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FINANCIAL IMPLICATIONS OF THE AGRICULTURAL

PRICE PROPOSALS AND RELATED MEASURES

1977/78

(Communication from the Commission to the Council)

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FINANCIAL IMPLICATIONS OF THE AGRICULTURAL PRICE PROPOSALS
AND RELATED MEASURES 1977/78

Introduction

The decisions which the Council must take on the fixing of agricultural prices for the 1977/78 marketing year will have financial implications for the Community budget for 1977 and for future years.

For the sake of budget clarity and since this is an important Community event, the Commission considers it advisable to attach to the proposal on "prices, related measures and agri-monetary provisions" an assessment of its financial implications, so that the Council will be in possession of all the factors in the situation and the budgetary authority will be informed thereof and in a position to adopt the necessary decisions in good time.

The additional appropriations required as a result of the draft decision on prices, the related measures concerning market organization and the proposed adjustments to the representative rates will amount to 37.8 Maa.

In addition, monetary developments, including the effect of the dual rate, will require additional expenditure of 399 Maa. In consequence, allowing for the way in which the agricultural situation has developed since the 1977 budget was approved, the Commission's overall budgetary proposal involves a requirement for additional appropriations estimated at 476 Maa. This requirement, which represents 7% of the appropriations authorized for the EAGGF Guarantee Fund in 1977, will be the subject of a request for funds by way of a supplementary budget, which will be presented in March, and which will take into account the increase in agricultural own resources (estimated at 135 Maa at this stage).

Following the Council decision, the Commission will, of course, make the necessary adjustments to the estimates.

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Estimated requirements for appropriations in 1977

(EAGGF - Guarantee Section)

Sector	1977 Appropriations	Probable changes in expenditure in 1977			
		due to the economic situation	due to the proposals on		Total
			Prices	Related measures	
Cereals and rice	788 ₂ -	- 8.-	+ 3,8	-	- 4,2
Milk	2000.- ¹	+ 73.8	- 26,8	+ 96,4	+ 143.4
Sugar	320.-	+ 91.-	+ 3.-	p.m.	+ 94.-
Beef and veal	609.-	-117.4	- 7,1	-	- 124,5
Other agric. sectors	1336,4	- 0,4	+ 5.5	+ 8.-	+ 13,1
Total agric. sectors	5053.4	+ 39.-	- 21.6	+ 104.4	+ 121,8

Agri-montary expend.	1114.-	+399.-	+ 7.-	- 52.-	+ 354.-
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GRAND TOTAL	6167,4	+438.-	- 14,6	+ 52,4	+ 475,8
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¹ 221.5 Mua are entered under Chapter 100.

I. SUMMARY OF PRICE PROPOSALS FOR THE 1977/78 MARKETING YEAR AND RELATED MEASURES

It is recalled that the Commission proposals contain the following parts:

- A. proposals for the adjustment of agricultural prices proper for the 1977/78 marketing year,
- B. changes in the representative rates used in operations under the common agricultural policy,
- C. related measures that are either newly proposed, or confirmed and possibly altered (milk products),
- D. accompanying measures financed by the Guidance Section, either in respect of a confirmation and alteration of a previous proposal (premium for the non-marketing of milk), or in respect of a new proposal (addition to Directive 72/160 on the cessation of farming).

A. INCREASE IN AGRICULTURAL PRICES

The following increases correspond to the average 3% increase in prices for the main products:

Products	% change in prices ¹	Period of application
Common wheat	+ 3	1.8.1977 - 31.7.1978
Durum wheat	+ 3	1.8.1977 - 31.7.1978
Barley	+ 4.7	1.8.1977 - 31.7.1978
Maize	+ 4.7	1.8.1977 - 31.7.1978
Sugar	+ 3	1.7.1977 - 30.6.1978
Milk	{ 0	1.4.1977 - 15.9.1977
	{ + 3	16.9.1977 - 31.3.1978
Beef	+ 3	1.4.1977 - 2.4.1978
Pigmeat	+ 4	1.11.1977 - 31.10.1978
Olive oil	+ 1	1.11.1977 - 31.10.1978
Tobacco	+ 1,5	1.1.1977 - 31.12.1977
Wine	+ 3	16.12.1977 - 15.12.1978

¹ Target price except for sugar (minimum price for beetroot), beef (guide price), pigmeat (basic price), tobacco (norm price) and wine (guide price).

