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European Union

Agricultural Situation

EU 2004 Agriculture Budget

2004

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Report Highlights:

The 2004 EU Budget, adopted in December 2003 and published on February 23, 2004, covers the 15 EU member states. An amending budget, proposed by the European Commission in February 2004, will adapt the budget for the accession of 10 new member states on May 1, 2004 and should apply from that date. The amending budget should be adopted by the Budget Authority before April 16, 2004, just in time for enlargement. All the figures in this report relate to the current 15 member states, unless otherwise specified.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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[E2]

FINAL EU FY 2004 AGRICULTURE BUDGET**Intro**

The 2004 EU budget, adopted in December 2003 and published in Official Journal L 53 on February 23, 2004, covers the 15 EU member states. An amending budget proposed by the European Commission in February 2004 will adapt the budget for the accession of 10 new member states on May 1, 2004 and should apply from that date. The budget figures for the current EU-15 and the ones for the enlarged EU-25 were discussed by the Budget Authority (the Council and the European Parliament) in parallel during 2003. Political agreement on the supplementary amounts in the EU budget has already been reached in the budget procedure for the 2004 Budget. The amending budget should be adopted by the Budget Authority without discussions before April 16, 2004, just in time for enlargement. A consolidated version of the 2004 Budget including the amending budget, will be published by the European Commission. All the figures in the annex to this report relate to the current 15 member states, unless otherwise specified.

For more information on the budgetary procedure see GAIN report E23140 "Preliminary Draft Budget 2004".

Enlargement

The amending budget will cover the amounts for the 10 new member states. The additional appropriations proposed for agriculture expenditure amount to EUR 287 million. These credits will mainly cover market measures such as export refunds and intervention measures. Direct aids for the new member states will be gradually phased in and will only have a budgetary impact from 2005.

For rural development measures under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), commitments are set at EUR 1.733 billion for the new member states. Commitments under EAGGF are not automatically equal to payments. Appropriations for payments for 2004 are set at EUR 645 million. Appropriations for payment reflect cash, to be financed from the member states and expected to be spent in a given year. Commitment appropriations cover the total cost in the financial year of programs or projects to be carried out over a period of more than one financial year. They create a commitment of the EU towards a beneficiary. As a general rule, appropriations for payments are lower than appropriations for commitments because the EU budget is growing and some projects do not materialize.

Market measures are 100% financed by the EU budget while rural development is co-financed by the member states. The rate of co-financing varies depending on the region in question.

Increase in 2004 EU Budget in view of enlargement (in million EUR)			
Appropriations for commitments	Total	Appropriations for payments	Total
Agriculture expenditure (excl. rural development)	286.9	Agriculture expenditure (excl. rural development)	286.9
Rural development and supporting measures	1 733	Rural development and supporting measures	645
Total	2 019.9	Total	931.9

Source: European Commission

2004 Rural Development Support under EAGGF - allocation by acceding country (in million EUR)	
Czech Republic	163.3
Estonia	45.3
Cyprus	22.5
Latvia	98.7
Lithuania	147.3
Hungary	181.2
Malta	8.1
Poland	862.4
Slovenia	84.7
Slovakia	119.5
Total	1 733

Source: Commission Decision 2004/21/EC

New Budget Structure

The 2004 budget is the first budget officially based on the "Activity Based Budgeting" structure. The traditional separation of administrative and operational resources has been replaced by a budget structure arranged by policy area. The seven broad headings which existed until now have been replaced by 31 different policy areas. Appropriations for Agriculture and Rural Development now come under chapter 5 (although they have to respect separate ceilings under the financial perspective rules), Fisheries under chapter 11, Health and Consumer Protection under chapter 17 and Development and Relations with ACP states under chapter 21.

Financing the EU-25

All the member states (old and new) will finance the EU budget according to the same rules. In total, the 25 countries will pay EUR 98.9 billion in 2004 of which EUR 3.2 billion will be contributed by the new member states. The breakdown between member states is calculated according to the rules of the "own resources" system. In 2004, the traditional own resources will include EUR 1.219 billion agricultural duties and sugar levies, EUR 10.155 customs duties and EUR 14.324 billion from the VAT based resource and EUR 73.221 billion from the Gross National Income (GNI) resources. For 25 member states, the 2004 budget stands at less than 1% of EU GNI.

