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

on EAGF expenditure

Early Warning System No 11-12/2014

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/12/2014

1. INTRODUCTION

The provisional implementation of the 2014 EAGF budget is presented in Annex 1 and it is expected to amount to EUR 44 293.2 million. This amount mainly includes EAGF expenditure under shared management as declared by Member States between 16 October 2013 to 15 October 2014 including the reductions of monthly reimbursements imposed in the course of the budget year. It further includes an estimate of direct expenditure, amounting to approximately EUR 7.7 million, which is still foreseen to be made till 31 December 2014.

2. REVENUE ASSIGNED TO EAGF

On the basis of the provisions of Article 43 of Regulation (EU) No 1306/2013, revenue originating from financial corrections under accounting and conformity clearance decisions, from irregularities and from the milk levy are designated as revenue assigned to the financing of EAGF expenditure. According to these provisions, assigned revenue can be used to cover the financing of any EAGF expenditure. If part of this revenue is not used within the budget year, then, this part will be automatically carried forward to the following budget year¹.

As already outlined in previous Early Warning System reports, the Commission's initial estimates for the available assigned revenue in 2014 amounted to EUR 1 464 million. Specifically:

- The assigned revenue expected to be generated in the course of the 2014 budget year was estimated at EUR 849 million. Amounts of EUR 638 million and EUR 165 million were expected from conformity clearance corrections and from irregularities respectively. The receipts from the milk levy were estimated at EUR 46 million.
- The amount of assigned revenue expected to be carried over from the budget year 2013 into 2014 was estimated at EUR 615 million.

In the 2014 budget, the Commission assigned this initially estimated revenue of EUR 1 464 million to two schemes. Specifically:

- EUR 464 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and
- EUR 1 000 million to the single payment scheme.

¹ 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.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 285 million and to EUR 30 083 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 749 million for the operational funds for producer organisations in the fruits and vegetables sector and EUR 31 083 million for the single payment scheme.

In Annex 1, which presents the 2014 budget's provisional execution for the period to 15 October 2014, 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 676.7 million and to EUR 38 252 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these sectors, the total appropriations foreseen in the 2014 budget amounted to EUR 1 140.7 million for fruits and vegetables and to EUR 39 252 million for decoupled direct aids.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2014 EAGF BUDGET

The 2014 budget's provisional implementation is presented in Annex 1. Below a brief commentary is presented for certain budget articles, which show the most significant differences between the actual expenditure incurred and the corresponding appropriations included in the 2014 budget.

3.1. Market measures²

The uptake of appropriations for interventions in agricultural markets compared to the level of the budget's voted appropriations was higher by EUR 245.3 million but it is lower by EUR 218.7 million when taking into account the amount of EUR 464 million foreseen as assigned revenue for this chapter. This divergence is the net effect of the execution patterns primarily in the fruits and vegetables, the wine and the milk sectors.

3.1.1. Cereals (+ EUR 2.5 million)

For the 2014 budget there were no appropriations foreseen for market measures for cereals. However, some outstanding expenditure for the export refunds for past marketing years was effected in certain Member States.

3.1.2. Refunds on non-Annex I products (- EUR 3.9 million)

For the outstanding amounts of refunds on non-Annex I products expected in 2014 budget year the payment schedule proved to be much quicker than foreseen when the budget was established and almost no expenditure was charged anymore to 2014 budget, thus resulting in significant under-execution on this line.

² The expenditure relating to the implementation of the measures taken in the wake of the Russian import embargo is expected in 2015 financial year.

3.1.3. Food programmes (- EUR 7.2 million)

Budget year 2013 was the last year of implementation of the food programmes under the EAGF and the legislation does not foresee any late payments for the scheme. However, EUR 7.2 million of the aid previously paid was recovered and returned to this article.

3.1.4. Fruit and vegetables (+ EUR 333.8 million in comparison with voted appropriations)

This significant over-execution results from comparing the expenditure incurred in this sector with the 2014 budget's voted appropriations, which do not include the revenue assigned to this sector. However, if the revenue of EUR 464 million assigned to this sector is included (please see footnote * at the bottom of the annexed table), total available appropriations rise to EUR 1 140.7 million and, then, an under-execution of EUR 130.2 million would appear.

The operational funds for producer organisations, the school fruit scheme and the aid for producer groups for preliminary recognition are the main schemes funded through this sector's available appropriations. It should be noted that, in 2014, all these schemes showed under-executions of varying degrees.