B. ADJUSTMENTS TO REPRESENTATIVE RATES AT THE BEGINNING OF EACH MARKETING YEAR.

(1) The following reductions in monetary compensatory amounts are proposed:

Germany	2.75 points
Benelux	0.4 points
Ireland	3 points
France	3 points
Italy	3 points
United Kingdom	8 points

In the milk and milk products sector, however, it is proposed to apply the adjustments to the appreciated currencies from 16 September 1977, and for the United Kingdom to apply the adjustment in two equal stages, on 1 April 1977 and 16 September 1977.

(2) The reduction in MCA rates leads to the following changes in representative rates:

	Former representative rate (1 u.a. = NC)	New representative rate (1 u.a. = NC)	Revaluation (+) or devaluation (-)	Increase (+) or reduction (-) in prices
DM	3.48084	3.37790	+ 3.05	- 2.96
Bfrs/Lfrs	49.3486	49.1488	+ 0.41	- 0.41
Fl	3.40270	3.38896	+ 0.41	- 0.40
FF	5.63317	5.78235	- 2.58	+ 2.65
Lit	963	988	- 2.53	+ 2.60
£ UK ¹	0.569606	0.605580 ¹	- 5.94	+ 6.32
£ IRL	0.693424	0.712754	- 2.71	+ 2.79

¹For the milk sector from 1.4.1977 to 15.9.1977.
0.587042, devaluation - 2.97 price increase + 3.06.

(3) The change in representative rates leads to the following changes in the coefficient for double conversion rates:

	Former coefficient	New coefficient
DM	0.951	0.923
Bfrs/Lfrs	0.987	0.983
FL	0.940	0.936
FF	1.014	1.041
Lit	1.541	1.580
£ UK	1.367	1.453 ¹
£ IRL	1.664	1.711

C. Related measures

(1) Agricultural markets

The related measures mainly concern the milk products sector and most of them were proposed to the Council last year.

(a) Milk products

- The Commission proposes that a co-responsibility levy equal to 2.5% of the target price for milk be applied from 16 September 1977, for all milk delivered to dairies, except in hill-farming areas.

- The Commission maintains its proposal regarding the taxation of certain oils and fats (vegetable and fish oils). However, if the Council fails to reach agreement on this measure, the Commission might propose that the Member States should finance measures to increase the consumption of milk products.

- The Commission maintains its proposal regarding aid equal to 50% of the target price for the delivery of school milk.

¹In the milk sector, from 1.4.1977 to 15.9.1977, the coefficient of the double rate will be 1.409.

- In December 1976 the Commission proposed to the Council a Regulation on the sale of liquid skimmed milk, at a price competitive with soya, for pigs. To facilitate the application of this Regulation the Commission is also proposing restricting the right to supply skimmed milk powder to the intervention agencies to dairies which are not in a position to conclude contracts to supply liquid skimmed milk to pig farmers.

- The Commission proposes extending the butter consumption subsidy and adjusting the Community financial contribution.

The amount charged to the EAGGF Guidance Section would be

25% up to 200 u.a./t of aid

and 50% between 200 and 500 u.a./t.

(b) Cereals

To ensure a better price ratio between common and durum wheat, the Commission proposes limiting aid for durum wheat to certain regions of Italy.

(c) Sugar

It is planned to reduce the maximum quota, that is to say the right to exceed the basic quota, from 35 to 25%, in order to discourage production.

It is proposed to introduce a temporary production levy for isoglucose as a contribution by producers to the costs of marketing it.

(d) Fruit and vegetables

As regards lemons, the Commission proposes firstly renewing the present aid for marketing lemons in the Community and secondly extending financial compensation to cut the costs of the raw material for the manufacture of products processed from lemons.

(2) Structures

Two measures are planned to deal with the structural surpluses of milk products:

(a) Non-marketing subsidies for milk and premiums for the conversion of dairy herds to beef production

This measure was proposed by the Commission to the Council in 1976.

The proposal as it now stands contains the following amendments:

- 40% of the costs are to be charged to the Guidance Section, 40% to the Guarantee Section, and the remaining 20% to the Member State.

In the original proposal the costs were divided equally between the Guidance Section and the Member State.

- A special premium of 100% of the target price for milk has been introduced for producers supplying less than 30 000 litres of milk per year..
- Producers wishing to cease producing are eligible for special terms.