2004 Agriculture Budget

The agriculture budget represents approximately half of the total EU budget. At EUR 48.050 billion, the Agriculture Budget for 2004 is 0.7% lower than in 2003. The appropriations for CAP expenditure in 2004 leave a margin of EUR 2.5 billion beneath the ceiling in the financial perspective for 2000-2006. Expenditure for rural development increases slightly by 1.3%.

Compared to the 2004 preliminary draft budget (ref GAIN report E23140), CAP budget requirements were revised downward by EUR 1.1 billion. This downward revision mainly reflects the impact of the drought in summer 2003. Significant amounts of direct payments were paid in advance and charged against the 2003 budget instead of the 2004 budget. The main changes can be noted for cereals (- EUR 759 million) with a EUR 442 million cut in intervention appropriations and a EUR 374 million cut in export refund requirements, despite the depreciation of the dollar against the Euro. The EUR 36 million cut for rice reflects a EUR

16 million cut in forecast intervention spending and a EUR 20 million cut in per hectare aid for rice as a result of the Spanish producers being penalized for exceeding their base area. Intervention for wine has been cut by EUR 134 million to reflect the poor 2003 harvest. The reductions in forecast spending on livestock products (- EUR 410 million) are mainly due to the advance payments in response to the summer 2003 drought.

The Euro-dollar rate went from EUR 1 = USD 1.07 in the 2004 Draft Budget to EUR 1 = USD 1.12 in the 2004 Final Budget which results in increased appropriations for export sectors, mainly for sugar and dairy.

The outcome of the 2003 CAP Reform has a minimal impact on the 2004 Budget. Only some minor changes in the dairy sector and the decision to delay the dried fodder reform (+ EUR 62 million) for another year have an impact on the 2004 Budget.

Estimates for International Fisheries Agreements have also been updated in the Final 2004 Budget to cover the renewal and/or extension of four protocols (Madagascar, Mauritius, Guinea and Ivory Coast).

ANNEX: 2004 BUDGET TABLES (figures refer to the current EU-15 unless otherwise specified)

TABLE 1: AGRICULTURE & RURAL DEVELOPMENT (TITLE 05 – EU Budget) SUMMARY OF APPROPRIATIONS – in Million EUR			
	Appropriations 2004	Appropriations 2003	Outturn 2002
Administrative expenditure (monitoring CAP measures) – chapter 05 01	143	124	112
Plant Products – chapter 05 02	27 489	26 835	28 437
Animal Products – chapter 05 03	12 541	13 404	10 361
Rural Development – chapter 05 04	7 918	7 815	7 281
Special Accession Program for Agriculture & Rural Development – chapter 05 05	225	560	555
External Relations (International Agricultural Agreements) – chapter 05 06	5	5	5
Audit of Agricultural Expenditure – chapter 05 07	-361	-439	-259
Policy Strategy (incl. promotional measures) – chapter 05 08	90	90	41
TOTAL	48 050	48 404	46 535

TABLE 2 (BREAKDOWN OF TABLE 1): AGRICULTURE & RURAL DEVELOPMENT - APPROPRIATIONS BY MAIN CHAPTERS (in Million EUR)			
	Appropriations 2004	Appropriations 2003	Outturn 2002
PLANT PRODUCTS (Chapter 05 02)			
Market measures on cereals	545	603	599
Rice	175	180	191
Direct payments for arable crops	17 059	16 208	18 031
Food programs	210	216	161
Sugar	1 711	1 654	1 745
Olive oil	2 364	2 341	2 329
Textile plants (flax/hemp/cotton/silkworms)	885	908	816
Fruit & Vegetables	1 607	1 618	1 559
Products of the vine-growing sector	1 214	1 381	1 349
Tobacco	941	963	962
Other plant products / measures	778	763	695
TOTAL PLANT PRODUCTS	27 489	26 835	28 437

