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## REPORT

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

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1994 FINANCIAL YEAR  
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R E P O R T

On the impact on EAGGF Guarantee Section expenditure in 1994 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 percentage 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<sup>(1)</sup>, 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 that of the budget year.

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 as compared with the rate used in the budget, the additional budget costs are financed by a transfer from the monetary reserve. Equally, savings of up to a maximum of ECU 1 000 million in the Guarantee Section when the dollar strengthens are to be transferred to the monetary reserve.

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(1) OJ No L 185, 15.7.1988, p. 29

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') of ECU 400 million. Similarly, the amount of the transfer relates to that fraction of the impact exceeding the margin ('franchise') of ECU 400 million.

The Edinburgh European Council on 11 and 12 December 1992 confirmed that the monetary reserve would remain in place for the period 1993 to 1999 but decided that the amount should be cut to ECU 500 from 1995 onwards and the 'franchise' reduced from ECU 400 million to 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 realignments between Member States.

The Edinburgh European Council also agreed that if such an increase should cause agricultural expenditure to exceed the guideline and thus jeopardize 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.

In the light of the conclusions of the Edinburgh Council and on the basis of a Commission proposal, the Council adopted a common position on the new decision on budgetary discipline in March 1994, Article 10 of which contains the provisions in question, which apply until the 1997 financial year. The new decision is to be finally adopted following the conciliation procedure with Parliament.

Under Article 8 of the new budgetary discipline the Commission is required to present a report to the budget authority by the end of October each year on the impact on EAGGF Guarantee expenditure of :

- movements in the average dollar/ecu exchange rate for the period 1 August of the previous 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<sup>(1)</sup>.

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

This report, which relates to the 1994 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 10 of the new decision on budgetary discipline.

**II. IMPACT OF THE DOLLAR ON EAGGF GUARANTEE SECTION EXPENDITURE IN 1994**

To gauge the impact of movements in the dollar/ecu rate on the 1994 financial year, consideration must be given, pursuant to the Council Decision, to the gap between the average rate recorded for the dollar between 1 August 1993 and 31 July 1994 and the rate used in the 1994 budget. The rate used to assess appropriations for the 1994 financial year is \$ 1 = ECU 0.84. 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 1993).

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

	Recorded rate \$1=ECU.....	Budget rate \$1=ECU.....	Gap in ECU	Gap as %
a	b	c	d = b-c	e = b/c
August	0.8825	0.8400	+ 0.0425	+ 5.1
September	0.8483	0.8400	+ 0.0083	+ 1.0
October	0.8591	0.8400	+ 0.0191	+ 2.3
November	0.8858	0.8400	+ 0.0458	+ 5.5
December	0.8859	0.8400	+ 0.0459	+ 5.5
January	0.8976	0.8400	+ 0.0576	+ 6.9
February	0.8948	0.8400	+ 0.0548	+ 6.5
March	0.8758	0.8400	+ 0.0358	+ 4.3
April	0.8779	0.8400	+ 0.0379	+ 4.5
May	0.8588	0.8400	+ 0.0188	+ 2.2
June	0.8452	0.8400	+ 0.0052	+ 0.6
July	0.8185	0.8400	- 0.0215	- 2.6
Average 1.8.93-31.7.94	0.8692	0.8400	+ 0.0292	+ 3.5

over the period under consideration the average dollar rate, rounded off, was \$ 1 = ECU 0.87, 3.6% above the budget rate.

Annex 1 shows the estimated savings made as a result of the 3.6% rise in world prices in dollars, converted into ecus using an average correcting factor (switchover) of 1.207509 for the whole financial year.

These savings total ECU 233 million and break down by sector as follows :

	<u>ECU million</u>
Cereals and rice	109
Sugar	27
Oilseeds	68
Dried fodder	16
Cotton	13
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TOTAL	<u>233</u>

It should be noted that, like last year, in the case of certain products (butter, butteroil and skimmed-milk powder) the refund rates applied during the period under review remained steady despite the fluctuation of the dollar. It is also considered that the reductions in the refund rates during the financial year in the other livestock product sectors are mainly due to implementation of the reform and are influenced very little by the change in the dollar, in the short or medium term.

As a consequence, there is no need to evaluate the impact of the dollar-rate changes on refunds for these products.

Since the financial impact of movements of the dollar/ecu exchange rate on EAGGF Guarantee Section expenditure has been within the ECU 400 million margin, there has been no need to call upon the monetary reserve.