Application of this Regulation will not be compulsory in Italy.

(b) Common measures to encourage milk producers to cease production

Common measures, in the form of an increase in the allowance paid to milk producers wishing to cease production, are proposed for elderly farmers whose main source of income is receipts from milk supplies.

These measures will be supplementary to Directive 72/160/EEC.

II. BUDGETARY EFFECTS IN THE 1977 FINANCIAL YEAR

The 1977 Budget for the market support policy financed by the Guarantee Section of the EAGGF, as adopted by the Budgetary Authority, totals 6 167 million u.a. (251 million u.a. are also entered in Chapter 100) of which 5 053.4 million u.a. concern specifically agricultural expenditure and 1 114 million u.a. are for agri-monetary expenditure.

Agricultural receipts (levies and sugar contributions) are estimated at 1 112 million u.a.

A. SPECIFICALLY AGRICULTURAL EXPENDITURE

(1) General remarks

Seventy per cent of this expenditure is for three sectors alone: cereals, beef and veal and milk, this third sector alone representing more than 40% of the total, or more than 25% of the total Community Budget.

In general, a price increase results in an increase in budgetary expenditure in nominal terms, all other things being equal. However, it should be noted that, in accordance with the accounting rules laid down by the Council, the stocks of most products are entered in the accounts at the intervention price and the value of the intervention stocks therefore increases on a par with the increase in prices. An increase in the common prices for the products concerned therefore brings budgetary savings for 1977 in respect of storage expenditure.

(2) Agricultural situation

The appropriations for 1977 were calculated in September 1976 on the basis of the information (harvests, situation on world markets, etc.) available at the time. Since then, certain changes in the economic variables have occurred which have repercussions on budgetary expenditure. In overall terms, the need for appropriations arising from these changes may at present be estimated at 39 Mua (see Annex 1). The Commission recalls however, that this figure is very uncertain at this stage of the financial year and likely to be amended.

(3) Financial effects of the price proposal

In overall terms, acceptance of the Commission proposal would result in a change in the appropriations required, estimated at +82.8 million u.a., of which -21.6 million u.a. resulting from application of the price proposals proper and +104.4 million u.a. from application of the proposed related measures (see Annex 1).

B. AGRI-MONETARY EXPENDITURE

(1) Monetary compensatory amounts (MCAs)

(a) General remarks

Appropriations of 582 million u.a. are at present entered in the 1977 Budget for MCAs. They represent more than 6% of the total Community Budget.

The budgetary effect of changes in the (green) representative exchange rates depends:

- firstly, on the net situation of the Member State as an importer or exporter of agricultural products subject to MCAs and on the appreciation or depreciation of its currency in relation to its green rate.

In countries with depreciated currencies, if the representative rate is devalued, the cost to the EAGGF will increase in the case of a net exporting country and will decrease in the case of a net importing country,

In countries with appreciated currencies, if the representative rate is revalued, the cost to the EAGGF will increase in the case of a net importing country and decrease in the case of a net exporting country.

The change in EAGGF costs results from a reduced increase in MCAs levied and a reduction or increase in MCAs granted.

- Secondly, on the level of the intervention price: in general, the MCAs increase when the intervention price is increased. The budgetary effect depends, however, on the situation of the country, as described above.

On the basis of a purely statistical analysis, it may be estimated that the budgetary effects of an adjustment of one point to the MCAs in each country would be as follows:

COUNTRY	Approximate effects on budgetary expenditure over 12 months (Mua.) ¹	
	of a 1-point reduction of MCAs	of a 1-point increase of MCAs
Germany	+ 1.6	- 1.6
BLEU	+ 5.5	- 5.5
Netherlands	- 24.4	+ 24.4
France	+ 16.8	- 16.8
Italy	- 23.2	+ 23.2
United Kingdom	- 26.8	+ 26.8
Ireland	+ 6.8	- 6.8

¹Not counting the "double rate" effect.

The devaluation or revaluation of the representative rates which is necessary to reduce MCAs by one point varies according to the initial size of the MCA. For instance, in the case of an initial MCA of 35 points, a 0.74% revaluation or devaluation is sufficient, whereas in the case of an initial monetary compensatory amount of 5 points the requisite rate is 0.95%.

