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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on EAGF expenditure

Early Warning System No 7-9/2013

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/07/2013

1. INTRODUCTION

For the period 16 October 2012 to 31 July 2013, the budget's actual implementation level compared to the expenditure profile foreseen by the indicator, established on the basis of the dispositions of article 20 of Council Regulation (EC) No 1290/2005¹, is presented in Annex 1.

2. REVENUE ASSIGNED TO EAGF

On the basis of the rules of Article 34 of Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy revenue originating from financial corrections under conformity clearance decisions, from irregularities and from the milk levy are designated as revenue assigned to the financing of EAGF expenditure. According to these rules, assigned revenue can be used to cover the financing of any EAGF expenditure. In the event part of this revenue is not used, then, this part will be automatically carried forward to the following budget year.²

The 2013 EAGF budget included both: the Commissions' latest estimates of the needs to finance the expected expenditure for market measures and direct aids, and the estimates of the assigned revenue, which was expected to be collected in the course of the budget year concerned and the carryover of the balance of assigned revenue left available from the previous budget year. In its proposal for the amount of EAGF appropriations for the 2013 budget, the Commission took into consideration the total expected assigned revenue and requested for the 2013 budget a level of appropriations calculated by deducting the estimated assigned revenue from the estimated needs. The Budgetary Authority adopted the new EAGF budget taking account of the expected assigned revenue.

At the time of establishing the budget for 2013, the Commission's estimates for the available assigned revenue amounted to EUR 1 533 million. Specifically:

- The assigned revenue expected to be generated in the course of the 2013 budget year was estimated at EUR 628 million. Amounts of EUR 389 million and EUR 161 million were expected from conformity clearance corrections and from irregularities respectively. The receipts from the milk levy were estimated at EUR 78 million.
- The amount of assigned revenue expected to be carried over from the budget year 2012 into 2013 was estimated at EUR 905 million (including the remaining balance of the Sugar Restructuring Fund estimated at EUR 675 million).

¹ OJ L 209, 11.8.2005, p. 1.

² Art 14 of Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union determines that internal assigned revenue shall be carried over for one year only. Thus, in the interest of sound budgetary management, this assigned revenue is in general used first before any voted appropriation of the budget article concerned.

In the 2013 budget, the Commission assigned this initially estimated revenue of EUR 1 533 million to two schemes. Specifically:

- EUR 500 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and
- EUR 1 033 million to the single payment scheme.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 267 million and to EUR 30 635 million respectively, in accordance with the Commission's proposal. The sum of the voted appropriations and the assigned revenue mentioned above corresponds to a total estimate of available appropriations of EUR 767 million for the operational funds for producer organisations in the fruits and vegetables sector and EUR 31 668 million for the single payment scheme.

In annex 1, which presents the 2013 budget's provisional execution for the period to 31 July 2013, the figures of the budget appropriations at article level for the fruit and vegetables sector and for the decoupled direct aids present voted appropriations for these two schemes amounting to EUR 611 million and to EUR 38 076 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these sectors, the total appropriations foreseen in the 2013 budget amounted to EUR 1 111 million for fruits and vegetables and to EUR 39 109 million for decoupled direct aids.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2013 EAGF BUDGET

The budget's provisional implementation level for the period 16 October 2012 to 31 July 2013 is presented in Annex 1. This implementation level is compared to the expenditure profile based on the indicator, which was established on the basis of the dispositions of Article 20 of Council Regulation (EC) No 1290/2005. Below a brief commentary is presented for certain budget articles, showing the most significant differences between the actual and the expected level of implementation of the 2013 budget.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets was higher compared to the level of the budget's voted appropriations, as determined by the level of the indicator on 31 July 2013, by EUR 120.9 million. This divergence is a net effect of the execution patterns primarily in the fruits and vegetables, wine and pigmeat and poultry sector.

3.1.1. Food programmes (EUR 10.6 million)

Following the slow up-take of the appropriations in the first half of the budget year for the Most Deprived Persons scheme, Member States have currently accelerated its execution. Similarly to last year, in view of securing food deliveries for the winter time, the major part of the payments is expected to be executed in the last months of the budget year. Clearly, as 2013 is the last year of this scheme, pressure exists on the

level of the MS to execute the budget in full in 2013. The funding of this scheme is subject to a budgetary limit of EUR 500 million and, therefore, its execution cannot exceed the voted appropriations.

