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Commission proposals

on the fixing of prices for certain
agricultural products and on certain
related measures

Volume II

Financial consequences of the price
proposals and related measures for
1979/80

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I. GENERAL SUMMARY

1. The context

There are two main objectives embodied in the Commission's proposals for the 1979/80 marketing year:

- to diminish the imbalances on certain markets, particularly the markets in milk and milk products and in sugar;
- to reduce the level of compensatory amounts so as to arrive progressively at a reduction of the distortions which now exist in the agri-monetary sphere.

2. The principal measures

The principal measures proposed are:

- the freezing of common agricultural prices;
- the dismantling of compensatory amounts to a significant degree;
- the modification of the rules with a view to better control of the principal markets, particularly the milk and milk products and the sugar markets.

. As regards milk, the co-responsibility will be fixed at a minimum of 2% and will be revised every four months in the light of deliveries to dairies. This is a new instrument designed to help restore balance to the milk market. More is to be done also to reduce butter stocks.

. As regards sugar, it is proposed that the B quota be reduced from 127.5 to 120%, which would cut expenditure on refunds.

The proposals relating to the other markets mainly concern technical adjustments, the financial effects of which are, generally speaking, minor.

3. Financial implications

The table below shows the budgetary consequences of the Commission's proposals

A. Expenditure

M EUA

		Effects		1979 budget appropriations
		over 12 months	on the 1979 budget year	
		B	C	D
Guarantee (Common organization of market + MCAs)	Adjustment in institutional prices	-	-	
	related measures concerning common organization of markets			
	- sugar	- 145.6	- 12.1	1 004.6
	- beef and veal	+ 54.2	- 4.3	488.3
	- milk	- 161.4	- 24.7	3 717.6
	- other sectors	+ 8.7	+ 8.-	3 562.4
		- 244.1	- 33.1	8 772.9
	Adjustment in representative rates:			
	- expenditure on MCAs	- 210	- 97	
	- market expenditure	+ 146	+ 37	
		- 64.-	- 60.-	
	Sub-total: common organization of market measures and agri-monetary measures	- 308.1	- 93.1	
				- C.O.M : 8 772.9 of which (1 217.5) dual rate - MCAs : 641.2 Sub-total : 9 582.1
Guidance	• non-marketing and conversion premiums	(+ 24.3) ^{**}	(+ 10.6) ^{**}	73.4
	• structures	xx	xx	322.9
				396.3
Sub-total				9 978.4
Food aid	• increase in gifts of butteroil		+ 13.8	287.3

* Increase in appropriations not necessary (see page 18)

** Effect to be assessed later at the time of formal presentation

B. OWN RESOURCES of agricultural origin (levies including sugar levy)

M EUA

Common organization of market measures	- 64.3	- 0.8	
Agri-monetary measures	+ 119.-	+ 38.-	+ 54.7 + 37.2

Since these proposals involve savings no supplementary budget is needed.

However, this saving needs to be assessed in the light of the extent to which the 1979 Budget appropriations have been used up. Such an assessment cannot be made at present, but of the many factors likely to influence the use of 1979 appropriations, one can already say that:

- the application of new provisions relating to the valuation of products in public storage on 31 December 1978 constitutes a major saving for 1979;

- against this, the big surpluses on the Community and world markets in cereals, together with the sharp increase in imports into the Community of cereal substitute products, will cause especially high expenditure to be incurred in this sector.

FINANCIAL IMPLICATIONS FOR THE EAGGF GUARANTEE SECTION OF THE PROPOSALS
RELATING TO THE COMMON ORGANIZATION OF MARKETS

1. CEREALS

In the cereals sector, the Commission proposes that the intervention price for rye be aligned on the single common intervention price for cereals, i.e. that it be reduced from 130.25 u.a./t to 121.57 u.a./t, a cut of 8.68 u.a./t or 6.664%, and that, to offset this, aid be granted at a fixed rate of 26 u.a./ha in specific regions.

Financial consequences:

- reduction of storage costs for rye in the order of 8 million u.a. or 10.8 million EUA over 12 months; the impact will, however, be virtually nil in the 1979 financial year;
- opening of a new item of expenditure, which could be in the order of 8 million u.a. (10.8 million EUA) over 12 months and 6.4 million u.a. (8.6 million EUA) for the 1979 financial year if the aid is restricted to 300 000 ha out of the Community's total of 930 000 ha. Beyond that area, the new system envisaged for rye would involve additional net expenditure.

2. SUGAR

In view of the situation on the sugar market, the Commission proposes that the maximum quota be reduced from 127.5 to 120% of the basic quota for the 1979/80 marketing year.

- Implication: This would automatically result in a 459 000 t decrease in the quantities of B sugar, following a reduction in the area under sugar beet.

