

COMMISSION OF THE EUROPEAN COMMUNITIES

1
COM(76) 613 final.

Luxembourg, 17 November 1976.

Proposal for a

COUNCIL REGULATION

amending Regulation (EEC) No 2306/70 on the financing of intervention
expenditure in respect of the internal market in milk and milk products

(submitted to the Council by the Commission)

COM(76) 613 final.



EXPLANATORY MEMORANDUM

1. The expenditure financed by the Guarantee Section of the EAGGF in respect of the operations comprising the buying-in, storage and re-sale of agricultural products by intervention agencies, known as second-category intervention measures, is listed in a financial account per agricultural product at 31 December of each year. This record includes the valuation of end-of-year stocks.
2. In general, this valuation is effected on the basis of the intervention price, except where the goods have depreciated as a result of storage. Thus, for the intervention stocks of beef and veal remaining at the end of the year, Council Regulation (EEC) No 2305/70 provides for a depreciation coefficient to be laid down by the Commission after receiving the opinion of the Management Committee, this coefficient being at present about 25%. For milk products, there is a depreciation coefficient of 6% for butter fixed by Council Regulation (EEC) No 2306/70. This Regulation does not lay down any depreciation coefficient for skimmed milk powder.
3. In view of the present high level of public stocks of milk powder, involving relatively long storage periods, it is necessary to hold special sales at reduced prices for powder which had been in storage for some time, which will result in substantial financial losses. It is advisable to take this situation into account when valuing end-of-year stocks. It is therefore proposed that milk powder bought in by the intervention agencies before 1 January 1976 and still in storage after 31 December 1976 should be depreciated by 30% in relation to its intervention price in the financial accounts to be established from the latter date. This depreciation, which covers about 600 000 t of powder, will end when the stocks of powder in question are exhausted.

Proposal for a Council Regulation

amending Regulation (EEC) No 2306/70
on the financing of intervention
expenditure in respect of the internal
market in milk and milk products

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy⁽¹⁾, as last amended by Regulation (EEC) No 2788/72⁽²⁾, and in particular Article 3(2) thereof,

Having regard to the proposal from the Commission,

Whereas Council Regulation (EEC) No 2306/70 of 10 November 1970 on the financing of intervention expenditure in respect of the internal market in milk and milk products⁽³⁾, as last amended by Regulation (EEC) No /76⁽⁴⁾, provides that the intervention expenditure arising from the operations of buying-in, storing and reselling the products concerned is to be determined by means of the annual accounts; whereas these accounts indicate the value of the stocks to be carried over to the following year;

Whereas the said Regulation lays down that, for skimmed milk powder, the value of the stocks to be carried over should be based on the intervention price; whereas, in view of the present stock position, the value of the stocks to be carried over must allow for some depreciation in the value of powder which has been stored over a long period,

HAS ADOPTED THIS REGULATION:

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- (1) OJ No L 94, 28.4.1970, p. 13
(2) OJ No L 294, 30.12.1972, p. 1
(3) OJ No L 249, 17.11.1970, p. 4
(4) OJ No L

Article 1

The following subparagraph is hereby added to Article 5(1)(a) and (2)(b) of Regulation (EEC) No 2306/70:

"However, starting with the accounts to be drawn up at 31 December 1976, in respect of any quantities of powder bought before 1 January 1976, the value thus calculated shall be multiplied by a coefficient of 0.70".

Article 2

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT

DATE : 4.11.1976

1. Number of relevant budget entry: Chap. 62 item 6214

2. Title of project: Proposal for a Council Regulation amending Regulation (EEC) No 2306/70 on the financing of intervention expenditure on the internal market in milk and milk products.

3. LEGAL BASIS : Regulation (EEC) No 729 Art. 3 (2)

4. Aims: Adjustment of the valuation of end-of-year intervention stocks of skimmed milk powder which have been in storage for some time, namely a 30% writing down in relation to the intervention price.

5. FINANCIAL Implications

	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (76)	FOLLOWING FINANCIAL YEAR (77)
5.0 EXPENDITURE			
-CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)		+ 164 M u.a.	- 109
-CHARGED TO NATIONAL ADMINISTR.			- 9
-CHARGED TO OTHER NATIONAL GROUPS			- 118
5.1 RECEIPTS			
OWN RESOURCES OF THE EC (LETTES/CUSTOMS DUTIES)			
NATIONAL			

	YEAR ...1978.....	YEAR ...1979.....	YEAR ...1980.....
5.0.1 of expenditure -	- 55		
5.1.1 Multiannual timetable of receipts	<u>2</u> - 57	-	-

5.2 METHOD OF CALCULATION Under the 1976 budget, the 30% writing down of end-of-year stocks will result in additional expenditure of $600\ 000\ t \times 913.7\ u.a./t \times 30\% = 64\ M\ u.a.$

This writing down will, however, entail a reduction in expenditure compared with the forecasts for the sale of the powder in question. On the assumption that 400 000 t will be sold in 1977 and 200 000 t in 1978, under the 1977 budget the reduction in expenditure would be $4/6 \times 164\ M\ u.a. = 109\ M\ u.a.$ and under the 1978 budget the reduction would be $2/6 \times 164\ M\ u.a. = 55\ M\ u.a.$ In addition, under the 1977 and 1978 budgets, the depreciation would produce a saving of about 9 and 2 M u.a. on interest costs.

6.0 Can the project be financed from appropriations entered in the relevant chapter of current budget? YES/NE

~~6.1 FINANCING POSSIBLE BY TRANSFER BETWEEN CHAPTERS OF CURRENT BUDGET?~~ ~~YES/NO~~

~~6.2 NECESSITY FOR A SUPPLEMENTARY BUDGET?~~ ~~YES/NO~~

6.3 Appropriations to be entered in future budgets? YES/NO

COMMENTS :