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

on EAGF expenditure

Early Warning System No 8-10/2015

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/08/2015

1. INTRODUCTION

This report presents an update of the provisional 2015 budget execution for the European Agricultural Guarantee Fund (EAGF). In particular, Annex 1 presents the comparison between the actual level of the implementation of the EAGF budget for the period 16 October 2014 to 31 August 2015 and the forecasted expenditure profile. The latter results from the application of the indicator to the level of the budgetary appropriations. The indicator is established on the basis of the provisions of Article 28 of Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy¹.

2. REVENUE ASSIGNED TO EAGF

Under Article 43 of Regulation (EU) No 1306/2013, the revenue originating from financial corrections under accounting and conformity clearance decisions, from irregularities and from the milk levy is designated as revenue assigned to the financing of EAGF expenditure. The 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 year².

The 2015 EAGF budget, as adopted by the Budgetary Authority included both:

- the Commission's 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 budget year 2015 as well as the assigned revenue carried over from the budget year 2014.

At the time of establishing the 2015 budget, the Commission's estimates of the assigned revenue amounted to EUR 1 768.6 million. This included:

- The assigned revenue expected to be generated in the course of the 2015 budget year estimated at EUR 1 438.6 million, i.e.: EUR 868.6 million for conformity clearance corrections, EUR 165 million for irregularities and EUR 405 million for the receipts from the milk levy.
- The amount of assigned revenue expected to be carried over from the budget year 2014 into 2015 estimated at EUR 330 million.

In the 2015 budget, the Commission assigned this initially estimated revenue of EUR 1 768.6 million to the budget items in the following articles:

- 05 02 08 – Fruit and vegetables: EUR 469.3 million³

¹ OJ L 347, 20.12.2013, p.549

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.

³ EUR 362.4 million to the operational funds for producer organisations in fruit and vegetables and EUR 106.9 million to the other measures in fruit and vegetables

- 05 02 12 – Milk and milk products: EUR 54.3 million⁴
- 05 03 01 – Decoupled direct aids: EUR 1 245 million⁵.

For these schemes, the Budgetary Authority eventually voted appropriations 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 needs.

In annex 1, the figures of the budget appropriations at article level for fruit and vegetables, for milk and milk products and for the decoupled direct aids relate to the voted appropriations for these articles amounting to EUR 836.2 million, to EUR 77.1 million and to EUR 37 397 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these articles, the total appropriations foreseen in the 2015 budget amount to EUR 1 305.5 million for fruit and vegetables, EUR 131.4 million for milk and milk products and to EUR 38 642 million for decoupled direct aids.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2015 EAGF BUDGET

The budget's provisional implementation for the period 16 October 2014 to 31 August 2015, as presented in Annex 1, is compared to the expenditure profile based on the indicator established in accordance with Article 28 of Regulation (EU) No 1306/2013. 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 2015 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 August 2015, by EUR 107.7 million. This divergence is the net effect of the execution patterns primarily in the fruits and vegetables, milk and milk products and wine sectors.

3.1.1. *Fruit and vegetables (+ EUR 147.1 million in comparison with voted appropriations)*

This implementation level is primarily due to the expenditure for the operational funds for producer organisations scheme and other measures in fruit and vegetables, which are funded both by the voted appropriations and by the assigned revenue (NB: For details please see point 2 above). In contrast, the indicator for the period to 31 August 2015 is applied only to the budget's voted appropriations of EUR 836.2 million, thus not taking into account the assigned revenue.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator been applied to the total appropriations for this article including the assigned revenue of EUR 469.3 million. Had the indicator been applied to the total funding expected to be available for this article (EUR 1 305.5 million), then an under-execution of - EUR 168.3 million would appear.

This is the effect of a lower uptake of all the schemes funded by this article. In particular, the uptake of budgetary appropriations for the crisis measures, available

⁴ EUR 0.9 million to the storage measures for skimmed milk powder, EUR 2.9 million to the storage measures for butter and cream and EUR 50.5 million to the other measures in milk and milk products

⁵ The entire amount to the single payment scheme

under the operational funds for producer organisations and under other measures in fruit and vegetables, was lower than estimated at the moment of adopting the 2015 budget. As regards the traditional operational funds for producer organisations, a lower execution was also observed. Finally, for the School Fruit Scheme, the Member States did not execute fully the increased envelope.

At this point in time, the Commission services expect that there will be an under-execution of this article's appropriations by the end of the budget year.

3.1.2. *Products of the wine-growing sector (- EUR 77.1 million)*

This under-execution is due to a slower rhythm of payments made by the Member States compared to the expenditure profile of the established indicator for the national wine programmes. Member States usually accelerate the rhythm of implementation of these programmes towards the end of the budget year. However, at this point in time, the Commission services expect that there could be an under-execution of this article's appropriations by the end of the budget year.

3.1.3. *Milk and milk products (+ EUR 36.5 million)*

This implementation level is primarily due to the expenditure for the storage and for the other measures in milk and milk products (budget item 05 02 12 99), which are funded both by the voted appropriations and by the assigned revenue (NB: For details please see point 2 above). In contrast, the indicator for the period to 31 August 2015 is applied only to the budget's voted appropriations of EUR 77.1 million, thus not taking into account the assigned revenue.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator been applied to the total appropriations for this article including the assigned revenue of EUR 54.3 million. Had the indicator been applied to the total funding expected to be available for this article (EUR 131.4 million), then an under-execution of - EUR 17.2 million would appear.