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III. THE IMPACT ON EAGGF GUARANTEE SECTION EXPENDITURE IN 1994 OF INCREASES IN THE CORRECTING FACTOR RESULTING FROM MONETARY REALIGNMENTS WITHIN THE EUROPEAN MONETARY SYSTEM SINCE 1 SEPTEMBER 1992

Five monetary realignments occurred within the European Monetary System between the beginning of September 1992 and mid-May 1993.

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 1 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 coefficient is reflected in a corresponding increase in the double rate, the coefficient representing the difference between EAGGF Guarantee Section expenditure expressed, on the one hand, in terms of agricultural ecus ('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.

- 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<sup>(1)</sup> 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<sup>(2)</sup>.

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.

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(1) OJ No L 387, 31.12.1992, p. 1.

(2) 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.

Having regard to these two factors, the impact on EAGGF Guarantee Section expenditure in 1994 of the monetary realignments potentially eligible for financing under the mechanisms decided by the Edinburgh European Council, as laid down in Article 10 of the new decision on budgetary discipline, is put at ECU 1 435 million, made up as follows :

	<u>ECU million</u>
- Rise in the double rate (from 1.145 to 1.207)	+ 1 777
- Cut in prices and some aids (- 1.29%)	- 342
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TOTAL	+ 1 435

However, since it has been possible to finance this additional expenditure within the agricultural guideline, there is no need to have recourse to Article 10 of the new decision on budgetary discipline.

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 agricultural ecus. The increase in the correcting factor produces a decrease in world prices converted into agricultural ecus and, consequently, to an automatic increase in the main export refund rates. Generally speaking, this effect is seen for all products affected by dollar rate changes.

The impact of the correcting factor on refunds and aids whose level is influenced by the trend in world prices is estimated at ECU 411 million.

Overall, therefore, the monetary realignments that occurred in 1992 and 1993 have resulted in additional expenditure for the EAGGF Guarantee Section in 1994 of ECU 1 846 million, which, thanks to the favourable trend in the agricultural economy, has been covered in full within the agricultural guideline.

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

## ANNEX I - CALCULATION OF THE IMPACT ON WORLD PRICES OF CHANGES IN THE DOLLAR : 1994 FINANCIAL YEAR

I. CALCULATION OF THE EXCHANGE RATE GAP RECORDED										
1. EXCHANGE RATE USED IN THE 1994 BUDGET	:	1 \$	=	0.84 ECU						
2. EXCHANGE RATE RECORDED	:	1 \$	=	0.87 ECU						
3. GAP (IN ECUS)	:	1 \$	=	0.03 ECU						
4. GAP (%)	:			3.571 %						
II. CALCULATION OF THE IMPACT OF THE EXCHANGE RATE GAP ON THE 1994 FINANCIAL YEAR IN RELATION TO THE 1994 BUDGET										
	AVERAGE WORLD PRICE RECORDED ( \$ / T )	TECHNICAL ADJUSTMENT COEFFICIENT	AVERAGE WORLD PRICE USED ( \$ / T )	AVERAGE WORLD PRICE CONVERTED INTO ECU		UNIT IMPACT OF GAP IN RATES - 3,571 % ( ECU/T )	QUANTITIES CONCERNED 1000 T	TOTAL BUDGET IMPACT		
				AT RATE 1\$ = 0.84 ECU (CORR FACTOR = 1.207509) ( ECU/T ) (1)	AT RATE 1\$ = 0.87 ECU (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 = e - f	h	i = g x h	j	k = i x j
<b>A. REFUNDS</b>										
<b>CEREALS AND RICE</b>										
- Common wheat	92	1.00	92	64.0	66.3	- 2.3	20883	- 48.0	1.199	- 58
- Durum wheat	192	1.00	192	133.6	138.3	- 4.7	1016	- 4.8	1.193	- 6
- Barley	72	1.00	72	50.1	51.9	- 1.8	8778	- 15.8	1.218	- 19
- Other cereals	112	1.00	112	77.9	80.7	- 2.8	4388	- 12.3	1.215	- 15
- Starch	120	1.00	120	133.6	138.3	- 4.7	1750	- 8.2	1.214	- 10
- Rice (milled equivalent)	350	1.00	350	243.5	252.2	- 8.7	120	- 1.0	1.188	- 1
SUGAR (incl. chemical ind.)	280	1.00	280	194.8	201.7	- 6.9	3160	- 21.8	1.221	- 27
<b>MILK PRODUCTS</b>										
- Butter		1.00								
- Butteroil		1.00								
- Skimmed-milk powder		1.00								
- Other in milk equivalent		1.00								
<b>BEEF AND VEAL</b>										
- Fresh meat		0.50								
- Frozen meat		0.50								
<b>PIGMEAT</b>										
- Cuts and sausages		0.50								
<b>EGGS AND POULTRY</b>										
- Eggs		0.50								
- Poultry		0.75								
<b>B. AIDS</b>										
<b>OILSEEDS (2)</b>										
<b>PROTEIN PLANTS</b>										
- Dried fodder (3)	173	0.70	121	84,2	87,2	- 3,0	4541	- 13,6	1.211	- 16
<b>FIBRE PLANTS</b>										
- Cotton	1301	0.32	416	289,4	299,7	-10,3	1085	- 11,2	1.182	- 13
<b>TOTAL A + B</b>										- 233

