

Brussels, 29 October 2003

New estimates for 2004 agricultural budget: EUR 1 billion less than planned

The regular update of the estimate for next year's budget related to the Common Agricultural Policy (CAP) revealed lower needs. Therefore the Commission proposed on 29 October to modify the budget proposal for 2004, and to reduce it by around € 1 billion. The main reason for this revision is the drought in the summer of 2003, which dramatically reduced the quantities of cereals for export, and thus the export refunds from the EU budget. The drought also led to the advance payment of some direct aids in the animal sector from the 2003 budget. Mrs Schreyer, EU Budget Commissioner, declared: "This modification guarantees a very cautious budget by increasing the room under the maximum ceiling to 4,3 € billion. This margin is in effect a contingency reserve, for instance for climatic events."

At the end of October of each year the Commission updates the budget estimates for agriculture that have occurred since its original proposal in May. The Commission carefully analyses each type of expenditure, taking into account markets and exchange rates, but also other developments such as legislative decisions, or proposals, which are expected to have an effect during the coming budget year.

For CAP expenditure excluding rural development (subheading 1a), the new assessment reduces needs compared to May 2003 by - €1 092.5 million. This sizeable decrease is largely explained by three sectors, and mainly market measures for cereals (- € 741 million). Drought during the summer of 2003 led to a dramatic decline in harvests, which in turn means lower quantities for export, and an large reduction in the estimates for intervention stocks. Also as a result of the adverse climatic conditions, some direct aids in the animal sector were advanced and paid from the 2003 budget. This results in savings for 2004 for beef and veal (- €107 million) and for sheep and goat meat (- €303 million). These reductions have been slightly offset by increased needs for other sectors, notably dried fodder (+ €64 million).

The euro-dollar rate used now comes to 1.12 (€1=\$1.12)¹, and results in some increases compared to the preliminary draft for export sectors, in particular sugar.

This Commission also proposes to include in particular the reform proposals, which start to have an effect on the dry fodder market, and the priorities of the European parliament as proposed by the general rapporteur. The latter includes € 500 000 for studying environmental indicators, € 500 000 for exploring the possibility of European quality labels, a split of lines between export refunds for meat and those for live exports and a pilot study on financing the risks of livestock epidemics.

¹ in accordance with the Council Regulation on Budgetary Discipline, the actual rate observed between 1 July and 30 September 2003.

The Commission also updates the estimates for International Fisheries Agreements, leading to the transfer of € 3 million from the reserve to the line dedicated to EU contributions provided for international agreements. The update integrates the renewal and/or extension of four protocols in 2003 (Madagascar, Mauritius, Republic of Guinea and Ivory Coast) and the downwards adaptation of the agreement with Guinea-Bissau.

This will limit the overall increase of the 2004 budget proposed by the Commission from €99 in 2003 to 111 billion (+11.6%) including the accession of 10 new Member States on 1 May. It will also leave a margin of 4.3 billion under the maximum ceiling.

Commitments, In million €	Initial proposal May 2003		update	difference
	EU 25	EU 15		
Heading 1a	41 338	40 983	40 245,3	1 092.5
Rural development (Heading 1b)	6 536	4 803	unchanged	
total agriculture	47 873,8	45 786	46 781,3	
total budget	112 375,3	100 375	111 282,8	
percentage of total	42.6%	45,6%	42.0%	