ANIMAL PRODUCTS (Chapter 05 03)			
Milk & Milk products	2 819	2 985	2 613
Beef/Veal	8 032	8 404	7 072
Sheep meat/Goat meat	1 530	1 805	552
Pig meat	38	89	30
Eggs/Poultry meat	106	105	82
Aid for bee-keeping	17	17	14
TOTAL ANIMAL PRODUCTS	12 541	13 403	10 361
RURAL DEVELOPMENT (Chapter 05 04)			
Rural development in the EAGGF Guarantee Section	4 803	4 698	4 320
Rural development in the EAGGF Guidance Section	3 115	3 118	2 944
TOTAL RURAL DEVELOPMENT	7 918	7 816	7 264
POLICY STRATEGY (Chapter 05 08)			
Promotion measures – payments by member states	49	48	12
Promotion measures – EU payments	11	12	5
Enhancing public awareness of the CAP	7	7	4
Other	25	26	21
TOTAL POLICY STRATEGY	90	92	41

TABLE 3 (BREAKDOWN OF TABLE 2): PLANT PRODUCTS (EXCL. EXPORT REFUNDS) – in Million EUR			
	Appropriations 2004	Appropriations 2003	Outturn 2002
PLANT PRODUCTS – CHAPTER 05 02			
CEREALS			
Intervention storage of cereals	7	206	219
Intervention for starch (expenditure related to the accession of the 10 new member states is estimated at 2 million EUR)	341	259	232
Special aid for Portuguese producers	3	13	8
RICE			
Intervention storage of rice	34	30	38
Per hectare aid	109	118	113
DIRECT PAYMENTS FOR ARABLE CROPS			
Aid for producers of maize	1 273	1 180	1 614
Aid for producers of cereals not subject to the base area for maize	10 834	10 450	10 718
Aid for producers of soy beans, rape	1 377	1 250	1 846

seed and sunflower seed			
Aid for producers of peas, field beans and sweet lupins	507	498	515
Aid for producers of non-textile flax seed and of flax and hemp grown for fibre	84	56	91
Supplementary aid for durum wheat – traditional production zones	1 099	1 017	1 233
Supplementary aid for durum wheat-zones other than traditional production zones	9	8	9
Aid for grass silage	74	79	75
Set-aside	1 812	1 680	1 940
SUGAR			
Production refunds on sugar used in the chemical industry	194	166	157
Measures to aid the disposal of raw sugar	18	18	14
Adjustment aid for refinery industry	41	41	40
OLIVE OIL			
Production aid and schemes related to production of olive oil	2 342	2 319	2 296
Production refund for olive oil used in the manufacture of preserved fish and vegetables	24	24	27
TEXTILE PLANTS			
Aid for fibre flax and hemp	26	26	12
Aid for cotton	858	881	804
Aid for silkworms	1	1	1
FRUIT & VEGETABLES			
Compensation for withdrawals	93	134	61
Operational funds for producer organizations	405	405	389
Bananas	289	266	212
Special measures for nuts	20	36	98
Production aid for processed tomato products (expenditure related to the accession of the 10 new member states is estimated at 5 million EUR)	285	279	278
Production aid for fruit-based products	93	86	85
Production aid and intervention for dried grapes	115	112	113
Compensation to encourage processing of citrus fruits (expenditure related to the accession of the 10 new member states is estimated at 1 million EUR)	256	249	265
Free distribution of fruit and vegetables (expenditure related to the accession of the 10 new member states is estimated at 1 million EUR)	9	9	8
Other measures	5	5	15

WINE-GROWING SECTOR			
Storage of wine and grape must	67	67	69
Distillation of wine	315	430	421
Storage measures for alcohol	191	245	261
Aid for the use of must	156	156	141
Abandonment premiums	18	16	14
Restructuring/conversion of vineyards	443	443	424
TOBACCO			
Premiums for tobacco	929	956	952
Research and information	14	9	10
OTHER PLANT PRODUCTS			
Dried fodder & grain legumes	384	389	388
Seeds	109	110	99
Hops	13	13	13
Posei (remote regions)	268	249	199
Aid for small producers	4	2	-
TOTAL PLANT PRODUCTS (EXCL. EXPORT REFUNDS)	25 732	25 202	26 829