The financial implications would therefore be as follows:

- for 12 months:

reduction of export refunds	= - 114.8 million ua (-135.8 m EUA)
reductions of refunds on storage costs	= - <u>8.3 million ua (- 9.8 m EUA)</u>
Total	= - 123.1 million ua (-145.6 m EUA)
- for the 1979 financial year the reduction in expenditure would be 10.3 million u.a. or 12.1 million EUA.
- parallel to this, the measure entails a cut in own resources (production levies and storage cost levies) amounting to 54.4 million u.a. or 64.3 million EUA over 12 months and 0.7 million u.a. or 0.8 million EUA for the 1979 financial year.

3. OILS AND FATS

Colza

The Commission proposes that the oil content for the standard quality of colza be fixed at 42% instead of 40%.

To keep producers' incomes unchanged, the Commission proposes that the target price be raised from 296,70 u.a./t to 302,70 u.a./t.

This increase, which is a technical adjustment, does not involve increased expenditure, since the coefficients used for comparison with world prices would be adjusted accordingly.

Soya beans

The Commission proposes that henceforth aid be paid, not to the farmer on the basis of the target yield, but to the industrial user for all Community soya beans actually purchased and processed.

The financial impact of this new method will be virtually nil.

Flax seed

The change proposed for the aid system is to remove the amount of aid granted in respect of certified flax seed from the Chapter 'Oils and fats'.

Financial implications:

Reduction of the Budget Item "Aid for flax seed" by about 2 million u.a. or 2,5 million EUA over 12 months and by 1,2 million u.a. or 1,5 million EUA for the 1979 financial year.

Expenditure under the Article "Seeds" will be increased accordingly by the same amount.

Castor seed

The Commission proposes that additional aid of 100 u.a./t be granted to overcome the difficulties of launching this new crop, for the next three marketing years.

In view of production expected in 1979/80, the financial impact will be negligible (about + 0,05 million u.a.).

4. SEEDS

As a corollary to the proposal to abolish the aid granted under the common organization of the market in oils and fats in respect of flax seed intended for sowing, the Commission proposes that the corresponding aid under the Article "Seeds" be increased by 85 u.a./t.

The financial impact on the Budget Article "Seeds" would be:

- for 12 months: 1.2 million u.a. or 1.50 million EUA
- for the 1979 financial year: 0.72 million u.a. or 0.90 million EUA.

This increase is counterbalanced by a reduction in expenditure under the corresponding Article in the Chapter for oils and fats of 2 million u.a. or 2.50 million EUA for 12 months.

5. WINE: reminder.

6. TOBACCO

In the tobacco sector the Commission proposes:

- an increase of 0.020 u.a./kg in the premium for those varieties which present no difficulties as regards disposal, i.e. excluding Beneventano, Xanti-Yakà, Perustiza, Erzegovina and Brasile Selvaggio;
- adjustments to the list of varieties, e.g. reclassifications, which would lead to alignments of prices and premiums:
 - deletion of Burley (F) No 6
 - alignment of Philippin, Semois and Appel terre on Paraguay
 - alignment of Brasile Selvaggio ex No 19 on Beneventano, ex No 14.

The financial impact of this adjustment to the list of varieties is slight: 0.6 million u.a. or 0.75 million EUA over 12 months.

The cost of increasing the premiums for certain varieties would be 3.1 million u.a. or 3.36 million EUA over 12 months.

The impact would be virtually nil in the 1979 financial year by reason of the time lapse before payments are made.

7. FRUIT AND VEGETABLES

The Commission proposes that the system of financial compensation for the promotion of Community lemons be maintained for the 1979/80 marketing year.

The financial impact would be 5.4 million u.a. or 5.6 million EUA for 12 months.

Because of the time lapse before payments are made, this would probably have no effect in the 1979 financial year.

8. BEEF AND VEAL

The Commission proposes:

- to maintain the possibility of suspending intervention buying-in, as during the 1978/79 marketing year, but to apply the measure uniformly throughout the Community;
- to continue the grant of the calving premium;
- to continue the system of variable premiums granted in the United Kingdom for the slaughter of clean cattle.

Financial consequences:

- suspension of intervention without derogation:

12 months : - 6.4 million u.a. or 7.4 million EUA
1979 financial year : - 3.7 million u.a. or 4.3 million EUA

- continuance of the calving premium:

12 months : + 59.5 million u.a. or 61.6 million EUA
1979 financial year : nil, by reason of the time lapse before payments

- continuance of the variable premiums:

12 months : + 7.5 million u.a. or 7 million EUA
1979 financial year : nil, by virtue of the fact that these premiums are generally granted only from November onwards and that there is a certain time lapse before payment is made.