M.2. : On the basis of the figures in the Table, a change in the rate of the dollar of 10% would lead to a change in expenditure of ECU 462.1 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) The dollar exchange rate during the world-price-recording period (July-January) was 4.3% above the budget rate. The world market price in ECUs (A) was 18% higher than the reference price. Of this 18%, 8% corresponds to the "franchise" and 10% was deducted from aids, which led to a saving of ECU (B) 284 million. To evaluate the share of the change in the dollar in this saving it is estimated that 10/18 of the change had an impact and that the rest corresponded to the "franchise". Thus  $4.3\% \times 10/18 = 2.4\%$  of the 10% cut in aids represents the impact of the dollar, or  $2.4/10\% \times \text{ECU (B) 284 million} = \text{ECU (B) 68 million}$ .

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



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. By way of 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 corrected by the adjusting coefficient while columns (e) and (f) give the same prices converted into ecus using the exchange rate adopted in the budget and the recorded exchange rate allowing for the correcting factor (switchover). The unit impact of the higher value of the dollar is given in column (g) in ecus per tonne. This unit amount multiplied by the estimated quantities qualifying for aids and/or refunds during the period under review [column (h)] gives the impact in millions of agricultural ecus [column (i)] and in millions of budget ecus [column (k)].

ANNEX II a - ESTIMATE OF THE FINANCIAL IMPACT OF CHANGE IN THE DOUBLE RATE (DR) RESULTING FROM MONETARY REALIGNMENTS : 1994 FINANCIAL YEAR

Chap.	Sector	Appr. requirement 1994 ECU (A) million	Appr. requirement x 1.145	Appr. requirement x 1.157 (*)	Appr. requirement x 1.195	Appr. requirement x 1.205	Appr. requirement x 1.207	Impact DR Sept. '92 realignment (ECU mill)	Impact DR Nov. '92 realignment (ECU mill)	Impact DR Jan. '93 realignment (ECU mill)	Impact DR May '93 realignment (ECU mill)	Impact DR all realignments (ECU mill)
a	b	c	d=cx1.145	e=cx1.157	f=cx1.195	g=cx1.205	h=cx1.207	i= e-d	j= f-e	k= g-f	l= h-g	m= h-d
10	Arable crops	10.749,4	12.308	12.437	12.846	12.953	12.975	129	409	107	22	667
11	Sugar	1.782,3	2.041	2.062	2.130	2.148	2.151	21	68	18	3	110
12	Olive oil (1)	1.765,0	2.021	2.042	2.109	2.123	2.126	21	67	14	3	105
13	Dried fodder and dried veget.	321,5	368	372	384	387	388	4	12	3	1	20
14	Fibre plants	732,6	839	848	875	883	884	9	27	8	1	45
15	Fresh fruit and vegetables	876,6	1.004	1.014	1.048	1.056	1.058	10	34	8	2	54
	Processed fruit and vegetables	517,9	593	599	619	624	625	6	20	5	1	32
16	Wine	983,1	1.126	1.137	1.175	1.185	1.187	11	38	10	2	61
17	Tobacco	916,4	1.049	1.060	1.095	1.104	1.106	11	35	9	2	57
18	Other	349,0	400	404	417	421	421	4	13	4	0	21
20	Milk and milk products (2)	3.236,7	3.706	3.745	3.868	3.900	3.907	39	123	32	7	201
21	Beef and veal	2.897,7	3.318	3.353	3.463	3.492	3.498	35	110	29	6	180
22	Sheepmeat (3)	1.382,3	1.583	1.599	1.652	1.666	1.668	16	53	14	2	85
23	Pigmeat	342,6	392	396	409	413	414	4	13	4	1	22
24	Eggs and poultry	206,3	236	239	247	249	249	3	8	2	0	13
25	Other animal prod. aid measures	100,9	116	117	121	122	122	1	4	1	0	6
26	Fisheries	36,2	41	42	43	44	44	1	1	1	0	3
30	Non-Annex II products	524,7	601	607	627	632	633	6	20	5	1	32
31	ACA (4)											
32	MCA (4)											
33	Food aid	72,1	83	83	86	87	87	0	3	1	0	4
34	Interest for prefinancing (4)											
35	Distribut. to deprived pers(4)											
36	Measures to combat fraud (4)											
37	Clearance of accounts											
38	Rural development	342,2	392	396	409	412	413	4	13	3	1	21
39	Other measures	41,5	48	48	50	50	50	0	2	0	0	2
TITLES 1, 2 and 3		28.177,0	32.265	32.600	33.673	33.951	34.006	335	1.073	278	55	1.741
40	Income aids	25,0	29	29	30	30	30	0	1	0	0	1
50	Accompanying measures	556,5	637	644	665	671	672	7	21	6	1	35
TOTAL EAGGF-Guaranteee Section		28.758,5	32.931	33.273	34.368	34.652	34.708	342	1.095	284	56	1.777

