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

**on EAGGF Guarantee Section expenditure**

**Early warning system**

**No 7/2006**

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## 1. INTRODUCTION

Annex 1 presents the budget's actual implementation, for the period 16 October 2005 to 31 May 2006, compared to the expenditure profile determined by the indicator which was established on the basis of the dispositions of Article 7 of Council Regulation (EC) No 2040/2000 of 26 September 2000 on budgetary discipline<sup>1</sup>.

## 2. COMMENTS ON THE IMPLEMENTATION OF THE 2006 BUDGET

Hereafter follows a brief commentary on the most significant divergences between the actual and the level of implementation pointed out by the indicator for the various sectors of the 2006 budget (NB: In parenthesis, the current level of over (+) or under (–) execution is presented).

### 2.1. Monetary factors

#### *The dollar/euro rate*

The expenditure incurred in the aforementioned period takes account of the movement in the dollar/euro rate. For a large part of export refunds for agricultural products, particularly for cereals and sugar, and of some internal aids such as aid for cotton, expenditure is influenced by the euro/dollar rate.

In accordance with Article 8(1) of Regulation (EC) No 2040/2000, the budget adopted by the Budgetary Authority was drawn up on the basis of the average parity rate for July-September 2005 of EUR 1 = \$ 1.22. It should be noted that for the period 1 August 2005 to 31 May 2006 the average parity rate was approximately equal to EUR 1 = \$ 1.21, i.e. approximately 1% below the rate used for the establishment of the 2006 budget.

### 2.2. Subheading 1a – CAP expenditure (excluding rural development)

#### 2.2.1. *Sugar (+ EUR 316.3 million), Fruit and vegetables (– EUR 118.4 million) and milk (– EUR 114.8 million)*

The reasons behind the implementation patterns for these sectors remain identical to the ones presented in the previous Early Warning System Report No 5-6/2006.

#### 2.2.2. *Refunds on Non-Annex I products (– EUR 84.2 million)*

The general fall in the level of export refund rates as well as the smaller exported volume of processed agricultural products have led to lower refund payments by the Member States, thus, leading to the current under-implementation of this measure's appropriations which is expected to last to the end of the budget year.

#### 2.2.3. *Textile plants (– EUR 13.7 million)*

The Commission has adopted its decision on the aid for cotton. The increase in the world price of cotton have led to a reduction of the rate of aid and a consequent

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<sup>1</sup> OJ L 244, 29.9.2000, p. 27.

reduction in the payments to be made having as result an under-spending of this measure's appropriations by the end of the budget year.

2.2.4. *Pigmeat, eggs and poultry, bee-keeping (– EUR 43.6 million)*

At this point in time, the discontinuation in the payment of export refunds for fresh and frozen pigmeat is expected to result to lower payments. This fact has already been captured by the indicator. However, when the cost of the exceptional support measures for the eggs and poultry sectors as a result of the bird flue epidemic is taken into consideration, and if Member States pay all the aids decided within the current budget year, then, the current under-spending is not expected to last to the end of the budget year.

2.2.5. *Direct aids (– EUR 1 769.1 million)*

The current under-execution of all the measures financed by this article is approximately 40% lower to the level observed at the end of April 2006. As regards decoupled direct aids, specifically: their under-implementation also decreased by approximately 66% compared to the same period. The Commission is closely monitoring the implementation situation on the basis of information provided by the Member States on a regular basis. At this point in time, the Commission can not exclude an under- implementation of the budget's appropriations for this measure.

### 3. CONCLUSIONS

For sub-heading 1a, the uptake of appropriations for the Member States' expenditure from 16 October 2005 to 31 May 2006 amounted to EUR 36 312.8 million, i.e. 83.9% of available appropriations. The overall under-spending of the budget's appropriations when compared to the indicator amounted to approximately – EUR 1 780.2 million for the same period, and concerns both market measures and direct aids.

The Commission is of the view that the under-implementation of the budget's appropriations will continue up to the end of the budget year. However, it is too early to estimate the final foreseeable amount.

For sub-heading 1b, the uptake of appropriations for the Member States' expenditure from 16 October 2005 to 31 May 2006 amounted to EUR 3 838.6 million, i.e. 49.4% of available appropriations. At this point in time, the Commission expects that this sector's appropriations will be executed as proposed in the 2006 budget.

