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COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 11 March 2014

To: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No. Cion doc.: C(2014) 1457 final

Subject: COMMISSION DELEGATED REGULATION (EU) No .../.. of 11.3.2014
supplementing Regulation (EU) No 1306/2013 of the European Parliament
and of the Council with regard to public intervention expenditure

Delegations will find attached Commission document C(2014) 1457 final.

Encl.: C(2014) 1457 final



Brussels, 11.3.2014
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COMMISSION DELEGATED REGULATION (EU) No .../..

of 11.3.2014

**supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the
Council with regard to public intervention expenditure**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 empowers the Commission to adopt delegated acts.

In accordance with Article 20(2) and (3) of Regulation (EU) No 1306/2013, the purpose of this delegated act is to lay down rules concerning the rules with regard to public intervention expenditure.

This delegated act replaces part of the implementing rules of Regulation (EC) 884/2006.

The adoption of this delegated act does not entail financial implications.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

Consultations, involving experts from all the 28 Member States have been carried within the Experts Group for Horizontal questions concerning the CAP. Several meetings were organised for the specific purpose of exchanging expert views on this act. These meetings allowed for a full presentation of the Commission's draft provisions and a thorough exchange of views on all aspects of the draft. The exercise consisted in clarifying the Commission's approach and hearing experts' views. The draft was then refined taking into account the observations and comments made orally in the meeting and/or sent in writing to the Commission after that meeting. The draft progressive versions of this act were transmitted to the European Parliament and to the Council when calling the Experts Group meetings.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The act contains the provisions supplementing certain non-essential parts of Regulation (EU) No 1306/2013 that are necessary to ensure its correct and efficient functioning.

Article 2 provides for the type of measures eligible for Union financing under public intervention.

Article 3 fixes the eligibility conditions and calculation methods for the financing of intervention expenditure incurred in the context of public intervention.

Article 4 establishes the rules on the valuation of operations connected with public intervention.

COMMISSION DELEGATED REGULATION (EU) No .../..

of 11.3.2014

supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to public intervention expenditure

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008¹, and in particular Article 20(2) and (3) thereof,

Whereas:

- (1) In accordance with point (a) of Article 4(1) of Regulation (EU) No 1306/2013, intervention measures regulating agricultural markets are to be financed by the Union under the terms of the sectoral agricultural legislation. As regards public intervention measures, the amount to be financed by the Union is determined by the annual accounts drawn up by the paying agencies.
- (2) Public intervention expenditure may vary substantially. It is therefore necessary to specify for each category of operation which expenditure is eligible for Union financing and, in particular, under what terms that expenditure can be covered. For this purpose, eligibility conditions and the methods for calculating eligible expenditure should be laid down. It should be further specified when such expenditure is to be booked on the basis of the elements actually recorded by the paying agencies or on the basis of standard amounts established by the Commission.
- (3) To allow Member States whose currency is not the euro to consolidate their expenditure and costs in their national currency and in euro in a harmonised way, the terms under which public storage operations are recorded in their accounts and the exchange rate applicable should be specified.
- (4) The valuation of public storage operations also depends on the type of operations and on the applicable sectoral agricultural legislation. A general rule should therefore be established providing that the value of the quantities bought in and sold is to be equal to the sum of the payments and receipts made or to be made for physical operations, together with specific rules and special cases to be taken into consideration.

¹ OJ L 347, 20.12.2013, p. 549.

- (5) The measures in this Regulation replace the relevant provisions laid down in Commission Regulation (EC) No 884/2006², which has been repealed by Commission Delegated Regulation (EU) No [HZDel]³,

HAS ADOPTED THIS REGULATION:

Article 1
Subject matter

This Regulation lays down the conditions and rules applicable to the financing by the European Agricultural Guarantee Fund (EAGF) of expenditure on intervention measures related to public storage.

Article 2
Intervention measures in the form of public storage

Intervention measures in the form of public storage may comprise buying-in, storage, transport and transfer of stocks, and the sale and disposal by other means of agricultural products under the terms laid down by the applicable sectoral agricultural legislation and by this Regulation.