9. MILK AND MILK PRODUCTS

A. Measures proposed

I - Co-responsibility levy

The co-responsibility levy is to be fairly thoroughly revised :
in future it is proposed to charge it on a sliding scale, according
to the quantities delivered to the dairies.

Under the new system there would be:

- a) a transitional period up to 31 May 1979 during which the present
0.5% levy would be maintained;
- b) after 31 May 1979 a system on the following lines:
 - fixing of the minimum levy at 2% of the target price for milk;
 - exemption from the levy for certain producers;
 - review of the levy three times a year and an increase of the levy
by 1% of the target price if the quantities delivered during each
four-month period were 0.5% greater than during the reference
period, not taking into consideration the first 1%.

II - Premiums for non-marketing of milk and conversion of dairy herds

The Commission proposes that this measure be continued for the 1979/80
marketing year.

III - Consumer subsidy for butter

The Commission proposes that the EAGGF contribution to the consumer
subsidy for butter, provided for in Regulation (EEC) No 880/77, be
increased to 75%, subject to a maximum for the EAGGF of 420 u.a./t.

IV - Food aid

The Commission proposes that the food aid programme be expanded in
1979 by increasing the quantity of butteroil from 45 000 to
55 000 tonnes (see point V, page 21).

B. Financial consequences

I - Co-responsibility levy

- 1) Revenue from the co-responsibility levy at the rate of 0.5% of the target price from 1 April to 31 May 1979 may be estimated at 14.7 million u.a. or 17.3 million EUA.
- 2) Increased co-responsibility levy with effect from 1 June 1979.

Measure	1979 marketing year (June to October)		1979/80 marketing year (June 79 to March 80)		12 months (June 79 to May 80)	
	million u.a.	million EUA	million u.a.	million EUA	million u.a.	million EUA
a	b 1	b 2	c 1	c 2	d 1	d 2
a) Revenue from co-responsibility levy at the rate of 2% of the target price from 1 June 1979	127.1	149.5	234.5	275.9	293.5	345.3
b) Exemption from the co-responsibility levy for certain producers	6.7	8.5	12.4	15.8	15.6	19.7
Total revenue from the co-responsibility levy (a - b)	120.4	141.-	222.1	260.1	277.9	325.6
c) Effect of possible 1% increase of the co-responsibility levy for a 0.5% increase in deliveries	60.2	70.5	111.1	130.1	139.-	162.8

The purpose of the co-responsibility levy being to help cover Guarantee Section expenditure on milk and milk products, it would cut expenditure by the Guarantee Section on this sector by an equivalent amount.

II - Continued grant of premiums for non-marketing of milk and for conversion

On the basis of the applications so far approved under Regulation (EEC) No 1078/77, it would appear that the measure will relate to about 450 000 cows during the 1979/80 marketing year.

Guarantee Section expenditure in respect of these 450 000 cows may be estimated at 173 million u.a. or 219 million EUA, which will be paid out from 1979 to 1984 (see Annex I page 22).

Foreseeable expenditure under the 1979 Budget is estimated at 12.5 million u.a. or 15.8 million EUA. However, this expenditure will not require an increase in 1979 appropriations because, if the measure were not continued, the number of cows on the basis of which appropriations for 1978 and 1979 were initially estimated would not be reached and the appropriations entered in the Budget would not be entirely used up; the appropriations available will thus cover the expenditure resulting from continuance of the measure.

III - Consumer subsidy for butter

Expenditure relating to the increase in this aid may be estimated as follows :

- 1979 fiscal year : 92.8 million u.a. or 90.8 million EUA;
- 1979/80 marketing year : 132.1 million u.a. or 127.7 million EUA.

It should be pointed out, however, that on the basis of a coefficient of elasticity of -0.5, consumption can be expected to increase by about 25 000 t in 1979 and about 38 000 t over the 1979/80 marketing year. This increase in consumption will be reflected in a reduction in stocks and hence in the future potential expenditure on those stocks¹.

IV - Food aid

The increase in the quantities of butteroil for the 1979 aid programme will increase Guarantee Section expenditure by 21 million u.a. or 25.5 million EUA² but will also reduce stocks and the cost to the Budget thereof.

¹The effect of increased subsidies has been calculated only in respect of the Member States which are currently granting consumer subsidies: Denmark, Ireland, Luxembourg and the United Kingdom, affecting about a quarter of the consumers who could benefit from them; if they were extended to other countries, the effect would of course be greater.
²The increase in food aid expenditure (Chapter 92) would be about 13.8 million EUA (see point V, page 21).