(b) Financial consequences of the movements of certain Community currencies

Since the 1977 budget was approved in September 1976, some Community currencies have depreciated (see Annex 2). On the basis of the monetary situation as known at the beginning of February 1977, the appropriation requirement resulting from this development can be estimated at 473 Mua.

(c) Financial effects of the proposal to adjust the representative rates

Acceptance of this Commission proposal would involve an estimated budgetary saving in the 1977 budgetary year of 70 Mua.

(2) Expenditure on the "double rate"

(a) General remarks

The Community Budget is expressed in units of account defined at the old IMF parities.

However, common agricultural policy legislation (prices, refunds, aid, etc.) is expressed in units of account and converted into the national currencies at representative rates.

The budget effect is an increase in expenditure for countries whose currency has depreciated and a reduction in expenditure for countries whose currency has appreciated.

At the Community level, the effect of the two movements in opposite directions is an increase in budget expenditure, since expenditure by countries with depreciated currencies adjusted by the depreciation coefficient for their representative rates compared with the IMF rates is higher than the expenditure of countries with appreciated currencies adjusted by the appreciation coefficient for their representative rates.

Expenditure resulting from this situation was estimated at 532 Mua in the 1977 budget, or more than 10% of specifically agricultural expenditure.

(b) Financial effect of the price proposals on "double rate" expenditure

Overall, acceptance of the Commission proposals, taking into account the present agricultural and monetary situation, would involve an estimated saving of 49 Mua on the 1977 budget assumptions.

C. EXPENDITURE ON STRUCTURAL POLICY

The financial effects of the milk action programme measures proposed by the Commission which are financed by the EAGGF Guidance Section will only be evident after one year. This Section works on the principle of reimbursement of expenditure by the Member States.

D. EFFECTS ON OWN RESOURCES

(1) Agricultural levies

(a) An increase in Community agricultural prices should in principle lead to an increase in agricultural levies since the gap between the threshold prices and prices on the world market increases.

(b) The effect of the prices proposed by the Commission is to increase the agricultural levies, provided that world prices and import requirements remain at the level previously estimated.

This being so, the impact of the new prices on the levies should be about 50 Mua for 12 months of which 20 Mua will be chargeable to the 1977 budgetary year.

(c) Mainly during the last few months of the 1976 budgetary year, there was an increase in levies of about 18% over the estimates, due to increased import requirements and to the drop in certain world prices. If this trend continues during the remainder of the 1976/77 marketing year there will be an increase in the levies of about 100 Mua in 1977.

However, economic factors unforeseeable at present could cancel this increase in revenue.

(2) Sugar levies

(a) The effects of the rise in prices will be reflected in an increase in the production levy needed to cover the refunds relating to sales of B sugar.

However, since the maximum levy was limited by the Council to 30% of the intervention price, the levy can only be increased if the necessary levy does not reach this maximum and this depends closely on the world situation in this sector.

(b) Production of sugar in 1976 was higher than estimated when the budget was drawn up, and should increase production levies by about 65 Mua of which 15 Mua chargeable to the 1977 Budget and the remainder to the 1978 Budget.

E. REPERCUSSIONS ON THE 1977 BUDGET

The price increases proposed by the Commission and the foreseeable changes in the economic situation since the 1977 Budget was approved will have a financial effect estimated at about 476 Mua broken down as follows:

- 91.6 Mua due to the new prices fixed and the adjustment of the representative rates,
- + 104.4 Mua due to the proposed related measures,
- + 39 Mua due to the situation on agricultural markets,
- + 473 Mua due to the monetary situation,
- 49 Mua due to the double rate.

475.8 Mua

The shortfall in appropriations for the EAGGF Guarantee Section is therefore about 7% of appropriations available. Taking into account the uncertainty of forecasts, particularly in the agri-monetary field, this shortfall justifies the tabling of a supplementary budget which will be presented by the Commission in March. However, changes in the monetary and agricultural situation will be followed with close attention. If necessary, a Letter of Amendment will be presented to the Budgetary Authority at a later date.

III. BUDGETARY EFFECTS IN A FULL YEAR

A - The financial implications of the price proposals cannot be restricted to the short-term effects on the 1977 Budget, since:

1. Agricultural prices are fixed from the beginning of each marketing year. Since these extend beyond the end of the financial year, the consideration of a single financial year is not enough for a full assessment of the financial implications of the price proposals.