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

(1) The impact of the last two realignments has not been worked out for production aids for the 1992/93 marketing year.

(2) Not counting the appropriations for Items 2065 and 2066 (cessation premium for previous years) and the appropriation of ECU 10 million for new promotion measures (Item 2062).

(3) The impact of the realignments has not been worked out for the residual from the 1992 marketing year.

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

ANNEX II b - ESTIMATE OF THE FINANCIAL IMPACT OF THE REDUCTION IN PRICES FOLLOWING MONETARY REALIGNMENTS : 1994 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 . 1994/95	14.61 million t x (ECU 120.5/t x -1.29%) ie. ECU -1.6/t = - 23.4 5.04 million t x (ECU 105.06/t x -1.29%) ie. ECU -1.4/t = - 7.1	- 30.5	1.208	- 37
		- Storage . Buying-in . Sales . Final stock . Financial costs	6.5 million t x (ECU 120.5/t x -1.29%) ie. ECU -1.6/t = - 10.4 18.8 million t x (ECU 120.5-122.78/t x -1,29%) ie. ECU 0.03/t = 0.6 16.8 million t x ECU 0/t = 0.0 22.2 million t x (ECU -1.6/t x 7.50%) ie. ECU -0.1/t = - 2.2	- 12.0	1.221	- 15
		- Refund use of starch - Refund use of maize - Refund use of wheat - Portuguese production aid	0.75 million t x (ECU 120.5/t x -1.29%) ie. ECU -1.6/t x 1.6 = - 1.9 0.8 million t x (ECU 120.5/t x -1.29%) ie. ECU -1.6/t x 1.6 = - 2.0 0.2 million t x (ECU 120.5/t x -1.29%) ie. ECU -1.6/t x 1.6 = - 0.5 1,9 million t x (ECU 117.0/t x -1.29%) ie. ECU -1.5/t x 0.65 = - 1.9	- 6.3	1.209	- 8
	<b>Total for Arable Crops</b>			- 48.8		- 60
11	Sugar	- Refunds - Reimb. storage costs - Refund chemical industry	2 942 million t x (ECU 530.15/t x -1.29%) ie. ECU -6.8/t = - 20.0 92.4 million t x (ECU 530.15/t x -1.29%) ie. ECU -6.8/t x 7.5/12 = - 3.9 0.19 million t x ( - 6.8 -0.04 ) ie. ECU -6.84/t = - 1.0	- 20.0 - 3.9 - 1.0	1.221 1.212 1.214	- 24 - 5 - 1
	<b>Total for Sugar</b>			- 24.9		- 30
12	Olive Oil	- Refunds - Storage, depreciation - Production aids - Consumption aids - Refund use canning industry	120 000 t x (ECU 2 023.7/t x -0.26% + ECU 1 968.4/t x -1.04%) ie. ECU -25.7/t x 0.8 = - 2.5 35 000 t x (ECU 2 023.7/t x -0.26% + ECU 1 968.4/t x -1.04%) ie. ECU -25.7/t = - 0.9 -0.82% x ECU (A) 1 067 million = 1 195 000 t x (ECU 459 /t x -0.26% + ECU 400 /t x -1.04%) ie. ECU -5.4/t x 0.85 = - 5.5 43 000 t x (ECU 459 /t x -0.26% + ECU 400 /t x -1.04%) ie. ECU -5.4/t = - 0.2	- 2.5 - 0.9 - 8.7 - 5.5 - 0.2	1.191 1.198 1.148 1.196 1.193	- 3 - 1 - 10 - 7 0
	<b>Total for Olive Oil</b>			- 17.8		- 21