The Commission expects a smaller uptake of the appropriations for the school milk scheme and for the crisis measures available for the storage and for the other measures in milk and milk products. At this point in time, the Commission services expect that there will be an under-execution of this article's appropriations by the end of the budget year.

3.2. *Direct aids*

The uptake of appropriations for direct aids compared to the level of the indicator on 31 August 2015 was higher by EUR 819.4 million.

3.2.1. *Decoupled direct aids (+EUR 883.8 million in comparison with voted appropriations)*

This implementation level is primarily due to the expenditure for the single payment scheme, which is funded both by the voted appropriations and by the assigned revenue (NB: For details please see point 2 above). In contrast, the indicator for the period to 31 August 2015 is applied only to the budget's voted appropriations of EUR 37 397 million, thus not taking into account the assigned revenue.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator been applied to the total appropriations for this article including the assigned revenue of EUR 1 245 million. Had the indicator been applied

to the total funding expected to be available for this article (EUR 38 642 million), then an under-execution of – EUR 360.2 million would appear.

At this point in time, Member States have already paid 99% of the estimated 2015 budgetary needs for decoupled direct aids. The Commission expects that available appropriations and assigned revenue would be sufficient to cover the funding needs for this article and that a certain under-execution can be expected at the end of the budget year.

3.2.2. Other direct aids (- EUR 64.3 million)

This under-implementation of voted appropriations for other direct aids as compared to the expenditure profile of the established indicator on 31 August 2015 is the effect of the slower payment rhythm for some schemes in this sector, in particular for the coupled specific support under article 68. At this point in time, the Commission considers that a certain under-execution can be expected at the end of the budget year.

3.3. Audit of agricultural expenditure (- EUR 21.2 million)

In addition to direct expenditure for monitoring and preventive measures amounting to EUR 6.8 million, the 2015 budget included estimates of EUR 20 million for positive accounting clearance corrections and of EUR 60.5 million for payments concerning settlement of disputes. On the basis of the latest information, Member States will be paying compensatory interest for the settlement of disputes which will be lower than the one foreseen in the 2015 budget with the outstanding balance expected to be paid out of the 2016 budget. Furthermore, the Commission also expects to reimburse Member States with amounts of around EUR 20 million and EUR 29.2 million because of positive accounting and conformity clearance of accounts decisions in their favour. At this point in time, the Commission expects an under-execution of the 2015 budget's appropriations for the audit of agricultural expenditure chapter.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in annex 1 shows that assigned revenue amounting to EUR 1 951.8 million was collected as of 31 August 2015. Specifically:

- the revenue expected from corrections based on accounting and conformity clearance decisions has been largely collected and it amounts to EUR 1 062.8 million;
- the revenue from irregularities amounts to EUR 138.3 million with additional amounts also expected by the end of the budget year, and
- at this point in time, the entire revenue from the milk levy has been collected and it amounts to approximately EUR 409.4 million;

Finally, the amount of assigned revenue eventually carried over from 2014 into 2015 amounted to EUR 341.3 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 31 August 2015, amounts to EUR 1 951.8 million with additional amounts of freshly collected assigned revenue from irregularities expected by the end of the budget year.

5. CONCLUSIONS

The provisional execution of the 2015 EAGF budget's appropriations, for the period up to 31 August 2015, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by approximately EUR 880.5 million.

Assigned revenue amounting to EUR 1 951.8 million is already available and additional amounts are still expected to be collected in 2015.

At this point in time, the Commission considers that the amounts of the voted appropriations and the assigned revenue already available and expected by the end of the year will be sufficient to cover the needs of the EAGF in 2015, including the implementation of the crisis measures taken by the Commission following the Russian ban as originally expected when the 2015 budget was established.

Furthermore, as the reserve for crisis in the agricultural sector, amounting to EUR 433 million, has not been called on in 2015, it is foreseen that these unused appropriations will be transferred to financial year 2016 for reimbursement to farmers who will be subject to financial discipline in financial year 2016.

The remaining estimated surplus of the EAGF amounting to EUR 750 million will be incorporated in the Amending Letter No 2 to the Draft Budget 2016.



