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

on EAGF expenditure

Early Warning System No 4-6/2018

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 30/04/2018

1. THE 2018 EAGF BUDGETARY PROCEDURE

The 2018 EU budget was adopted by the European Parliament on 30 November 2017. The budget included for the European Agricultural Guarantee Fund (EAGF) commitment and payment appropriations amounting to EUR 43 235 million and EUR 43 189 million respectively, for direct payments and market related expenditure.

The difference between commitment and payment appropriations is due to the fact that differentiated appropriations are used for certain measures that are directly implemented by the Commission. These relate mainly to promotion measures for agricultural products and to policy strategy and coordination measures.

2. REVENUE ASSIGNED TO THE 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 and irregularities is 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 it will be automatically carried forward to the following budget year¹.

The 2018 EAGF budget includes:

- the Commission's latest estimates of the financing needs for market measures and direct payments,
- the estimates of assigned revenue to be collected in the course of the budget year,
- and the carry-over of the balance of assigned revenue left available from the previous budget year.

In its proposal for the 2018 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue, and requested for the 2018 budget a level of appropriations calculated by deducting the estimated assigned revenue from the estimated needs. The Budgetary Authority adopted the EAGF budget taking account of the expected assigned revenue.

At the time of establishing the 2018 budget, the Commission's estimates of the available assigned revenue was EUR 1 475.9 million, composed of:

- the assigned revenue expected to be generated in the course of the 2018 budget year, estimated at EUR 865.9 million (EUR 733.9 million from conformity clearance corrections and EUR 132 million from irregularities);
- the assigned revenue to be carried over from 2017 to 2018, estimated at EUR 610 million.

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.

The Commission assigned this estimated revenue of EUR 1 475.9 million to the following schemes:

- EUR 400 million to the operational funds for producer organisations in fruit and vegetables, and
- EUR 1 075.9 million to the basic payment scheme.

The sum of the voted appropriations and the assigned revenue for these schemes corresponds to:

- EUR 872 million for the operational funds for producer organisations in fruit and vegetables, and
- EUR 17 402 million for the basic payment scheme.

In the annex, presenting the 2018 budget's provisional execution, the figures of the budget appropriations at article level for fruit and vegetables and for the decoupled direct payments do not take account of the aforementioned assigned revenue. They present voted appropriations for these articles amounting to EUR 531.8 million and to EUR 34 309.1 million respectively.

Including the revenue assigned to these articles, the total amounts foreseen in the 2018 budget are EUR 931.8 million for fruit and vegetables and EUR 35 385 million for decoupled direct payments.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2018 EAGF BUDGET

The budget's provisional implementation for the period 16 October 2017 to 30 April 2018 is presented in the annex. This implementation level is compared to the expenditure profile of the Early Warning System (EWS) set up in conformity with Article 28 of Regulation (EU) No 1306/2013.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets was lower than expected, by EUR 56.9 million. Taking into account the assigned revenue of EUR 400 million allocated to the fruit and vegetables sector, the under-execution compared to the calculated expenditure profile becomes EUR 176.4 million.

3.1.1. Fruit and vegetables (+ EUR 73.6 million)

When taking into account the revenue assigned to this sector, the apparent over-execution turns into an under-execution of minus EUR 45.9 million, or minus 4.9% compared to the profile (see the (*) footnote in the Annex).

So far a slower rhythm of execution is observed for the aid to "Operations funds to Producers Organisations", and especially for the "Aid to Producers Groups" as this support scheme is phasing out. The current implementation however does not prejudice the final execution.

3.1.2. Products of the wine-growing sector (- EUR 63.7 million)

The execution gap compared to the profile for this budget article is mainly due to so far lower expenditure in two Member States that have a significant envelope for the wine support programmes. The Commission services closely monitor the implementation.

3.1.3. *Promotion (- EUR 24.2 million)*

At this point in time, the under-execution is considered to be temporary and the implementation is closely monitored by the Commission services.

3.1.4. *Milk and milk products (+ EUR 5.9 million)*

Whilst the current data suggest a rather modest over-execution of the dairy expenditure, the recent tenders for the sale of public stocks of skimmed milk powder will result in a very substantial over-use of the budget line for storage in 2018 (of at least EUR 35 million.)

3.1.5. *Pigmeat, eggs and poultry, bee-keeping and other animal products (- EUR 27.8 million)*

In previous years this budget article included expenditure for beekeeping and measures for the pig meat sector. In 2018 the article finances the aid for beekeeping and exceptional measures related to animal diseases. This year's execution pattern is therefore different from the calculated profile based on previous years' patterns.

3.1.6. *School scheme (- EUR 25.2 million)*

As of school year 2017/2018 the previously separate school fruit and school milk schemes have been merged. The expenditure profile for this budget article 05 02 18 has been developed on the basis of the execution pattern of the former separate school schemes. The apparent under-execution is explained by the fact that payments made this year for the former schemes continue to be booked under budget articles 05 02 08 (Fruit and vegetables) and 05 02 12 (Milk and milk products). Payments under the three budget articles taken together, the implementation is slightly better than expected by the profile.

3.2. **Direct payments**

The uptake of appropriations for direct payments surpassed the consumption profile with EUR 6 620.8 million. Taking into account the assigned revenue allocated to this chapter (EUR 1 075.9 million), the over-execution becomes EUR 5 783.3 million.

3.2.1. *Decoupled direct payments (+ EUR 6 574.7 million)*

The above implementation level indicates a progress in the level of implementation. This is however not fully indicative, given that this Article is funded both by voted appropriations and by assigned revenue whereas the above is compared only against the appropriations (NB: for details please see point 2 above).

A footnote (*) in the provisional execution table in the Annex compares the consumption and consumption profile to the total financial resources available. It shows that the lead on the expenditure profile is EUR 5 737.2 million, or + 16.2%).

The Commission services consider this to be temporary and expect that decoupled direct payments will at the end of the budget year be implemented as foreseen.

3.2.2. *Other direct payments (+ EUR 46.2 million)*

The implementation of other direct payments (covering schemes such as the voluntary coupled support and the small farmers scheme) is close to the foreseen profile and it is expected that this article will at the end of the budget year be implemented as foreseen.

3.3. Audit of agricultural expenditure (- EUR 124.0 million)

For the budget chapter 05 07, the under-consumption indicates that a smaller amount of payments was made early in the financial year compared to the average profile of the previous years. These payments concern mainly financial corrections in favour of Member States following decisions on conformity clearance or financial clearance of previous years' accounts.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 459.6 million was collected as of end April 2018. Specifically:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 377.7 million, with additional amounts still expected by the end of the budget year;
- the revenue from irregularities amounted to EUR 79.1 million, also with additional amounts expected by the end of the budget year, and
- some residual revenue from the milk levy equal to EUR 2.8 million;

Taking into account the amount of assigned revenue carried over from 2017 to 2018 (EUR 603.3 million), the total amount of assigned revenue available on 30 April 2018 for the financing of the EAGF expenditure was EUR 1 062.8 million, with additional amounts expected to be collected during the budget year.

5. CONCLUSIONS

The provisional execution of the 2018 EAGF budget appropriations, for the period up to 30 April 2018, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 6 432.0 million.

An amount of EUR 1 062.8 million of assigned revenue is already available, and additional amounts are expected to be collected in the course of the budget year.

At this point in time, the Commission expects that the voted appropriations together with the amount of assigned revenue available and to be available by the end of the budget year will be sufficient to cover all expenditure.