



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 4.2.2005  
COM(2005) 27 final

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EEC) No 1883/78 laying down general rules for the financing  
of interventions by the European Agricultural Guidance and Guarantee Fund,  
Guarantee Section**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

Common Agricultural Policy legislation obliges Member States to buy from producers agricultural products which are subject to an intervention mechanism. When these producers present their products in an approved intervention centre, this purchase obligation results to an economic burden for the Member States which have to borrow the funds necessary for these intervention purchases. Community legislation further stipulates that the incurred financial charges are reimbursed to them on the basis of a uniform rate of interest for the community as a whole within a 2-month delay following the month of their being declared by the responsible services of the Member State concerned.

In 1993, the Council adopted a disposition (Regulation (EEC) No 1571/93) concerning Member States which were mobilising the necessary funds at interest rates which were higher than the uniform rate of interest by amending Council Regulation (EEC) No 1883/78 relating to the general rules on the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee section. On the basis of this disposition, the EAGGF-Guarantee reimbursed to any Member State, which incurred an interest rate which was higher than the double of the uniform rate, the interest rate difference for the part borne by it beyond this level. The part of the charge defined as the difference between the uniform rate and the double of this rate remained at the charge of the Member State concerned. This disposition was applied for three years.

Certain new Member States, which have to bear significant financial charges due the increased quantities of cereals offered into intervention because of the increased production of cereals (Hungary), requested that the Commission examines the possibility to repeat this past disposition for a limited period of time. Therefore, the Commission, after examination of this request and because of the increased quantities of cereals offered into intervention, is hereby proposing to the Council to repeat this disposition for a similar limited period of time, i. e: for the financial years 2005 to 2007. The Council is requested to adopt these provisions concerning the Member States which bear an increased interest rate, when compared to the uniform rate of interest, by amending Regulation (EEC) No 1883/78.

This provision will be temporary and it will have a period of validity of three years. It will apply retroactively as of 1 October 2004. This proposal involves additional financial expenditure for the Community budget which is currently estimated at approximately EUR 18.0 million on the basis of the forecasts established for the 2005 budget and of information available to the Commission as of mid-November 2004.

Proposal for a

## **COUNCIL REGULATION**

### **amending Regulation (EEC) No 1883/78 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy<sup>1</sup>, and in particular Article 2(3) thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) For intervention operations for which a unit amount has not been set by market organisation rules, basic Community financing rules have been set by Council Regulation (EEC) No 1883/78<sup>2</sup>, in particular as to the method of establishing the amounts to be financed, the financing of expenditure resulting from tying up the funds needed for intervention purchasing, the valuation of stocks to be carried over from one year to another and the financing of expenditure resulting from the physical operations of storage.
- (2) Article 5 of Regulation (EEC) No 1883/78 provides that the interest charges incurred by Member States in mobilising the funds used to purchase public intervention products are to be financed by the Community at a uniform interest rate.
- (3) It may appear that in a Member State the buying into public intervention of agricultural products can be financed only at interest rates which are substantially higher than the uniform interest rate.
- (4) In so far as, in such cases, the difference in interest rates is more than twice the uniform interest rate for a given Member State, provision should be made for a correcting mechanism to be applied. That difference should nevertheless be partially borne by the Member State concerned in order to encourage it to seek the least costly financing method.

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<sup>1</sup> OJ L 160, 26.6.1999, p. 103.

<sup>2</sup> OJ L 216, 5.8.1978, p. 1. Regulation last amended by Regulation (EC) No 1259/96 (OJ L 163, 2.7.1996, p. 10).

- (5) This amendment to the rules should be temporary and, consequently, be carried out for the financial years 2005 to 2007. It must apply from the beginning of the current financial year.

HAS ADOPTED THIS REGULATION:

*Article 1*

The third subparagraph of Article 5 of Regulation (EEC) No 1883/78 is hereby replaced by the following:

”The first subparagraph notwithstanding, if the interest rate borne by a Member State is more than twice the uniform interest rate, the Commission may, for the financial years 2005 to 2007, in financing the interest costs incurred by that Member State, cover the amount which corresponds to the uniform rate of interest plus the difference between double that rate and the rate borne by the Member State.”