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 - Sun-dried	4.4 million t x (ECU 178.61/t x -1.29%) ie. ECU -2.3/t = - 10.1 0.38 million t x (ECU 178.61/t x -1.29% - ECU 25/t x -1.29%) ie. ECU -2 /t = - 0.8	- 10.9	1.211	- 13
	Total for Dried Fodder			- 10.9		- 13
14	Fibre Plants	- Cotton . 1993/94 - Fibre flax . aid/ha	1.085 mill t x 1 x (ECU 1 027.9/t x -1.29%) ie. -13.3 ECU/t x 0.8= - 11.5 52 000 Ha x (ECU 774.9/t x -1.29%) ie. -10.0 ECU/t = - 0.5	- 11.5 - 0.5	1.182 1.204	- 14 - 1
	Total for Fibre Plants			- 12.0		- 15
15	Fresh Fruit and Vegetables	- Fin. comp. withdrawals . Cauliflowers . Tomatoes . Aubergines . Peaches . Nectarines . Apricots . Pears . Grapes . Apples . Lemons . Mandarins . Satsumas . Clementines . Oranges - Processing of citrus fruit . Oranges . Lemons . Mandarins . Satsumas . Clementines	Buying-in price 120 000 t x 0.96 x (ECU 95.3/t x -1.29%) ie. ECU -1.2/t x 1.030 = - 0.1 100 000 t x 1 x (ECU 86.6/t x -1.29%) ie. ECU -1.1/t x 0.794 = - 0.1 0 t x 1 x (ECU 71.1/t x -1.29%) ie. ECU -0.9/t x 0.908 = 0.0 750 000 t x 0.8 x (ECU 240.4/t x -1.29%) ie. ECU -3.1/t x 0.860 = - 1.6 220 000 t x 0.8 x (ECU 262.5/t x -1.29%) ie. ECU -3.4/t x 0.780 = - 0.5 80 000 t x 1 x (ECU 237.4/t x -1.29%) ie. ECU -3.1/t x 0.728 = - 0.2 50 000 t x 1 x (ECU 147.3/t x -1.29%) ie. ECU -1.9/t x 0.682 = - 0.1 30 000 t x 1 x (ECU 198.8/t x -1.29%) ie. ECU -2.6/t x 0.535 = 0.0 1100 000 t x 0.95 x (ECU 134.8/t x -1.29%) ie. ECU -1.7/t x 0.818 = - 1.5 65 000 t x 0.94 x (ECU 249.5/t x -1.29%) ie. ECU -3.2/t x 0.566 = - 0.1 10 000 t x 0.92 x (ECU 230.7/t x -1.29%) ie. ECU -3.0/t x 0.660 = 0.0 5 000 t x 1 x (ECU 124.1/t x -1.29%) ie. ECU -1.6/t x 0.810 = 0.0 25 000 t x 1 x (ECU 185.9/t x -1.29%) ie. ECU -2.4/t x 0.595 = 0.0 315 000 t x 0.85 x (ECU 212.2/t x -1.29%) ie. ECU -2.7/t x 0.706 = - 0.5 800 000 t x (ECU 95.6/t x -1.29%) ie. ECU -1.2/t = - 1.0 400 000 t x (ECU 99.0/t x -1.29%) ie. ECU -1.3/t = - 0.5 50 000 t x (ECU 123.0/t x -1.29%) ie. ECU -1.6/t = - 0.1 130 000 t x (ECU 33.94/t x -1.29%) ie. ECU -0.4/t = - 0.1 35 000 t x (ECU 90.4/t x -1.29%) ie. ECU -1.2/t = 0.0	- 4.7	1.190	- 6
	Total for Fresh Fruit & Veg.			- 6.4	1.191	- 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 tomatoes	2400 000 t	x (ECU 127.3/t x -1.29%) ie. ECU -1.6/t	= - 3.8	- 3.8	1.190	- 5
		- Processing aids fruit						
		. Peaches	560 000 t	x (ECU 68.8/t x -1.29%) ie. ECU -0.9/t	= - 0.5			
		. Pears	108 000 t	x (ECU 167.3/t x -1.29%) ie. ECU -2.2/t	= - 0.2			
		. Prunes	38 000 t	x (ECU 656.0/t x -1.29%) ie. ECU -8.5/t	= - 0.3			
		. Dried figs	10 000 t	x (ECU 273.2/t x -1.29%) ie. ECU -3.5/t	= <u>0.0</u>	- 1.0	1.192	- 1
	<b>Total for Processed Fruit&amp;Veg.</b>					- 4.8		- 6
16	Wine	- Distillation of wine						
		. Market support	3 mill. HL	x (ECU 2 /HL x -1.29%) ie. ECU-0.03/HL x 11.5	= - 1.0			
		. Voluntary preventive	10.1 mill. HL	x (ECU 1.45/HL x -1.29%) ie. ECU-0.02/HL x 11.0	= - 2.2			
		. Compulsory, table wine	8.1 mill. HL	x (ECU 0.2 /HL x -1.29%) ie. ECU-0.00/HL x 10.0x70%	= 0.0			
		. Other than table wine	2.5 mill. HL	x (ECU 0.59/HL x -1.29%) ie. ECU-0.01/HL x 8.5	= - 0.2			
		- Compulsory dist.by-product	1.15mill. HL	x (ECU 0.43/HL x -1.29%)ie.ECU-0.01/HLalcohol at100%	= - 1.2			
		- Aids use grape musts	42 mill. HL	x (ECU 1.74/HL x -1.29%) ie. ECU-0.02/HL	= <u>0.8</u>	- 5.4	1.195	- 6
	<b>Total for Wine</b>					- 5.4		- 6
17	Tobacco	- Tobacco premiums						
		. Flue cured	131 200 t	x (ECU 2 531/t x -1.29%) ie. ECU -32.7/t	= - 4.3			
		. Light air cured	83 220 t	x (ECU 2 098/t x -1.29%) ie. ECU -27.1/t	= - 2.3			
		. Dark air cured	49 200 t	x (ECU 2 116/t x -1.29%) ie. ECU -27.3/t	= - 1.3			
		. Fire cured	9 130 t	x (ECU 2 200/t x -1.29%) ie. ECU -28.4/t	= - 0.3			
		. Sun cured	35 650 t	x (ECU 2 000/t x -1.29%) ie. ECU -25.8/t	= - 0.9			
		. Basmas	22 800 t	x (ECU 3 300/t x -1.29%) ie. ECU -42.6/t	= - 1.0			
		. Katerini and similar	20 800 t	x (ECU 2 800/t x -1.29%) ie. ECU -36.2/t	= - 0.8			
		. Kaba Koulak cl.	18 000 t	x (ECU 2 000/t x -1.29%) ie. ECU -25.8/t	= <u>0.5</u>	- 11.4	1.186	- 14
		- Conversion	1 700 t	x (ECU 2 000/t x -1.29%) ie. ECU -25.8/t	= 0.0	0.0	1.174	0
	<b>Total for Tobacco</b>					- 11.4		- 14
18	Other Plant Sectors	- Seeds	290 000 t	x ( ECU 222 /t x -1.29%) ie. ECU - 2.9/t	= - 0.8			
		- Production aids hops	27 200 Ha	x ( ECU 380 /Ha x -1.29%) ie. ECU - 4.9/t	= - 0.1			
		- Refunds rice	80 000 t	x ( ECU 319.6/t x -1.29%) ie. ECU - 4.1/t	= <u>0.3</u>	- 1.2	1.197	- 1
	<b>Total for Other Sectors</b>					- 1.2		- 1