The effect as regards the milk and milk products sector is shown in the following table :

SUMMARY OF THE FINANCIAL IMPLICATIONS OF THE PROPOSALS IN THE MILK AND MILK PRODUCTS SECTOR

Measure	12 months	1979 financial year
Maintenance of the co-responsibility levy at 0.5% until 31 May 1979		(17.3) ¹
2% co-responsibility levy with effect from 1 June	- 345.3 *	- 149.5*
Exemption from the levy for certain producers	+ 19.7	+ 8.5
Premiums for conversion and for non-marketing of milk	+ 36.5 ²	(+ 15.8) ³
Consumer butter subsidy	+ 127.7	+ 90.8
Food aid : "refunds" section	-	+ 25.5
Total milk and milk products	- 161.4	- 24.7

¹ This amount is not counted in the total because it is in principle for the financing of specific measures under Regulation (EEC) No 1079/77 and will not therefore be entirely deductible from EAGGF expenditure.

² Average expenditure 1979 to 1984

³ This amount is not counted in the total since it will not require an increase in the 1979 appropriations

* The increase in the co-responsibility levy is considered for the purposes of this table as negative expenditure.

CONCLUSION AS REGARDS THE IMPLICATIONS OF THE
PROPOSALS RELATING TO COMMON MARKET ORGANIZATIONS

1. The following table summarizes all the financial implications for the EAGGF Guarantee Section of the proposals relating to the common organization of markets

Sector	1979 Budget	12 months	1979 marketing year
Cereals and rice	1,915.6	-	+ 8.6
Sugar	1,004.6	- 145.6	- 12.1
Oils and fats (colza, soya, flax, castor)	200.4	- 2.5	- 1.5
Seeds	27.2	+ 1.5	+ 0.9
Wine	119.4	token entry	-
Tobacco	262.0	+ 4.1	token entry
Fresh and processed fruit and vegetables	326.5	+ 5.6	token entry
Beef and veal	488.3	+ 54.2 ¹	- 4.3
Milk and milk products	3,717.6	- 161.4	- 24.7
Others	711.3	-	-
TOTAL	8,772.9	- 244.1	- 33.1

The table shows that the proposals result in a reduction of expenditure of :
244.1 million EUA for 12 months, or - 2.8% of the 1979 Budget
33.1 million EUA for the 1979 financial year, i.e. - 0.4%

The cut results primarily from the proposals to reduce the B quotas for sugar and to increase the co-responsibility levy on milk, which implies that the proceeds from the higher levy would actually be used to cover expenditure incurred by the Guarantee Section.

The cuts in expenditure resulting from these two proposals are partially offset by the increases involved in other proposals, particularly the continuance of the calving premium and the consumer subsidy for butter.

¹This figure does not include expenditure on the variable premiums in respect of certain slaughterings (+ 7 million EUA) because these premiums are regarded as reducing expenditure on intervention buying-in and storage, by a comparable amount.

The above figures do not take account of the effects of modulating the co-responsibility levy according to the quantity of milk produced; but this proposal to modulate the levy would certainly curb the expansion of milk production because it would make milk less profitable than other products.

2. Broken down according to the economic nature of the measures, the effects over 12 months would be as follows :

million EUA

	Total	Refunds	Storage	Compensatory allowance	Guidance aid	Co-responsibility
a	b	c	d	e	f	g
Sugar sector	- 145.6	- 135.8	- 9.8	-	-	-
Beef and veal sector	+ 54.2	-	- 14.4	+ 7.	+ 61.6	-
Milk and milk products sector	- 161.4	-	token entry	+ 127.7	+ 36.5	- 325.6
Other	+ 8.7	-	- 10.8	+ 19.5	-	-
Total	- 244.1	- 135.8	- 35.0	+ 154.2	+ 98.1	- 325.6

There would thus be a cut in expenditure on refunds and storage and a net increase in expenditure on aid.

III. FINANCIAL IMPLICATIONS OF THE AGRI-MONETARY PROPOSALS

A. Proposals

The Commission is proposing:

- firstly, general provisions and guidelines concerning the progressive elimination of the MCAs, namely:
 - provisions to prevent the introduction of new MCAs or, failing that, to limit them in time;
 - guidelines for the dismantling of the existing MCAs over a period of four years following the establishment of the EMS.
- secondly, practical measures to adjust the representative rates for the 1979/80 marketing year; this adjustment will be made earlier in certain cases:
 - IRL: an adjustment which will lead to the elimination of the MCAs fixed at 3% at present
 - UKL: 5%
 - LIT: 5%
 - FF: 5% including the 3.6% already decided at the Council meeting of 8-12 May 1978, with an additional adjustment in the pigmeat sector corresponding to a new devaluation of 3.6% in anticipation of the adjustment to be made for the 1980/81 marketing year.

At present only the implications of these adjustments can be evaluated.