*Article 2*

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

It shall apply to expenditure incurred from 1 October 2004.

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

<b>FINANCIAL STATEMENT</b>				
1. BUDGET HEADING: 05 02 01 02, 05 02 02 02, 05 02 09 04, 05 03 01 02, 05 03 01 04		APPROPRIATIONS: EUR 399 Mio		
2. TITLE: Council Regulation amending Regulation (EEC) No 1883/78 laying down general rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section				
3. LEGAL BASIS: Council Regulation (EC) No 1258/1999 on the financing of the CAP				
4. AIMS: Financing the extra costs for public intervention operations.				
5. FINANCIAL IMPLICATIONS		12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2005 (EUR million)	FOLLOWING FINANCIAL YEAR 2006 (EUR million)
5.0 EXPENDITURE – CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) – NATIONAL AUTHORITIES – OTHER		–	18.3	18.3 (a)
5.1 REVENUE – OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) – NATIONAL		–	–	–
		2007	2008	2009
5.0.1 ESTIMATED EXPENDITURE		18.3 (a)		
5.1.1 ESTIMATED REVENUE		–	–	–
5.2 METHOD OF CALCULATION: (see Annex)				
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?		see (b)		<del>YES</del> / NO
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?		see (b)		<del>YES</del> / NO
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?		see observation under (b)		<del>YES</del> / NO
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?				YES / <del>NO</del>
OBSERVATIONS: see annexed calculation				
(a) Assuming no change in economic conditions.				
(b) This financing is not foreseen in the LR APB 2005. The Commission, within the framework of the execution of the budget, will mobilise the necessary resources for financing this measure by the most appropriate procedure, i.e. budgetary transfer or supplementary budget.				

## ANNEX

### Calculation of additional financing costs following amendment of Council Regulation No 1883/78

Member State/Product	Expected average stock (in million t) (2)	Average value (€/per tonne) (3)	Average total value (in million €)	Declared interest rate (%) (1)	Difference with double the uniform rate of 2,2%	Additional financing cost (in million €)
(a)	(b)	(c)	(d)=(b)x'(c)	(e)	(f)=[(e)-4,4%]	(g)=(f)x-(d)
<b>WHEAT</b>						
UK	0,000	103,80	0,00	4,74	0,34	0,00
HU	1,439	103,80	149,33	11,89	7,49	11,18
PL	0,038	103,80	3,98	6,00	1,60	0,06
SK	0,050	103,80	5,16	8,50	4,10	0,21
<b>BARLEY</b>						
UK	0,023	82,60	1,88	4,74	0,34	0,01
HU	0,108	82,60	8,91	11,89	7,49	0,67
PL	0,001	82,60	0,06	6,00	1,60	0,00
SK	0,031	82,60	2,58	8,50	4,10	0,11
<b>MAIZE</b>						
HU	0,753	86,10	64,80	11,89	7,49	4,85
PL	0,003	86,10	0,28	6,00	1,60	0,00
SK	0,038	86,10	3,24	8,50	4,10	0,13
<b>BUTTER</b>						
UK	0,020	1357,56	27,15	4,74	0,34	0,09
PL	0,010	1357,56	13,58	6,00	1,60	0,22
HU	0,001	1357,56	1,36	11,89	7,49	0,10
SK	0,001	1357,56	1,36	8,50	4,10	0,06
<b>SMP</b>						
UK	0,040	1505,70	60,23	4,74	0,34	0,20
PL	0,010	1505,70	15,06	6,00	1,60	0,24
HU	0,001	1505,70	1,51	11,89	7,49	0,11
<b>Rice</b>						
	p.m.					
<b>Alcohol</b>						
	p.m.					
<b>TOTAL</b>						18,26
Note (1) : For PL the 3-month rates for the period March-August 2004 were used as found in Eurostat. Therefore, differences might appear between these rates and the actual government funding rates.						
Note (2) : Based on quantities offered into intervention as of 14/11/2004.						
Note (3): Based on the values included in the LR APB 2005						