Other cereals	85	1.00	85	0.81	60.1	57.0	3.1	5150	16.0	1.145	18
- Starch	100	1.60	160	0.81	113.2	107.3	5.9	2521	14.9	1.145	17
- Rice (milled equivalent)	365	1.00	365	0.78	248.6	235.8	12.8	137	1.8	1.145	2
Sugar (incl. chemicals industry)	354	1.00	354	0.79	244.2	231.6	12.6	3070	38.7	1.145	44
Milk products											
- Butter		1.00									
- Butteroil		1.00									
- Skimmed-milk powder		1.00									
- Other in milk equivalent		1.00									
Beef and veal											
- Fresh meat		0.50									
- Frozen meat		0.50									
Pigmeat											
- Cuts and sausages		0.50									
Eggs and poultry											
- Eggs		0.50									
- Poultry		0.75									
Non-Annex II products											
- Common wheat	120	1.00	120	0.78	81.7	77.5	4.2	692	2.9	1.145	3
- Barley	106	1.00	106	0.78	72.2	68.5	3.7	412	1.5	1.145	2
- Other cereals	100	1.00	100	0.78	68.1	64.6	3.5	1375	4.8	1.145	5
- Sugar	354	1.00	354	0.78	241.1	228.7	12.4	488	6.1	1.145	7
B. AIDS											47
Oilseeds (2)											
Dried fodder (3)	192	0.70	135	0.80	94.3	89.4	4.9	2500 (4)	12.3	1.145	14
Fibre plants (cotton)	1742	0.32	557	0.81	394.0	373.6	20.4	1280	26.1	1.145	30
Islands and most remote regions											
- Common wheat	120	1.00	120	0.78	81.7	77.5	4.2	290	1.2	1.145	1
- Durum wheat	158	1.00	158	0.78	107.6	102.1	5.5	18	0.1	1.145	0
- Barley	106	1.00	106	0.78	72.2	68.5	3.7	128	0.5	1.145	1
- Other cereals	85	1.00	85	0.78	57.9	54.9	3.0	304	0.9	1.145	1
- Rice (milled equivalent)	365	1.00	365	0.78	248.6	235.8	12.8	17	0.2	1.145	0
- Sugar	354	1.00	354	0.78	241.1	228.7	12.4	22	0.3	1.145	0
TOTAL A + B											264

(1) The correcting factor represents the difference between the "green" central rates of the ecu (agricultural ecu) and the central rates of the normal ecu.

(2) Because the reference price recorded in ecu for oilseeds in 1994/95 exceeded the forecast reference price by more than 13%, the hectare aids in the sector were reduced by 5% (13% less the 8% margin).
The average dollar rate during the period used to record the reference price was 1$ = ECU 0.81, 9% lower than the budget rate. Without that drop in the dollar the reference price recorded in ecu would have exceeded the forecast reference price by more than 24%, leading to a 16% reduction in hectare aids (24% - 8%). Without the change in the correcting factor the reference price recorded in ecu would have exceeded the forecast reference price by an additional 7%, leading to a corresponding additional reduction in aids. The impact of not reducing the aids is estimated at ECU 172 million.

(3) Excluding the intervention price for barley which is included in the basket but is not affected by changes in the exchange rate.

(4) Quantities for which aid was granted in 1995 under the arrangements in force up to 31.3.1995.

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