3.1.5. Products of the wine-growing sector (- EUR 62.6 million)

This under-execution is due to the slightly lower expenditure incurred by some Member States for their national wine programmes compared to their respective budget ceilings.

3.1.6. Milk and milk products (- EUR 9.3 million)

This under-execution is due to the smaller expenditure incurred by Member States for the school milk scheme compared to the expenditure forecasted in the budget.

3.2. Direct aids

The uptake of appropriations for direct aids compared to the level of the budget's voted appropriations was higher by EUR 637 million but it is lower by EUR 363 million when taking into account the amount of EUR 1 000 million foreseen as assigned revenue for this chapter. This divergence involves both decoupled and other direct aids.

3.2.1. Decoupled direct aids (+EUR 700.1 million in comparison with voted appropriations)

This significant over-execution results from comparing the expenditure incurred in this sector with the 2014 budget's voted appropriations, which do not include the revenue assigned to this sector. However, if the revenue of EUR 1 000 million assigned to this sector is included (please see footnote * at the bottom of the annexed table), total available appropriations rise to EUR 39 252 million and, then, an under-execution of EUR 299.9 million would appear.

This slight net under-execution is due to the lower expenditure incurred by Member States for all the major schemes funded under this sector. However, it should be pointed out that Member States executed around 99.2% of the needs for decoupled aids.

3.2.2. *Other direct aids (- EUR 62.5 million)*

All schemes funded under this article of the budget were almost fully executed. The observed slight under-execution is primarily due to a lower expenditure incurred for the coupled specific support (article 68) and for the area aid for cotton schemes.

3.3. **Audit of agricultural expenditure (+ EUR 58.6 million)**

This significant over-execution of the 2014 budget's appropriations for the audit of agricultural expenditure chapter is primarily due to higher payments made by Member States for the settlement of disputes and specifically for the payment of compensatory interest under the Jülich II case. Furthermore, under this chapter of the budget, the Commission reimburses Member States with an amount of around EUR 20 million because of positive corrections in their favour included in certain Commission clearance of accounts decisions.

4. **IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF**

The table in Annex 1 shows that the total assigned revenue eventually available in 2014 amounted to EUR 1 724.4 million. It was higher by EUR 260.4 million compared to the initially forecasted amount of EUR 1464 million.

This difference is partly due to the fact that the amount of assigned revenue eventually carried over from 2013 into 2014 amounted to EUR 710.2 million, i.e.: it was higher by EUR 95.2 million than the amount of EUR 615 million foreseen in the budget. This amount has been fully used in the financing of EAGF expenditure in the 2014 budget year.

Furthermore, the assigned revenue freshly collected in 2014 amounted to EUR 1014.2 million compared to the amount of EUR 849 million foreseen in the budget. This is mainly due to the fact that additional conformity clearance decisions were adopted by the Commission in 2014. The part of the freshly collected assigned revenue, which will not be used in 2014, will be carried over into the 2015 EAGF budget.

5. **CONCLUSIONS**

The provisional expenditure of the 2014 EAGF budget including estimates for direct expenditure until 31 December 2014 results in an over-execution of EUR 939.6 million compared to the budget's voted appropriations. This over-execution is covered by the available assigned revenue of EUR 1 724.4 million. Moreover the crisis reserve has not been mobilised in 2014, thus the amount of EUR 424.5 million of unused appropriations remains in the 2014 budget.

In accordance with Article 26(6) of Regulation (EU) No 1306/2013³ the Commission adopted Regulation (EU) No 1259/2014⁴ which sets the amounts that in 2015 shall be reimbursed to the beneficiaries of direct payments subject to financial discipline in that financial year. The amount of EUR 868.2 million of non-committed appropriations corresponding to the amount of financial discipline deducted in the Member States in 2014 from direct payments should be then transferred to financial year 2015 and used to reimburse the Member States' expenditure in that respect.

A number of end-of-year adjustments and transfers of appropriations still has to be made. Taking these adjustments into account as well as the funding needs of the 2014 budget outlined above, it is estimated that the remaining balance of assigned revenue to be carried over to the 2015 EAGF budget will amount to around EUR 330 million.

³ 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 485/2008

⁴ Commission Implementing Regulation (EU) No 1259/2014 of 24 November 2014 on the reimbursement, in accordance with Article 26(5) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council, of the appropriations carried over from financial year 2014