B. Financial implications of the proposed adjustments

1. General consequences of adjusting the representative rates

- The effects on EAGGF Guarantee Section expenditure of aligning the representative rates on the market rates would be two-fold:

- . on MCAs
- . on expenditure on common market organizations by adjustment of the dual-rate effect

and would vary from one currency to another depending on its situation and depending on whether the Member State was a net exporter or importer.

- The dual-rate effect is the difference between expenditure expressed in EUA and in u.a.; the dual-rate coefficient which, when applied to a figure in u.a. gives the equivalent in EUA is, for each currency, equal to:

countervalue in national currencies of the u.a. on the basis of the representative rate countervalue in the national currencies of the EUA

At present this coefficient would be 1.21 if the representative rate were such that compensatory amounts were no longer necessary¹. The figure is higher than 1.21 in the case of appreciated currencies and lower in the case of depreciated currencies.

The approximation of the representative and market rates thus gives rise to different payments in each currency, as can be seen from the following table.

¹Even in this case, the coefficient does not remain constant at 1.21 because of fluctuations in the currency in which its central rate is expressed.

Currency	Market value of the currency taken as basis for calculation of MCAs 1 u.a. = ... NC ¹	Value of the u.a. based on the current representative rate for the 1979-80 marketing year ² 1 u.a. = .. NC ²	Current value of the EUA 1 EUA = ... NC (9.1.79)	Rate of the MCA resulting from the rate determined by the monetary situation in mid-Jan '79 ³	Trade situation of the Member State	Impact of the alignment on expenditure in respect of ⁴	
						MCA's	Dual rate for the CMO
a	b	c	d	e	f	g	h
DM	3.03524 ⁵	3.40238	2.51232	+ 10.8 %	net importer	+	-
BFR/LFR	47.7031 ⁵	49.3486	39.6265	+ 3.3 %	net exporter	-	-
HFL	3.28928 ⁵	3.40270	2.71161	+ 3.3 %	net exporter		
FF	6.98336	6.45761	5.75902	- 6.64 % ³	net exporter	+	+
LIT	1,379	1,154	1137.06	- 18.04 %	net importer	-	+
UKL	0.819518	0.634204	0.674683	- 27.72 %	net importer	-	+
IRL	0.819518	0.786912	0.674683	- 2.64 %	net exporter	+	+
DKR	8.56656 ⁵	8.56656	6.98071	0	net exporter	No MCA	0 ⁶ the coefficient being equal to 1.21

¹ As a result of the monetary situation during the week of the fixing of the MCAs to be applied from 15 January 1979.

² These representative rates are the same as at present except in the case of the French franc for which the current rate is 1 u.a. = 6.22514, excluding the pigmeat sector where the rate is 1 u.a. = FF 6.45761 (Article 1(3) of Regulation (EEC) No 976/78).

³ MCAs valid from 15.1.79 (situation between 3 and 9.1.79)
In the case of the French franc, for products other than pigmeat the MCA is - 10.68%; the MCA for pigmeat is - 6.64%.

⁴ + = increase; - = reduction.

⁵ Central rates -

⁶ See footnote (1) on preceding page.

- The general effect of altering the MCAs by one percentage point in respect of each currency would be a saving of 26.2 million EJA over 12 months¹ and 15.0 million EJA in the 1979 budget, these figures being the net effect of the upward and downward movements in the various countries. This reduction calculated for one point cannot be rigorously applied to the following points. For that reason the tables on pages 25 and 26 showing the changes in the MCAs and the dual rates in respect of each currency give the results obtained for one percentage point and for three percentage points.

2. Financial implications of adjustments proposed for 1979/80 marketing year

The impact as regards MCAs and market expenditure is as follows:

m EJA

	Variation in MCA expenditure (including effect of dual rate on MCAs)	Changes in market expenditure	Total
Over 12 months (1979/80 marketing year)	- 210	+ 146	- 64
1979 financial year	- 97	+ 37	- 60

¹The annual savings vary from - 50 million EJA to + 35 million EJA according to currency.

²Complete alignment of the representative rates with the market rates results:

- in the following changes in annual expenditure:
 - MCAs - 938)
 - common market organization expenditure with dual rate effect + 291) - 647 m EJA
- in the following changes in own resources of agricultural origin:
 - from elimination of MCAs + 138)
 - from modification of dual rate effect + 182) + 320 m EJA

These figures obviously depend on the monetary situation considered and are thus liable to vary.

IV. FINANCIAL IMPLICATIONS OF THE COMMISSION PROPOSALS FOR EAGGF GUIDANCE SECTION

The proposals and guidelines indicated by the Commission in Volume I which are designed to improve the functioning of the common agricultural policy, and in particular reinforce the structural policy, and which would have financial implications, are the following:

1. proposal to extend the system of premiums for the non-marketing of milk and for the conversion of dairy herds¹;
2. amendments to the socio-structural directives 159, 160 and 161/1972 to be proposed shortly;
3. proposals for measures relating to farms in certain particularly less-favoured areas to be presented at a later stage.