3.1.2. Fruit and vegetables (+ EUR 275.7 million in comparison with voted appropriations)

As regards voted appropriations, this implementation level is primarily due to the expenditure for the operational funds for producer organisations scheme, which is funded both by the budget's voted appropriations and by the revenue assigned to this scheme in the 2013 budget (NB: For details please see point 2 above). This implementation level is the result of applying the indicator for the period to 31 July 2013 to the budget's voted appropriations, which do not include the revenue assigned to this sector.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator, as of 31 July 2013, been applied to the total appropriations, which are expected to be available in order to fund this sector. As it is pointed out in point 2 above, the total funding expected to be available for this sector is composed of the budget's voted appropriations of EUR 611 million and of the revenue assigned to this sector which is estimated at EUR 500 million. Therefore, had the indicator been applied to the total funding of EUR 1 111 million expected to be available for this sector, then, an under-execution of - EUR 54.1 million would appear, being the net effect of a temporary slowing down in payments for producer organisations scheme, under-execution for the school fruit scheme and faster use of the appropriations for aid to producer groups.

In view of the 2013 Member States' incurred and forecasted expenditure for operational funds for producer organisations and preliminary recognition schemes, when taking account of the revenue assigned to this sector, the Commission estimates at this point in time that the total funds available will be sufficient to cover the needs of this sector. Nonetheless, the Commission continues to closely follow the situation in this sector.

3.1.3. Products of the wine-growing sector (- EUR 117.1 million)

A slow-down in the take-up of available appropriations for the wine sector results from slower that in the past at this stage of the year execution of the wine envelopes in some of the Member States, while the indicator is based on the historical average payment rhythm. Nevertheless, in view of historically high execution for this sector as well as taking into account the changes to the legislation recently proposed by the Commission and voted by the Management Committee in July 2013 aiming at facilitating execution of certain measures, the Commission expects that the Member States' payments rhythm will accelerate towards the end of the year. At this point in time this difference is considered temporary and a full execution of the budget is expected.

3.1.4. *Pigmeat, eggs and poultry, bee-keeping and other animal products (-EUR 20.6 million)*

Lower uptake of the appropriations in this article is due to the poultry sector following the gradual reductions in the level of export refunds in October 2012 and February 2013. As there has been no significant difference in exported quantities, overall expenditure for this measure is expected to be lower than estimated when the 2013 Budget was prepared, thus leading to an under-execution on this line at the end of the year.

3.2. Direct aids

The uptake of appropriations for direct aids compared to the level of the indicator on 31 July 2013 was higher by EUR 740.4 million.

3.2.1. *Decoupled direct aids (+EUR 791.2 million in comparison with voted appropriations)*

As regards voted appropriations, the single payment scheme (SPS) presents an over-execution which results from applying the indicator for the period to 31 July 2013 to the budget's voted appropriations which do not include the revenue assigned to this sector.

A footnote * in the provisional execution table in annex 1 shows which would be the situation had the indicator, as at 31 July 2013, been applied to the total appropriations which are expected to be available in order to fund decoupled direct aids. As it is pointed out in point 2 above, the total funding expected to be available for decoupled direct aids is composed of the budget's voted appropriations of EUR 38 076 million and of the revenue assigned to decoupled direct aids which is estimated to amount to EUR 1 033 million. Therefore, had the indicator been applied to the total funding of EUR 39 109 million expected to be available for decoupled direct aids, then, the observed an under-execution of EUR 239.6 million would appear.

This difference results from the construction of the indicator for SPS (based on 2012 rhythm of payment but taking into account actual payments for the first two months of the year) which currently amounts to 99.8%, as compared to actual execution till 31 July 2013 of 99%³. On the other hand, Member States have already slightly over-executed the appropriations estimated in the budget for SPS by approximately 0.2%. With regards to decoupled specific support scheme under article 68, Member States' execution in 2013 is expected to reach the level of the voted appropriations.

The Commission expects at this point in time that available appropriations and assigned revenue are sufficient to cover the actual execution for this article. The Commission continues to closely follow the situation for decoupled direct aids to assess a possible net under-execution.

³ The level of implementation for decoupled direct aid is calculated as a percentage of the budgeted needs, including for the SPS the amount of the assigned revenue.

3.2.2. *Other direct aids (- EUR 50.4 million)*

A difference in the uptake of the voted appropriations for other direct aids as compared to the level of the indicator on 31 July 2013 is an effect of slightly slower implementation for certain schemes, especially for the coupled specific support scheme under article 68 and additional amounts for sugar beet and cane producers and significant corrections reported by certain Member States. On the other hand, the budget available for payments of direct aids in POSEI was exceeded following adoption of the Council Regulation (EC) No 228/2013, that authorised a one-off payment of premium for banana producers in 2013 financial year.

Taking into account the over-execution of the POSEI scheme, the Commission, at this point in time continues to closely follow the situation for the schemes under other decoupled direct aids.