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Annex 1

Budget Year 2015(1) PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 31/08/2015
in Eur million

		Appropriations Budget(2)	Consumption from November to August	Utilisation	Consumption profile as at August		Gap between consumption and profile	
		EUR mio	EUR mio	%	%	EUR mio	%	EUR mio
		A	B	C=B/A	D	E=D*A	F=C-D	G=B-E
Expenditure								
05 01	ADMINISTRATIVE EXPENDITURE OF THE AGRICULTURE AND RURAL DEVELOP. POLICY AREA							
Total 05 01 ADMIN. EXPEND. OF THE AGRICULTURE AND RURAL DEVELOP. POLICY AREA(3)		8.3	5.8	70.3 %	68.0 %	5.6	2.2 %	0.2
05 02	INTERVENTIONS IN AGRICULTURAL MARKETS							
05 02 01	Cereals	p.m.	0.0					
05 02 02	Rice	p.m.	0.0					
05 02 03	Refunds on non-Annex 1 products	0.1	0.1	52.3 %	94.8 %	0.1	-42.5 %	0.0
05 02 04	Food programmes	p.m.	-0.1					
05 02 05	Sugar	p.m.	0.0					
05 02 06	Olive oil	46.6	40.9	87.9 %	92.8 %	43.2	-4.9 %	-2.3
05 02 07	Textile plants	6.2	6.1	98.9 %	99.5 %	6.2	-0.6 %	0.0
05 02 08	Fruits and vegetables (estimated 469,3 Mio EUR from assigned revenue)(*) (4)	836.2	733.1	87.7 %	70.1 %	585.9	17.6 %	147.1
05 02 09	Products of the wine-growing sector	1 095.0	519.5	47.4 %	54.5 %	596.6	-7.0 %	-77.1
05 02 10	Promotion	65.2	58.6	89.9 %	88.4 %	57.6	1.5 %	1.0
05 02 11	Other plant products/measures	233.4	223.2	95.6 %	93.5 %	218.1	2.2 %	5.0
05 02 12	Milk and milk products (estimated 54,3 Mio EUR from assigned revenue)(*) (4)	77.1	106.9	138.7 %	91.4 %	70.4	47.3 %	36.5
05 02 13	Beef and veal	0.1	0.1	111.3 %	93.6 %	0.1	17.8 %	0.0
05 02 14	Sheepmeat and goatmeat	p.m.	0.0					
05 02 15	Pigmeat, eggs and poultry, bee-keeping and other animal products	40.8	10.8	26.5 %	32.3 %	13.2	-5.8 %	-2.4
Total 05 02 INTERVENTIONS IN AGRICULTURAL MARKETS		2 400.7	1 699.2	70.8 %	66.3 %	1 591.5	4.5 %	107.7
05 03	DIRECT AIDS (**)							
05 03 01	Decoupled direct aids (estimated 1.245,0 Mio EUR credits coming from assigned revenue)(*) (4)	37 397.0	38 253.9	102.3 %	99.9 %	37 370.1	2.4 %	883.8
05 03 02	Other direct aids	3 078.4	3 008.5	97.7 %	99.8 %	3 072.7	-2.1 %	-64.3
05 03 03	Additional amounts of aid	0.2	0.0	21.5 %	74.9 %	0.1	-53.4 %	-0.1
Total 05 03 DIRECT AIDS (**)		40 475.6	41 262.4	101.9 %	99.9 %	40 443.0	2.0 %	819.4
OTHER EXPENDITURE								
05 04 01 14	Completion of Rural develop. financed by the EAGGF-Guarantee Section-Programming period 2000-2006	p.m.	-1.2					
05 04 03	Completion of other measures	p.m.	0.0					
05 07	AUDIT OF AGRICULTURAL EXPENDITURE FINANCED BY THE EAGF	87.3	57.8	66.2 %	90.5 %	79.0	-24.3 %	-21.2
05 08	POLICY STRATEGY AND COORDINATION OF THE AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA (excl. 050877 and 050880)	50.9	23.5	46.2 %	94.2 %	48.0	-48.0 %	-24.4
Total Expenditure		43 022.8	43 047.6	100.1 %	98.0 %	42 167.2	2.0 %	880.5

Assigned Revenue		Taken into account in the budget					
6 7 0 1	Clearance of European Agricultural Guarantee Fund accounts — Assigned revenue	868.6	1 062.8	122.4 %			
6 7 0 2	European Agricultural Guarantee Fund irregularities — Assigned revenue	165.0	138.3	83.8 %			
6 7 0 3	Superlevy from milk producers — Assigned revenue	405.0	409.4	101.1 %			
	Assigned revenue carried over from 2014	330.0	341.3	103.4 %			
Total Revenue		1 768.6	1 951.8	110.4 %			

(*) For information only: expenditure against original appropriations and estimated assigned revenue							
05 02 08	Fruit and vegetables (including estimated assigned revenue of 469,3 Mio EUR)(4)	1 305.5	733.1	56.2 %	69.0 %	901.4	-12.9 %
05 02 12	Milk and milk products (including estimated assigned revenue of 54,3 Mio EUR)(4)	131.4	106.9	81.4 %	94.5 %	124.2	-13.1 %
05 03 01	Decoupled direct aids (including estimated assigned revenue of 1.245,0 Mio EUR)(4)	38 642.0	38 253.9	99.0 %	99.9 %	38 614.2	-0.9 %

(**) Not included							
05 03 09	Reimbursement of direct aids in relation to financial discipline(5)	868.2	462.3	53.2 %			
05 03 10	Reserve for crises in the agricultural sector	433.0	0.0	0.0 %			

(1) Budget year = 16.10.2014 to 15.10.2015 but direct expenditure possible until 31.12.2015

(2) It concerns the commitments

(3) Chapter not exclusively EAGF

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

(5) Credits carried over from the previous year