1. Continued grant until the end of the 1979/80 marketing year of premiums for the non-marketing of milk and for the conversion of dairy herds

This measure will probably be applied in respect of about 450 000 cows during the 1979/80 marketing year. These 450 000 cows will cost the EAGGF Guidance Section a total of about 115.2 million u.a. or 145.8 million EUA between 1979 and 1984, i.e. 19.2 million u.a. or 24.3 million EUA per financial year on average. The table in the Annex gives the breakdown of expenditure by financial year.

Expenditure for 1979 is estimated at 10.6 million EUA; however, this increase in expenditure does not mean that appropriations must be increased since, if the measures were not continued, the number of cows on the basis of which appropriations for 1978 and 1979 were estimated would not be reached and the appropriations entered in the Budget would not be entirely used up.

¹ 40% of the premiums to be financed by the Guidance Section and 60% by the Guarantee Section.

2. Amendments to Directives 159, 160 and 161/72

(a) The Commission intends to present shortly a set of proposals improving and supplementing the amendments to the directives contained in documents COM(76) 213 final and COM(77) 550 final which are already before the Council.

These proposals will involve the following amendments:

- (i) Directive 72/159: This directive must be made more effective by:
- excluding farms exceeding a certain size from the scope of the directive,
 - relaxing the conditions for implementing development plans,
 - concentrating investment and development aid for farms on products with good marketing prospects.
- (ii) Directive 72/160: Land mobility must be improved by:
- considerably increasing the eligible amounts of the early retirement annuities,
 - introducing a Community system to encourage the deferred cessation of farming by farmers of fifty years of age or more who undertake not to develop their agricultural activities and to cease farming entirely at the age of sixty.
- (iii) Directive 72/161: Vocational training is to be reinforced by:
- the introduction of Community financing for training executives and staff for producer groups,
 - aligning the rate of financing for vocational training on that of the European Fund, i.e. 50%.

(b) The cost of the measures will be specified at a later stage when the proposals are formally presented. It is not yet possible to calculate the net effect as some of the changes will cause an increase in costs, for example the easing of the conditions required to qualify for a development plan, whereas others will reduce costs, for example the abolition of aid for capital investment plans for products that cause marketing difficulties. The costs of the measures can only be calculated when the legal texts are drawn up.

3. Proposals affecting some less-favoured areas

When the Commission presents new proposals they will be accompanied by the necessary financial explanations.

V. IMPLICATIONS FOR THE FOOD AID CHAPTER OF THE BUDGET

Under Regulation (EEC) No 2681/74 expenditure in respect of refunds on gifts of food are charged to the Guarantee Section and other expenditure, in particular, the value of the products minus refunds, transport and distribution costs, are entered in Chapter 92 on food aid.

1. Cereals: The new World Food Aid Convention, which is intended to regulate the level of food aid in the form of cereals, is now being negotiated and should be concluded shortly. The Commission therefore reserves the right to submit appropriate measures to the budgetary authority at the proper time so that the financial consequences can be taken into account in the Budget, in accordance with the undertaking given by the Council.

2. Butteroil: The financial implications of the increase in the programme of food aid in the form of butteroil (from 45 000 tonnes to 55 000 tonnes) would be reflected in Chapter 92 of the budget by an increase of about 13.8 m EUA in 1979.

VI. IMPLICATIONS FOR OWN RESOURCES OF AGRICULTURAL ORIGIN

1. Implications of the proposals relating to common market organizations

Only the proposal on the reduction of the B sugar quotas, from 127.5 to 120%, affects own resources of agricultural origin. This entails a reduction in the contributions levied:

	Reduction over 12 months		Reduction for the 1979 financial year	
	M u.a.	M EUA	M u.a.	M EUA
production levy	- 46.1	- 54.5	-	-
storage levy	- 8.3	- 9.8	- 0.7	- 0.8
TOTAL	- 54.4	- 64.3	- 0.7	- 0.8

2. Implications of the agri-monetary proposals

a) General

The approximation of the representative rate and the market rate firstly reduces the MCAs on the levies, which causes the import levy on goods from outside the Community to go up in countries where the currency has depreciated and to go down in countries where it has appreciated, and secondly modifies the levy by increasing the "dual rate" effect for depreciated currencies and reducing it for appreciated currencies.