2. As stated above (see p.9) the financial implications of the fixing of new prices will bring certain savings for the 1977 Budget in respect of storage. These accounting savings, arising from the methods used in valuing stocks, affect only the 1977 Budget. They do not affect the following financial year. The financial impact on a full financial year is therefore an indispensable additional factor for assessment.

B - In a full year the financial effect of the Commission proposals on the expenditure of the EAGGF Guarantee Section, will be as follows for the main products:

Effect in a full year of the Commission proposal ¹			
Sector	Prices	Related measures	TOTAL
Cereals and rice	+ 42.5	- 7.8	+ 34.7
Milk and milk products	+ 96.5	+210.4	+ 306.9
Oils and fats	+ 42.7	-	+42.7
Sugar	+ 28.4	- 91.4	- 62.6
Beef and veal	+ 11.5	-	+ 11.5
Tobacco	+ 5.8	-	+ 5.8
Other sectors	+ 8	+ 16	+ 24
Monetary compensatory amounts	+25	-220	- 195
TOTAL	+ 260.4	- 92.4	+ 168

¹Without the effect of the double rate.

C - EAGGF Guidance Section

The two measures proposed will have the following financial effects:

- in the case of the premium for the non-marketing of milk, 262 Mua spread over the financial years 1978 to 1983;
- in the case of common measures on the cessation of farming by milk producers, 85 Mua spread over the financial years 1978 to 1989.

Work is under way towards a better assessment of the financial consequences of the second proposal, but it is proving very difficult as application of the variable annuity is optional in the Member States.

IV. SECONDARY BUDGETARY EFFECTS

(A) Guidance of agricultural production

The problems mentioned above (see p. 16) show the importance of bearing in mind the medium-term and long-term effects of the present decision. The Community price relationships can have a positive or negative effect on the balance of agricultural markets and thus on budget estimates. These price relationships can lead farmers to prefer one product to another and can sometimes also have an effect on consumption.

Among other things, the aim of the proposals submitted by the Commission is to achieve a better equilibrium on agricultural markets. The efforts undertaken to improve this equilibrium are of great budgetary importance. Without such action there would be the risk of increased expenditure associated with import refunds, storage costs, and certain special measures for the disposal of surplus products.

The measures proposed by the Commission, in particular those to restore the balance in the milk sector, will therefore reduce potential expenditure from 1978 onwards. The reduction in potential expenditure, compared with what it would be without the proposed related measures is estimated at about 600 Mua.

(B) Monetary compensatory amounts

The level of monetary compensatory amounts (in particular a very high level) can bring about distortions of competition prejudicial to the allocation of resources within the Community which may in the long run have considerable financial consequences.

The Commission must remind the Budgetary Authority of the importance it attaches to its proposal for adjusting the system of compensatory amounts submitted in October 1976¹. Acceptance by the Council of this proposal is one of the conditions which would allow agri-monetary expenditure to be kept within reasonable limits.

¹COM(76)600

(C) The cost of structural imbalances

In addition, there is expenditure that does not appear since the cost of the disposal of surpluses in storage is not charged to the budget until the surpluses are actually sold.

Reference to these costs cannot be omitted as they will have to be covered in future budgets. Thus, the disposal of current stocks of skimmed milk powder, in excess, for example, of three months' consumption (about 400 000 t) will require expenditure of some 500 million u.a., nearly 10% of specifically agricultural expenditure, and expenditure of about 70 million u.a. per year for storage.

The Commission proposals on the absorption of stocks (increase in rates of aid) will have the effect of passing on part of this potential expenditure to the 1977 and 1978 budgets and will thus avoid corresponding storage costs.

Costs of storage and disposal of the entire current stocks of skimmed milk powder and butter on the basis of 1977 Budget assumptions are as follows:

Products	Public stocks at 31.12.1976 (t)	Storage costs		Costs of disposal	
		Rates ua/t	per annum Mua	ua/t	Mua per 100 000 t
Milk powder	1 134 000	95	107	650 ¹	65
				760 ²	76
Butter	178 000	400	71	1 600 ¹	160
				1 450 ³	145

¹In the case of export.

²In the case of use as feed (pigs and poultry).

³In the case of use by industry.

Annex 1

Explanatory annex on the trend of expenditure on agricultural market organization

This annex contains a series of indications regarding the development by sector of the economic situation and effects of prices and related measures for the 1977 financial year and over 12 months.

