

# European Agricultural Guidance and Guarantee Fund (EAGGF) - 'Guarantee' section: amendment of Regulation (EEC) No 1883/78 laying down general rules for the financing of interventions

2007/0005(CNS) - 17/01/2007 - Legislative proposal

**PURPOSE :** to establish rules for the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee Section and amending Regulation 1883/78/EEC.

**PROPOSED ACT :** Council Regulation

**CONTENT :** 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 in an economic burden for the Member States which have to put forward the funds necessary for these intervention purchases. Member States also have to bear the economic burden for the full period in which these products remain in intervention stores until their removal from public storage.

Council Regulation 1883/78/EEC provides the general rules on the financing of interventions by the European Agricultural Guidance and Guarantee Fund, Guarantee section. Community legislation further stipulates that the incurred financial charges are reimbursed to the Member States on the basis of a uniform rate of interest for the community as a whole. This is, then, the interest rate used in order to cover the Member States' cost of mobilisation of funds aimed to finance public storage operations. This cost is reimbursed to the Member States concerned within a 2-month delay following the month of their being declared to the Commission.

In 2005, the Council adopted, for the budget years 2005 and 2006, a disposition (Council Regulation 695/2005/EC) concerning Member States which were mobilising the necessary funds at interest rates which were higher than the uniform rate of interest, by amending Regulation 1883/78/EEC. 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 two years.

Following the recent increases in interest rates, certain Member States, which still have to bear significant financial charges due the large quantities of cereals offered and stored into intervention, requested that the Commission examines the possibility to propose specific measures in order to alleviate the Member States' financial burden for a limited period of time. Therefore, the Commission, after examination of this request and because of the large quantities of cereals in public storage, is hereby proposing to the Council a specific treatment in such cases for a limited period of time, i.e. for the financial years 2007 and 2008.

Specifically, the Commission proposes that in the cases where the average interest rate, in the course of the third month following the reference period utilised for the establishment of the uniform interest rate, is more than twice the uniform interest rate for a given Member State, provision should be made for the application of a correcting mechanism. In such cases, the Commission will cover the amount which corresponds to the interest rate borne by this Member State minus the uniform rate of interest fixed by the Commission. The difference should nevertheless be borne by the Member State concerned in order to encourage it to seek the least costly financing method.

This proposal involves additional expenditure for the Community budget which is currently estimated at approximately EUR 9.3 million for the 2007 budget and at EUR 10.4 million for the 2008 budget. It will apply retroactively as of 1 October 2006. The Commission considers that this proposal is interlinked with the proposal for abolition of the maize intervention and requests the Council to examine and adopt these proposals at the same time.