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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 Products	- Refunds				
		. Butter	65 000 t x (ECU 2 810/t x -1.29%) ie. ECU -36.2/t x 90% = - 2.1			
		. Butteroil	45 000 t x (ECU 2 810/t x -1.29% x 1.22) ie. ECU -44.2/t x 90% = - 1.8			
		. Skimmed-milk powder	90 000 t x (ECU 1 724.3/t x -1.29%) ie. ECU -22.2/t = - 2.0			
		. Cheese	11.2 mill.t x 40% x (ECU 262.6/t x -1.29%) ie. ECU -3.4/t x 0.946 = - 14.4			
		. Other products	11.2 mill.t x 60% x (ECU 262.6/t x -1.29%) ie. ECU -3.4/t x 0.946 = - 21.6	- 41.9	1.222	- 51
		- Storage skim.-milk powder				
		. Buying-in	60 000 t x (ECU 1 724.3/t x -1.29%) ie. ECU -22.2/t = - 1.3			
		. Sales	9 000 t x (ECU 1 724.3/t x 1.29%) ie. ECU 22.2/t = 0.2	- 1.1	1.223	- 1
		- Aids skimmed milk				
		. Powder for calf feed	680 000 t x (ECU 600 /t x -1.29%) ie. ECU - 7.7/t = - 5.2	- 5.2	1.219	- 6
		. Liquid for calf feed	465 000 t x (ECU 48.6/t x -1.29%) ie. ECU - 0.6/t = - 0.3	- 0.3	1.217	0
		. Casein	3975 000 t x (ECU 63 /t x -1.29%) ie. ECU - 0.8/t = - 3.2	- 3.2	1.224	- 4
		- Private storage butter				
		. Remainder 1993	157 000 t x (ECU 2 840/t x -1.29%x91%x10%x0.10) ie. ECU -0.3/t = 0.0			
		. Advances 1994	136 000 t x (ECU 2 815/t x -1.29%x91%x 7%x0.33) ie. ECU -0.8/t = - 0.1			
		. Increase	116 000 t x (ECU 2 840/t x 1.29% x 90%) ie. ECU 33.0/t = 4.0	3.9	1.225	5
		- Public storage butter				
		. Buying-in	30 000 t x (ECU 2 791/t x -1.29% x 90%) ie. ECU -32.4/t = - 1.0			
		. Sales	81 000 t x (ECU 2 815/t x 1.29%) ie. ECU 36.3/t = 2.9	1.9	1.218	2
		- Special measures butter				
		. For pastry products	325 000 t x (ECU 2 810/t x -1.29%) ie. ECU -36.2/t = - 11.8			
		. For ice cream	80 000 t x (ECU 2 810/t x -1.29%) ie. ECU -36.2/t = - 2.9			
		. For institutions	40 000 t x (ECU 2 810/t x -1.29%) ie. ECU -36.2/t = - 1.4			
		. Concentrated butter	23 000 t x (ECU 2 810/t x -1.29%) ie. ECU -36.2/t = - 0.8			
		. Social butter	10 000 t x (ECU 2 810/t x -1.29%) ie. ECU -36.2/t = - 0.4	- 16.9	1.209	- 20
		- School milk	465 000 t x (ECU 259.9/t x -1.29% x 1.1) ie. ECU - 3.7/t = - 1.7	- 1.7	1.210	- 2
		- Portuguese production aid	1.4 million t x (ECU 20.83/t x -1.29%) ie. ECU - 0.3/t = - 0.4			
			0.1 million t x (ECU 16.67/t x -1.29%) ie. ECU - 0.2/t = 0.0	- 0.4	1.205	0
	<b>Total for Milk &amp; Milk Products</b>			- 64.9		- 77