MILK AND MILK PRODUCTS

(a) Economic situation

At the end of 1976 the Council decided on a 30% writing-down of stocks of old milk powder. This has resulted in an increase in expenditure in the 1976 financial year of about 150 Mua). There will be a corresponding saving in the 1977 (about 82 Mua) and 1978 financial years.

Moreover the export outlook for butter and skimmed milk powder on the world market seem better than when the budget was approved and the quantities exported and therefore expenditure on export refunds should increase.

Consequently, in spite of the writing-down of stocks, expenditure in the milk sector will increase by about 74 Mua.

(b) Prices

The price increases have few repercussions as they apply only from 16 September (about 13 Mua). Against this, the revaluation of public stocks following this rise and the reduction in private storage aid for butter, due to the intervention price being increased on the day on which de-stocking begins, give savings of about 39 Mua. The net saving is thus about 26 Mua. On the other hand, the effect of the price changes in the 12 months following the year of the increase will be about + 87 Mua.

(c) Related measures

- The related measures involve a substantial increase in expenditure:

- increased consumption of liquid milk by pigs as a result of measures proposed by the Commission will lead to a reduction in the quantity of milk powder manufactured, and consequently of the quantities taken into intervention (about 180 000 t over 12 months). But this measure will give rise to an increase in expenditure of about 76 Mua in 1977, and 131 Mua over 12 months.

- The cost of distribution of milk to schoolchildren is put at about 17 Mua for 1977 and 26 Mua over 12 months.
- Guarantee Section expenditure on conversion and non-marketing premiums is low for 1977 (about 14 Mua). It is expected to average 50 Mua per year for 5 years; for 1978, however, it is expected to be 125 Mua.

The expected drop in production is estimated at 150 000 t of butter and 300 000 t of milk powder over 12 months.

- The reduction in potential expenditure, compared with what it would be without these related measures, may be estimated at about 600 Mua.

(d) Co-responsibility levy

The financial contribution of milk producers was put at 221.5 Mua (excluding DR) in the budget.

On the assumption that co-responsibility was to enter into force from 1 April 1977 on the basis of a levy of 2.5% of the target price for milk, receipts would have amounted to 231.6 Mua. The Commission proposes that the co-responsibility levy should be put into effect from 16 September 1977.

The amount that would result from this proposal is estimated at 58.6 Mua, a drop of 173 Mua compared with 231.6 Mua. In connection with the supplementary and amending budget for 1977, this amount should be transferred from Article 100 to Chapter 62.

SUGAR

- The economic situation in 1977 is having a particularly adverse effect on this sector, since production is slightly higher than the estimate in the budget and world prices have deteriorated considerably. Expenditure on refunds is up about 91 Mua in 1977.
- On the other hand, the impact of prices and related measures is negligible in 1977 because of the actual date of sugar production. The same does not apply to 1977-78, for which the related measures proposed by the Commission (reduction of the maximum quota from 35 to 25%; application of the production levy system to isomeroses) will reduce the quantities of B sugar and inhibit the extension of production and the decline in consumption. The result will be about 91 Mua less expenditure for the 1977-78 marketing year than would have been the case without these measures. However, the impact of prices (about + 28 Mua) cuts this saving to about 63 Mua.

FRUIT AND VEGETABLES

The economic situation in 1977 is bringing about a slight rise in this sector, due to higher refunds and the withdrawal of certain products from the market in larger quantities than was foreseen.

The increase in expenditure resulting from the prices and related measures is due mainly to the measures proposed to stimulate the production and processing of lemons(+ 8 Mua).

WINE

A reduction in expenditure of about -15 Mua is expected in this sector due to favourable market developments and a speeding up of the clearance of the backlog of payments by Italy in 1976.

BEEF AND VEAL

- This sector shows a considerable reduction in expenditure for 1977 as a result of the economic situation (about -117 Mua) due mainly to the better balance of the sector, enabling storage costs to be much reduced.
- the increase due to the rise in prices will be about 11.5 Mua for the 12 months but will be more than offset for the 1977 budgetary year by the re-evaluation of stocks, so that the overall effect is negative (-7 Mua).

PIGMEAT

- This sector operates on a three-year cycle, and 1977 will see a drop in prices. The increase in refunds will bring about a rise due to the economic situation of about 10 Mua.
- The increase in prices does not necessarily give rise to an increase in refunds. However, in the long term it represents a positive factor, so that over 12 months the effect may be estimated at + 9 Mua.