TABLE 4 (BREAKDOWN OF TABLE 2): ANIMAL PRODUCTS (EXCL. EXPORT REFUNDS) – in Million EUR			
	Appropriations 2004	Appropriations 2003	Outturn 2002
ANIMAL PRODUCTS – CHAPTER 05 03			
MILK & MILK PRODUCTS			
Intervention storage of skimmed milk powder	11	10	86
Aid for disposal of skimmed milk (expenditure related to the accession of the 10 new member states is estimated at 20 million EUR)	604	531	446
Intervention storage of butter & cream (expenditure related to the accession of the 10 new member states is estimated at 2 million EUR)	23	125	300
Other measures relating to butterfat (expenditure related to the accession of the 10 new member states is estimated at 15 million EUR)	410	425	459
Intervention storage of cheese	41	54	68
School milk (expenditure related to the accession of the 10 new member states is estimated at 6 million EUR)	80	81	74
BEEF & VEAL			
Suckler-cow premiums	1 972	2 060	1 888
Additional premiums for suckler-cows	97	97	71
Special premiums	1 943	1 967	1 748
Slaughter premiums	1 750	1 710	1 025
Extensification premiums	1 020	1 018	943

Exceptional support measures	249	344	242
Compulsory slaughter program	50	100	68
Additional payments	483	483	295
Other intervention	124	100	330
SHEEP & GOAT MEAT			
Ewe and she-goat premiums	1 066	1 346	417
Fixed flat-rate premiums in less favored and mountain areas	393	388	137
Additional payments	72	72	-
PIG MEAT, EGGS & BEE-KEEPING			
Exceptional market support measures for pig meat	-	11	-
Special aid for bee-keeping	17	17	14
Exceptional support measures for eggs	3	-	-
ANIMAL PRODUCTS (EXCL. EXPORT REFUNDS)	10 201	10 887	8 526

TABLE 5: EU EXPORT REFUNDS FOR AGRICULTURAL EXPORTS - in Million EUR			
	Appropriations 2004	Appropriations 2003	Outturn 2002
Cereals (expenditure related to the accession of the 10 new member states is estimated at 79 million EUR)	158	104	99
Rice	32	32	41
Non-Annex I (cereals & rice)	36	21	40
Sugar and isoglucose	1 285	1 257	1 168
Non-Annex I (sugar)	183	156	190
Olive oil	-	-	-
Fruit & Vegetables (expenditure related to the accession of the 10 new member states is estimated at 1 million EUR)	38	38	46
Products of the wine-growing sector (expenditure related to the accession of the 10 new member states is estimated at 1 million EUR)	25	25	24
Milk and Milk Products	1 634	1 568	1 160
Non-Annex I (milk and butter)	193	232	179
Beef and Veal (expenditure related to the accession of the 10 new member states is estimated at 22 million EUR)	354	534	387
Pig meat	38	78	27
Eggs	9	8	6
Poultry meat (expenditure related to the accession of the 10 new member states is estimated at 15 million EUR)	91	91	71
Non-Annex I (eggs)	3	6	5
TOTAL EXPORT REFUNDS	4 097	4 150	3 443

Non-Annex I: goods obtained by processing agricultural products.

TABLE 6: FOOD PROGRAMS (in Million EUR)			
	Appropriations 2004	Appropriations 2003	Outturn 2002
Programs for deprived persons (expenditure related to the accession of the 10 new member states is estimated at 16 million EUR)	200	200	156
Food aid	10	16	6
TOTAL	210	216	162

OTHER POLICY AREAS

FISHERIES (TITLE 11 – EU Budget) SUMMARY OF APPROPRIATIONS – in Million EUR			
	Appropriations 2004	Appropriations 2003	Outturn 2002
Administrative expenditure	39	32	30
Fisheries markets	30	14	26
International fisheries	173	184	190
Governance of the Common Fisheries Policy	2	2	1
Fisheries research	11	19	42
Structural interventions for fisheries	567	579	743
Fisheries conservation, control and enforcement	41	66	59
TOTAL	863	901	1 093

HEALTH & CONSUMER PROTECTION (TITLE 17 – EU Budget) Chapter 17 04: Food safety, animal health, animal welfare and plant health			
in Million EUR	Appropriations 2004	Appropriations 2003	Outturn 2002
Animal disease eradication and monitoring programs	136	136	161
Other veterinary, animal welfare and public health measures	11	8	8
Emergency fund for veterinary complaints and other animal contaminations	40	40	51
Plant health measures	3	3	3
Creation of EFSA	27	8	3
TOTAL	216	194	225

HUMANITARIAN AID (TITLE 23 – EU BUDGET)			
Chapter 23 02 01: Food Aid – in Million EUR			
	Appropriations 2004	Appropriations 2003	Outturn 2002
Aid, including food aid, to help developing countries and other countries hit by disasters or serious crises	472	426	510

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