(b) Implications of the proposals for 1979/80 for own resources of agricultural origin

	M EUA	
	12 months	1979 financial year
Modification of levies by reducing MCAs	+ 66	+ 22
Modification of sugar contributions and levies by altering the "dual rate" effect	+ 53	+ 16
TOTAL	+ 119	+ 38

VII. IMPLICATIONS AS REGARDS STAFF REQUIREMENTS

The introduction of an amended co-responsibility system in the milk products sector, markedly greater in scope (up 300 million EUA per year) and more complex, and of the special procedure for using this income, will necessitate an increase in the number of staff needed to operate the common organization of the market in milk and milk products (1 'A' post, 1 'B' post and 1 'C' post) and an increase in the number of staff for financial management and EAGGF Guarantee Section control of the income and expenditure involved (1 'A' post and 1 'B' post).

The changes in the organization of the market in oils and fats (soya, flax, castor) and seeds will also involve more work, requiring an additional 'B' post for the common organization of the market in oils and fats.

Possible needs arising from the strengthening of the structural policy, both in the departments responsible for structural policy and its application and in the departments responsible for its financial implementation (EAGGF Guidance Section), will be indicated later when the proposals are formally presented.

ANNEX I

NON-MARKETING OF MILK AND CONVERSION PREMIUMS

I - Number of cows involved during the marketing years 1977/78, 1978/79 and 1979/80 and years of the first payment

'000 head

Marketing year in which applications were approved	Total number of cows involved	Breakdown by financial year of first payment			
		1977	1978	1979	1980
1977-78	414	36.-	378.-	-	-
1978-79	430	-	62.-	374.-	-
1979-80	450	-	-	65.-	385.-
TOTAL	1.300	36.-	440.-	439.-	385.-

II - Breakdown of payments by financial year

Marketing year	Total applications approved	Total cost of application approvals		Breakdown of payments by financial year							
				1977	1978	1979	1980	1981	1982	1983	1984
Total expenditure	1977 applications approved	Million U.S.	Million ECU								
1977-78	414	260.1	315.8	12.5	147.-	6.9	72.4	17.1	59.9	-	-
1978-79	430	273.8	332.4	-	24.2	147.8	11.3	70.5	19.4	59.2	-
1979-80	450	288.2	364.9	-	-	26.5	162.3	12.3	77.6	21.4	64.8
TOTAL	1.300	822.1	1013.1	12.5	171.2	181.2	246.-	99.9	156.9	80.7	64.8
of which: <u>GUARANTEE SECTION (60%)</u>											
1977-78		156.-	189.3	7.5	88.1	4.1	43.5	10.2	35.9	-	-
1978-79		164.3	199.5	-	14.4	88.6	6.8	42.4	11.7	35.6	-
1979-80		173.-	219.-	-	-	15.8	97.5	7.3	46.6	17.9	39.9
GUARANTEE SECTION TOTAL:		493.3	607.8	7.5	102.5	108.5	147.8	59.9	94.2	48.5	39.9
of which: <u>GUIDANCE SECTION (40%)</u>											
1977-78		104.1	126.4	5.-	58.9	2.8	28.9	6.9	24.0	-	-
1978-79		109.5	133.-	-	9.7	59.1	4.5	28.2	7.8	23.6	-
1979-80		115.2	145.8	-	-	10.6	64.8	4.9	31.-	6.5	24.9
GUIDANCE SECTION TOTAL		328.8	405.2	5.-	68.6	72.5	98.2	40.-	62.7	32.2	24.9

ANNEX II

IMPLICATIONS FOR EXPENDITURE IN THE 79/80 MARKETING YEAR
OF A REDUCTION OF THE MCAs BY 1 AND 3 POINTS FROM THE BEGINNING OF THE 79/80 MARKETING YEAR¹