Annex 2

MONETARY COMPENSATORY AMOUNTS

Since September 1976, when the 1977 budget was approved, certain Community currencies have substantially depreciated. The MCAs applied at frontiers reflect these changes.

Currencies	MCA points applied at frontier		
	1st week of Sept. 1976	1st week of Feb. 1977	Maximum rate recorded between Sept. 1976 and Feb. 1977
FF	- 9.6	- 14.8	- 17.5
LIT	- 8.7	- 19.9	- 21.9
£ UK	- 22.7	- 33.6	- 45
£ IRL	- 18.5	- 9.5 ¹	- 29.3

¹Taking into account the devaluation of the representative rate of the Irish pound since September 1976.

Guarantee Section - Table of changes in expenditure

Budget sector and chapter		1977 appropriations		Probable changes in expenditure for 1977			Change over 12 months due to proposals on		
				for economic reasons	as a result of proposals on		total	prices	related measures
					prices	related measures			
a	b	c ₁	c ₂	d	e	f	g=d+e+f	h	i
60	A. COM Sector		759	-	+ 3.8	-	+ 3.8	+ 40	- 7.8
61	Cereals		29	- 8	-	-	- 8	+ 2.5	-
62	Milk:								
	• skimmed milk	1.275.8	1.054.3	+ 13.8	- 7.7	+ 75.8	+ 81.9	+ 54.4	+ 131.-
	• butter	498.7	498.7	+ 60.-	-21.8	-	+ 38.2	+ 19.5	-
	• other products	447.-	447.-	-	+ 2.7	+ 16.8	+ 19.5	+ 22.6	+ 25.9
	• conv. non-marketing premiums	-	-	-	-	+ 13.9	+ 13.9	-	+ 53.5
	Sub-total milk	2.221.5	2.000.-	+ 73.8	-26.8	+106.5	+153.5	+ 96.5	+ 210.4
	• producers' contribution	- 221.5	-	-	-	-162.9	-162.9	+(-10.-)	-
	TOTAL MILK	2.000.-	2.000.-	+ 73.8	-26.8	+ 96.4	+143.4	+ 86.5	+ 210.4
63	Oils and fats								
	• olive oil		290.-	-	-	-	-	+ 30.-	-
	• colza and sunflower		112.-	-	+ 4.1	-	+ 4.1	+ 11.3	-
	• other oilseeds		6.5	-	-	-	-	+ 1.4	-
64	Sugar		320.-	+ 91.-	+ 3.-	p.m.	+ 94.-	+ 28.4	- 91.-
65	Beef and veal		609.-	-117.4	- 7.1	-	-124.5	+ 11.5	-
66	Pigmeat		80.-	+ 10.-	-	-	+ 10.-	+ 9.-	-
67	Eggs and poultrymeat		25.-	-	-	-	-	-	-
68	Fruit and vegetables		126.5	+ 12.-	+ 1.-	+ 8.-	+ 21.-	+ 2.-	+ 16.-
69	Wine		124.-	- 15.-	-	-	- 15.-	+ 2.5	-
70	Tobacco		206.4	- 3.4	-	-	- 3.4	+ 5.8	-
71	Fishery products		10.-	-	-	-	-	-	-
72	Alcohol		p.m.	-	-	-	-	-	-
73	Other products		58.-	- 4.-	+ 0.4	-	- 3.6	+ 1.5	-
74	Non-annex II prod.		48.-	-	-	-	-	+ 3.-	-
	TOTAL A		4.803.4	+ 39.-	-21.6	+104.4	+121.8	+235.4	+ 127.6
75	B. Accession compensatory amounts		250.-	p.m.	p.m.	-	p.m.	-	-
	TOTAL A + B		5.053.4	+ 39.-	-21.6	+104.4	+121.8	+235.4	+ 127.6
78	C. Monetary compensatory amounts		582.-	+473.-	+ 7.-	- 77.-	+403.-	+ 25.-	- 220.-
	TOTAL A + B + C		5.635.4	+512.-	-14.6	+ 27.4	+524.8	+260.4	- 92.4
79	D. Effect of double rate		532.-	- 74.-	-	+ 25.-	- 49.-	+ 40.-	+ 46.-
	TOTAL A + B + C + D		6.167.4	+438.-	-14.6	+ 52.4	+475.8	+300.4	- 46.4