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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		
21	Beef and Veal	- Refunds . Fresh meat + live animal - Public storage . Buying-in	700 000 t x (ECU 2 345/t x -1.29%) 12 420 t x (ECU 2 345/t x -1.29%)	ie. ECU -30.3/t ie. ECU -30.3/t	= - 21.2 = - 0.4	- 21.2 - 0.4	1.218 1.213	- 26 0
	<b>Total for Beef and Veal</b>					- 21.6		- 26
22	Sheepmeat	Premiums - 1993 . Heavy ewes . Light ewes . 50% ewes . She-goats  Premiums - 1994 . Heavy ewes . Light ewes . 50% ewes . She-goats	49 666 head x -1.05% x ECU 4 229.5/head x 0.93 x 0.016 x 1 17 015 head x -1.05% x ECU 4 229.5/head x 0.93 x 0.016 x 0.8 1 530 head x -1.05% x ECU 4 229.5/head x 0.93 x 0.016 x 0.5 7 843 head x -1.05% x ECU 4 229.5/head x 0.93 x 0.016 x 0.8  of which 50% under 1994  49 666 head x -1.29% x ECU 4 229.5/head x 0.93 x 0.016 x 1 17 015 head x -1.29% x ECU 4 229.5/head x 0.93 x 0.016 x 0.8 1 530 head x -1.29% x ECU 4 229.5/head x 0.93 x 0.016 x 0.5 7 843 head x -1.29% x ECU 4 229.5/head x 0.93 x 0.016 x 0.8  of which 51% under 1994	= - 32.8 = - 9.0 = - 0.5 = - 4.1 - 46.4 - 23.2  = - 40.3 = - 11.1 = - 0.6 = - 5.1 - 57.1 - 29.1	- 32.8 - 9.0 - 0.5 - 4.1 - 46.4 - 23.2  - 40.3 - 11.1 - 0.6 - 5.1 - 57.1 - 29.1	1.185 1.185	- 27 - 34	
	<b>Total for Sheepmeat</b>					- 52.3		- 61
30	Non-Annex II Products	Spirits : Barley	417 000 t x (ECU 120.5/t x -1.29%)	ie. ECU - 1.6/t	= - 0.7	- 0.7	1.194	- 1
33	Food Aid	- Refunds cereals 1993/94 - Refunds cereals 1994/95 - Refunds rice - Refunds sugar - Refunds skimmed-milk powd. - Refunds butteroil	900 000 t x 0.88 x (ECU 120.5 /t x -1.29%) 1200 000 t x 0.12 x (ECU 105.06/t x -1.29%) 20 000 t x (ECU 319.6 /t x -1.29%) 8 000 t x (ECU 530.15/t x -1.29%) 22 000 t x (ECU 1 724.3 /t x -1.29%) 300 t x (ECU 2 810/t x -1.29% x 1.22)	ie. ECU - 1.6/t ie. ECU - 1.4/t ie. ECU - 4.1/t ie. ECU - 6.8/t ie. ECU -22.2/t ie. ECU -44.2/t	= - 1.3 = - 0.2 = - 0.1 = - 0.1 = - 0.5 = 0.0	- 1.3 - 0.2 - 0.1 - 0.1 - 0.5 0.0		
	<b>Total for Food Aid</b>					- 2.2	1.222	- 3
	<b>GRAND TOTA</b>					- 85.3		- 4