Currency	Change in MCAs in % points	Corresponding revaluation or devaluation of green rate	Change in expenditure					MCAs to be deducted from refunds	GRAND TOTAL
			MCAs discounting dual rate	MCAs + dual rate on MCAs	Dual rate on MCAs	Dual rate on common market organizations	Total		
a	b	c	d	e	f = e - d	g	h = e+g	i	j = h + i
DM	1 point	R = 1.1105	+ 2.9	+ 4.4	+ 1.5	- 21.1	- 16.7	-	- 16.7
BFR/LFR	1 point	= 1.0701	- 2.8	- 3.6	- 0.8	- 7.1	- 10.7	-	- 10.7
HFL	1 point	= 1.0690	- 17.2	- 22.-	- 4.8	- 12.6	- 34.6	-	- 34.6
FF	1 point	D = 0.9244	+ 13.9	+ 14.7	+ 0.8	+ 28.2	+ 42.9	+ 7.2	+ 50.1
LIT	1 point	= 0.8361	- 20.3	- 17.8	+ 2.5	+ 9.6	- 8.2	+ 0.5	- 7.7
UKL	1 point	= 0.7738	- 27.7	- 20.9	+ 6.8	+ 2.-	- 18.9	+ 0.3	- 18.6
IRL	1 point	= 0.9603	+ 7.8	+ 9.-	+ 1.2	+ 2.3	+ 11.3	+ 0.7	+ 12.-
DKR	1 point	-	-	-	-	-	-	-	-
EEC	1 point		- 43.4	- 36.2	+ 7.2	+ 1.3	- 34.9	+ 8.7	- 26.2
DM	3 points	R = 3.352	+ 8.8	+ 13.-	+ 4.2	- 62.-	- 49.-	-	- 49.-
BFR/LFR	3 points	= 3.139	- 8.5	- 10.6	- 2.1	- 20.9	- 31.5	-	- 31.5
HFL	3 points	= 3.138	- 51.6	- 64.9	- 13.3	- 36.7	- 101.6	-	- 101.6
FF	3 points	D = 2.7739	+ 41.6	+ 45.-	+ 3.4	+ 82.-	+ 127.-	+ 21.6	+ 148.6
LIT	3 points	= 2.5338	- 60.9	- 53.9	+ 7.-	+ 31.1	- 22.8	+ 1.5	- 21.3
UKL	3 points	= 2.3215	- 83.-	- 63.-	+ 20.-	+ 6.2	- 56.8	+ 0.9	- 55.9
IRL	3 points	= 2.5351	+ 20.7	+ 24.2	+ 3.5	+ 6.5	+ 30.7	+ 1.8	+ 32.5
DKR	3 points	-	-	-	-	-	-	-	-
EEC	3 points		- 132.9	- 110.2	+ 22.7	+ 6.2	- 104.-	+ 25.8	- 78.2

¹ Calculations on the basis of the monetary situation on which the MCAs applicable from 15 January 1979 were calculated.

ANNEX III

IMPLICATIONS FOR 1979 BUDGET EXPENDITURE OF A

REDUCTION OF THE MCAs BY 1 AND 3 POINTS FROM THE BEGINNING OF THE 79/80 MARKETING YEAR

Currency	Change in MCAs in % points	Corresponding revaluation or devaluation of green rate	Change in expenditure						
			MCAs discounting dual rate	MCAs + dual rate on MCAs	Dual rate on MCAs	Dual rate on common market organizations	Total	MCAs to be deducted from refunds	GRAND TOTAL
a	b	c	d	e	f = e - d	g	h = e+g	i	j = h + i
DM	1 point	R =	- 1.7	- 2.6	- 0.9	- 9.3	- 11.9	-	- 11.9
BFR/LFR	1 point		+ 0.2	+ 0.3	+ 0.1	- 3.-	- 2.7	-	- 2.7
HFL	1 point		- 5.8	- 7.4	- 1.6	- 6.2	- 13.6	-	- 13.6
FF	1 point	D =	+ 5.6	+ 5.9	+ 0.3	+ 10.2	+ 16.1	+ 2.5	+ 18.6
LIT	1 point		- 10.5	- 9.3	+ 1.2	+ 1.8	- 7.5	+ 0.2	- 7.3
UKL	1 point		- 9.2	- 6.9	+ 2.3	+ 0.3	- 6.1	+ 0.2	- 5.9
IRL	1 point		+ 4.6	+ 5.3	+ 0.7	+ 1.3	+ 6.6	+ 0.4	+ 7.-
DKR	1 point		-	-	-	-	-	-	-
EEC	1 point		- 16.8	- 14.7	+ 2.1	- 4.4	- 19.1	+ 3.3	- 15.8
DM	3 points	R =	- 5.2	- 7.7	- 2.5	- 27.3	- 35.-	-	- 35.-
BFR/LFR	3 points		+ 0.7	+ 0.9	+ 0.2	- 8.8	- 7.9	-	- 7.9
HFL	3 points		- 17.5	- 21.9	- 4.4	- 18.2	- 40.1	-	- 40.1
FF	3 points	D =	+ 16.8	+ 18.2	+ 1.4	+ 29.6	+ 47.8	+ 7.4	+ 55.2
LIT	3 points		- 31.6	- 28.-	+ 3.6	+ 5.7	- 22.3	+ 0.6	- 21.7
UKL	3 points		- 28.7	- 21.8	+ 6.9	+ 2.6	- 19.2	+ 0.4	- 18.8
IRL	3 points		+ 12.2	+ 14.2	+ 2.-	+ 3.7	+ 17.9	+ 1.1	+ 19.-
DKR	3 points		-	-	-	-	-	-	-
EEC	3 points		- 53.3	- 46.1	+ 7.2	- 12.7	- 58.8	+ 9.5	- 49.3