Article 3
Financing of intervention expenditure incurred in the context of public storage operations

1. In the context of the public storage operations referred to in Article 2, the EAGF shall finance the following expenditure under the heading of intervention, provided that the corresponding expenditure has not otherwise been fixed under the applicable sectoral agricultural legislation:
 - (a) the financing costs for funds mobilised by the Member States to buy in products, in accordance with the calculation methods set out in Annex I;
 - (b) expenditure on physical operations relating to buying-in, sale or other forms of transfer of products (entry, storage and removal of products under public storage schemes), as referred to in Annex II, based on uniform standard

² Commission Regulation (EC) No 884/2006 of 21 June 2006 laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the financing by the European Agricultural Guarantee Fund (EAGF) of intervention measures in the form of public storage operations and the accounting of public storage operations by the paying agencies of the Member States (O.J. L 171, 23.06.2006, p. 35)

³ Commission Delegated Regulation (EU) No [HZDel] of 11 March 2014, supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to paying agencies and other bodies, financial management, clearance of accounts, securities and use of euro (see page xx of this OJ) (OPOCE, please replace HZDel by regulation number and insert OJ page, throughout this act and annexes).

amounts for the Union, calculated in accordance with the methods set out in Annex III;

- (c) expenditure on physical operations not necessarily connected with buying-in, sale or other forms of transfer of products, on the basis of standard amounts or non-standard amounts in accordance with the provisions laid down by the Commission under the sectoral agricultural legislation relating to the products concerned and Annex IV;
 - (d) expenditure resulting from transport inside or outside the territory of the Member State or from export, on the basis of standard amounts or non-standard amounts, to be approved in accordance with the procedure referred to in Article 229(2) of Regulation (EC) No 1308/2013 of the European Parliament and of the Council⁴;
 - (e) depreciation of stored products, in accordance with the calculation methods set out in Annex V;
 - (f) the differences (gains and losses) between the accounting value and the price of disposal of the products, or differences resulting from other factors.
2. In the case of Member States whose currency is not the euro, without prejudice to the specific rules and operative events provided for in the Annexes to this Regulation or in the agricultural legislation, expenditure as referred to in points (b) and (c) of paragraph 1 of this Article calculated on the basis of amounts fixed in euro and expenditure or revenue incurred in national currency under this Regulation shall be converted, as the case may be, into national currency or into euro on the basis of the last exchange rate established by the European Central Bank before the accounting year during which the operations are recorded in the accounts of the paying agency.

For the purposes of this Regulation, accounting year means the period referred to in point (a) of Article 3(3) of Delegated Regulation (EU) No [HZDel].

Article 4 ***Valuation of public storage operations***

1. The value of the quantities bought in and sold shall be equal to the sum of the payments or receipts made or to be made for physical operations, except in the case of the specific provisions referred to in this Article and subject to:
- (a) Annex VI, for missing quantities;
 - (b) Annex VII, for deteriorated or destroyed products;
 - (c) Annex VIII, for products which have entered storage but the taking-over of which has been refused.

⁴ Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products (OJ L 347, 20.12.2013, p 671).

2. The value of the quantities bought in shall be determined for the quantities of products entering storage, on the basis of the public intervention price, taking account of increases, premiums, reductions, percentages and coefficients applicable to the public intervention price at the time of purchase in accordance with the criteria laid down in the sectoral agricultural legislation.

However, in the cases and situations referred to in Annex VI and points 2(a) and (c) of Annex VII, increases, premiums, reductions, percentages and coefficients shall not be taken into consideration.

The value of products which have deteriorated or have been destroyed, either due to natural disasters or to too long a period of storage as referred to in point 2 of Annex VII to this Regulation, shall be determined by an implementing act of the Commission. That act shall be adopted in accordance with the examination procedure referred to in Article 229(2) of Regulation (EU) No 1308/2013.

3. Without prejudice to Annex V, the value of the products made available and financed under the Fund for European Aid to the Most Deprived shall be the public intervention price applicable on 1 October of each year. For the Member States whose currency is not the euro, the accounting value of intervention products shall be converted into national currency at the exchange rate applicable on 1 October of that year.

Where intervention products are transferred from one Member State to another, the supplier Member State shall record the product delivered as a zero entry in the accounts and the Member State of destination shall record it as a receipt in the month of dispatch, using the price calculated in accordance with the first sub-paragraph.

4. The costs paid or charged when products are bought in for the physical operations referred to in point (c) of Article 3(1), in accordance with the Union rules, shall be entered in the accounts as expenditure or revenue relating to technical costs, separately from the buying-in price.
5. In the financial accounts referred to in point (a) of Article 3(3) of Delegated Regulation (EU) No [HZDel], quantities in storage at the end of the accounting year and to be carried forward to the next accounting year shall be valued at their average book value (carry-over value), as determined by the monthly account of the last month of the accounting year.
6. Quantities entering storage which are found not to meet the conditions for storage shall be entered in the accounts at the time of removal from storage as a sale at the price at which they were bought in.

However, if at the time of actual removal from storage the conditions are met for application of point (b) of Annex VI, the Commission shall be consulted in advance on the removal of the goods.

7. Where an account shows a positive balance, this shall be deducted from the expenditure for the current accounting year.

8. Where there is a change in the standard amounts, the time allowed for payment, interest rates or other calculation elements after the first day of a month, the new elements shall apply to physical operations with effect from the following month.

Article 5

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

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 11.3.2014

For the Commission
The President
José Manuel BARROSO