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ANNEX II c - CALCULATION OF THE IMPACT OF THE CHANGE IN THE CORRECTING FACTOR ON WORLD PRICES : 1994 FINANCIAL YEAR

	AVERAGE WORLD PRICE RECORDED ( \$ / T ),	TECHNICAL ADJUSTMENT COEFFICIENT	AVERAGE WORLD PRICE TAKEN INTO ACCOUNT ( \$ / T )	WORLD PRICE CONVERTED INTO ECU		UNIT IMPACT OF THE CHANGE IN THE CORRECTING FACTOR ( ECU/T )	QUANTITIES CONCERNED  1000 T	TOTAL IMPACT ON BUDGET		
				USING EXCHANGE RATE 1\$ = 0,87ECU ( CORR. FACTOR = 1,145109 ( ECU/T ) ( 1 )	USING EXCHANGE RATE 1\$ = 0,87ECU ( CORR. FACTOR = 1,207509 ( ECU/T ) ( 1 )			ECU (A) MILLION	DOUBLE RATE	ECU (B) MILLION
				e	f					
A. REFUNDS -----										202 ----
CEREALS AND RICE										
- Common wheat	92	1.00	92	69.9	66.3	3.6	20883	75.2	1.145	86
- Durum wheat	192	1.00	192	145.9	138.3	7.6	1016	7.7	1.145	9
- Barley	72	1.00	72	54.7	51.9	2.8	8778	24.6	1.145	28
- Other cereals	112	1.00	112	85.1	80.7	4.4	4388	19.3	1.145	22
- Starch	120	1.60	192	145.9	138.3	7.6	1750	13.3	1.145	15
- Rice (milled equivalent)	350	1.00	350	265.9	252.2	13.7	120	1.6	1.145	2
SUGAR (incl. chemical ind.)	280	1.00	280	212.7	201.7	11.0	3160	34.8	1.145	40
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								
B. AIDS -----										209 ----
OILSEEDS (2)								143.8	1.145	165
PROTEIN PLANTS										
- Dried fodder (3)	173	0.70	121	91.9	87.2	4.7	4581	21.3	1.145	24
FIBRE PLANTS										
- Coton	1301	0.32	416	316.1	299.7	16.4	1085	17.8	1.145	20
TOTAL A + B								359.4		411

(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) The reduction in aids for oilseeds with a correcting factor of 1.145109 would have been 16% instead of 10%. The total amount of the aids before any reduction has been estimated at ECU (A) 2 393 million;

the 6% of the aids is therefore estimated at : 6% x ECU (A) 2 393 million = ECU (A) 143.8 million.

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

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