3.3. Audit of agricultural expenditure

3.3.1. *Accounting clearance of previous years' accounts (+EUR 176.0 million)*

By 31 July 2013 all accounting clearance decisions expected within this budget year have already been adopted by the Commission. The result of these decisions is that the Commission reimbursed, i.e. has made positive corrections in favour of the Member States of approximately EUR 7.3 million.

It should be pointed out that the Commission, in its Amending Letter for 2013, had proposed corrections amounting to – EUR 56 million, based on the average execution of previous years as such corrections are not predictable. In the new Draft Budget drawn up in November, following the failure in the first conciliation, this amount was increased to – EUR 100 million. In the end, following the conciliation of 5 December 2012, the Budgetary Authority adopted the 2013 budget in which this amount was finally set at – EUR 200 million.

The Commission considers that the expected corrections from its accounting clearance decisions and from the non-respect of aid payments' deadlines by the Member States would not be sufficient to cover the higher amount of – EUR 200 million. The final amount of these corrections will depend on the expected negative corrections, resulting from the non-respect of payment deadlines by Member States, which will be presented to the Funds committee in November 2013. However, the Commission will need to cover the resulting shortfall of negative budget appropriations by transferring positive budget appropriations from other items in order to close this budget item in 2013.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in Annex 1 shows that assigned revenue amounting to EUR 624.4 million was collected as of 31 July 2013. Specifically:

- the revenue from corrections based on conformity clearance decisions amounted to EUR 413.4 million with some significant additional amounts still

expected by the end of the budget year on the basis of the ad-hoc conformity clearance decision n° 42 adopted by the Commission in August 2013;

- the revenue from irregularities amounted to approximately EUR 131.6 million with additional amounts also expected by the end of the budget year, and
- at this point in time, most of the revenue from the milk levy has been collected and it amounts to approximately EUR 79.4 million;

Finally, the amount of assigned revenue eventually carried over from 2012 into 2013 amounted to EUR 1 245.6 million including the balance of approximately EUR 755 million in the temporary Sugar Restructuring Fund after all due payments under the Fund were made. This amount is significantly higher than the initially estimated amount of EUR 905 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 31 July 2013, amounts to EUR 1 869.9 million. At this point in time, the Commission estimates that the amount of fresh assigned revenue already collected and still to be collected in 2013 would exceed the amount of EUR 628 million initially estimated for this assigned revenue in the 2013 budget.

5. CONCLUSIONS

The provisional execution of the 2013 EAGF budget's appropriations, for the period up to 31 July 2013, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by approximately EUR 1 022.7 million.

Assigned revenue amounting to EUR 1 869.9 million is already available, and additional amounts are still expected to be collected in 2013. At this point in time, the Commission considers that the amount of assigned revenue which will be available at the end of the year will be sufficient to cover the funding of the operational funds for producer organisations and of the single payment scheme as originally expected when the 2013 budget was established and the expected needs in the other lines such as the accounting clearance of accounts.

ANNEX I

BUDGET YEAR 2013 (**)

PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 31/07/2013

in EUR million

	Appropriations Budget (***)	Consumption from November to July	Utilisation	Consumption profile as at July		Gap between implementation and indicator	
				EUR mio A	EUR mio B	% C=B/A	% D
Expenditure							
05 01 (1) ADMINISTRATIVE EXPENDITURE FOR EAGF	8.9	4.4	49.1 %	72.7 %	6.5	-23.6 %	-2.1
05010401							
Total 05 01 Administrative expenditure for EAGF	8.9	4.4	49.1 %	72.7 %	6.5	-23.6 %	-2.1
05 02 INTERVENTIONS IN AGRICULTURAL MARKETS							
05 02 01 Cereals	0.2	0.1	72.7 %	79.1 %	0.2	-6.4 %	0.0
05 02 02 Rice	p.m.	0.0					
05 02 03 Refunds on non-Annex 1 products	8.0	4.6	57.8 %	82.6 %	6.6	-24.8 %	-2.0
05 02 04 Food programmes	500.1	210.7	42.1 %	40.0 %	200.1	2.1 %	10.6
05 02 05 Sugar	0.1	-0.1	-78.5 %	65.0 %	0.1	-143.5 %	-0.1
05 02 06 Olive oil	62.1	57.5	92.6 %	94.2 %	58.5	-1.6 %	-1.0
05 02 07 Textile plants	20.0	9.3	46.4 %	79.4 %	15.9	-33.0 %	-6.6
05 02 08 Fruits and vegetables (estimated 500 Mio EUR from assigned revenue)(*)(****)	611.0	678.7	111.1 %	66.0 %	403.0	45.1 %	275.7
05 02 09 Products of the wine-growing sector	1 071.6	462.8	43.2 %	54.1 %	579.9	-10.9 %	-117.7
05 02 10 Promotion	61.0	41.2	67.4 %	80.4 %	49.1	-12.9 %	-7.9
05 02 11 Other plant products/measures	233.0	209.2	89.8 %	90.8 %	211.5	-1.0 %	-2.4
05 02 12 Milk and milk products	83.2	61.1	73.4 %	83.7 %	69.7	-10.3 %	-8.6
05 02 13 Beef and veal	7.1	6.3	89.4 %	77.6 %	5.5	11.8 %	0.8
05 02 14 Sheepmeat and goatmeat	p.m.	0.0					
05 02 15 Pigmeat, eggs and poultry, bee-keeping and other animal products	114.0	52.6	46.1 %	64.2 %	73.2	-18.1 %	-20.6
Total 05 02 Interventions in agricultural markets (excluding 05 02 17)	2 771.4	1 794.1	64.7 %	60.4 %	1 673.2	4.4 %	120.9
05 03 DIRECT AIDS							
05 03 01 Decoupled direct aids (estimated 1033 Mio EUR credits coming from assigned revenue)(*)(****)	38 076.0	38 788.0	101.9 %	99.8 %	37 996.7	2.1 %	791.2
05 03 02 Other direct aids	2 854.9	2 784.2	97.5 %	99.3 %	2 834.6	-1.8 %	-50.4
05 03 03 Additional amounts of aid	1.0	0.2	21.5 %	65.8 %	0.7	-44.3 %	-0.4
Total 05 03 Direct aids	40 931.9	41 572.4	101.6 %	99.8 %	40 832.0	1.8 %	740.4
05 04 OTHER EXPENDITURE							
05040114 Rural development financed by the EAGGF-Guarantee Section- Programming period 2000-2006	p.m.	-0.9					
05040302 Plant and animal genetic resources-Completion of earlier measures	p.m.	0.0					
05 07 05070106 Accounting clearance of previous years' accounts	-200.0	6.0	-3.0 %	85.0 %	-170.0	-88.0 %	176.0
(3) 05070107 Conformity clearance of previous years' accounts	108.3	109.1	100.7 %	100.0 %	108.3	0.7 %	0.8
Other lines (05070102 and 050702)	6.8	6.1	90.4 %	100.0 %	6.8	-9.6 %	-0.7
05 08 POLICY STRATEGY AND COORDINATION OF THE AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA (excl. 050810 to 050812)	27.3	22.7	83.1 %	88.9 %	24.3	-5.8 %	-1.6
11 01 (1) (2) Only 11010408 EAGF Non-operational technical assistance	0.7	0.7	96.9 %	100.0 %	0.7	-3.1 %	0.0
11 02 (1) (2) FISHERIES MARKETS (only 11020101 and 11020301)	26.5	26.5	99.9 %	100.0 %	26.5	-0.1 %	0.0
17 01 (1) (2) ADMINISTRATIVE EXPENDITURE OF 'HEALTH AND CONSUMER PROTECTION' POLICY AREA	2.7	1.7	62.0 %	77.5 %	2.1	-15.5 %	-0.4
17010401, 17010405, 17010407 and 17010431							
17 04 (1) (2) FOOD AND FEED SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH 170401 to 170407 (excl. 17040102, 17040303 and 170406)	272.0	232.4	85.4 %	89.0 %	242.0	-3.5 %	-9.6
Total Expenditure (excluding 05 02 17)	43 956.5	43 775.1	99.6 %	97.3 %	42 752.4	2.3 %	1 022.7

Assigned Revenue	taken into account in the budget						
6 7 0 1 Clearance of European Agricultural Guarantee Fund accounts — Assigned revenue	389.0	413.4					
6 7 0 2 European Agricultural Guarantee Fund irregularities — Assigned revenue	161.0	131.6					
6 7 0 3 Superlevy from milk producers — Assigned revenue	78.0	79.4					
Assigned revenue carried over from 2012 (including the remaining balance of the Sugar Restructuring Fund)	905.0	1 245.6					
Total Revenue	1 533.0	1 869.9					

(*) For information only: expenditure against original appropriations and estimated assigned revenue							
05 02 08 Fruits and vegetables (incl. estimated assigned revenue of 500 Mio EUR)(****)	1 111.0	678.7	61.1 %	66.0 %	732.8	-4.9 %	-54.1
05 03 01 Decoupled direct aids (including estimated assigned revenue of 1033 Mio EUR)(****)	39 109.0	38 788.0	99.2 %	99.8 %	39 027.6	-0.6 %	-239.6

(**) Budget year = 16.10.2012 to 15.10.2013 but direct expenditure possible until 31.12.2013

(****) It concerns the commitments

(*****) Including use of assigned revenues carried over from the previous year

(1) Chapter not exclusively EAGF

(2) Chapter outside title 05 but included in EAGF

(3) Used only for cases in which Member States are beneficiaries