## ANNEX

BUDGET YEAR 2006

## PROVISIONAL CONSUMPTION OF THE APPROPRIATIONS AGAINST ORIGINAL APPROPRIATIONS OF EAGGF-GUARANTEE

Situation to the 31/05/2006

	Original Appropriations Budget (**)	Commitments from Nov. To May	Utilisation	Expenditure profile as at May		Gap between implementation and indicator	
	EUR million	EUR million	EUR million	%	EUR million	%	EUR mio
	a	b	c = (b*100)/a	d	e = (d*a)/100	f = c-d	g = b-e
<b>Subheading 1a: CAP expenditure (not incl. rural development)</b>							
<b>TITLE 05 AGRICULTURE AND RURAL DEVELOPMENT</b>							
05 01	ADMINISTRATIVE EXPENDITURE OF AGRICULTURAL AND RURAL DEVELOPMENT POLICY (1)						
	05010401, 05010406 & 05010407: Monitoring/prevention and pilot projects						
	4,0	0,6	15,6%	29,7%	1,2	-14,1%	-0,6
	<b>4,0</b>	<b>0,6</b>	<b>15,1%</b>	<b>29,7%</b>	<b>1,2</b>	<b>-14,1%</b>	<b>-0,6</b>
05 02	INTERVENTIONS IN AGRICULTURAL MARKETS						
05 02 01	Market measures for cereals						
	700,0	385,2	55,0%	46,3%	324,0	8,7%	61,2
05 02 02	Rice						
	4,0	-0,7	-16,3%	61,4%	2,5	-77,7%	-3,2
05 02 03	Refunds on non-Annex 1 products						
	415,0	183,1	44,1%	64,4%	267,3	-20,3%	-84,2
05 02 04	Food programmes						
	268,0	141,5	52,8%	49,9%	133,7	2,9%	7,8
05 02 05	Sugar						
	1.376,0	1.222,4	88,8%	65,8%	906,0	23,0%	316,3
05 02 06	Olive oil						
	35,0	20,4	58,2%	80,3%	28,1	-22,1%	-7,7
05 02 07	Textile plants						
	969,0	758,0	78,2%	79,6%	771,7	-1,4%	-13,7
05 02 08	Fruit and vegetables						
	1.544,0	776,8	50,3%	58,0%	895,5	-7,7%	-118,4
05 02 09	Products of the wine-growing sector						
	1.494,0	1.002,6	67,1%	68,8%	1.028,6	-1,7%	-25,9
05 02 10	Promotion						
	52,0	22,5	43,3%	57,6%	30,0	-14,3%	-7,5
05 02 11	Other plant products/measures						
	297,6	170,7	57,3%	58,9%	175,3	-1,6%	-4,6
05 02 12	Milk and milk products						
	858,0	624,1	72,7%	86,1%	738,9	-13,4%	-114,8
05 02 13	Beef and veal						
	388,0	191,1	49,2%	62,4%	242,2	-13,2%	-51,1
05 02 14	Sheepmeat and goatmeat						
	0,0	0,0	0,0%				
05 02 15	Pigmeat, eggs and poultry, bee-keeping and other animal products						
	164,0	49,5	30,2%	56,8%	93,2	-26,6%	-43,6
05 02 99	Recoveries						
	-50,0	-24,9	44,5%	61,9%	-34,7	-17,4%	9,8
	<b>8.608,6</b>	<b>5.522,3</b>	<b>64,9%</b>	<b>65,8%</b>	<b>5.602,2</b>	<b>-0,9%</b>	<b>-79,9</b>
05 03	DIRECT AIDS						
05 03 01	Decoupled direct aids						
	16.375,0	14.895,6	91,0%	95,9%	15.703,6	-4,9%	-808,0
05 03 02	Other direct aids						
	18.105,9	15.649,3	86,4%	91,4%	16.548,8	-5,0%	-899,5
05 03 03	Additional amounts of aid						
	347,0	48,9	14,1%	24,4%	84,7	-10,3%	-35,8
05 03 04	Ancillary aids (relinquats, small producers, agrimonetary aids, etc.)						
	0,0	0,0	0,0%				
05 03 99	Recoveries						
	-11,0	-32,6	296,4%	61,9%	-6,8	234,6%	-25,8
	<b>34.816,9</b>	<b>30.561,1</b>	<b>87,8%</b>	<b>92,9%</b>	<b>32.330,3</b>	<b>-5,1%</b>	<b>-1.769,1</b>
05 07	AUDIT OF AGRICULTURAL EXPENDITURE (1)						
	05070101, 05070102 and 050702: monitoring and preventive measures and settlement of disputes						
	9,4	10,9	115,9%	78,2%	7,4	37,7%	3,5
	<b>9,4</b>	<b>10,9</b>	<b>115,9%</b>	<b>78,2%</b>	<b>7,4</b>	<b>37,7%</b>	<b>3,5</b>
05 08	POLICY STRATEGY AND COORDINATION OF AGRICULTURE AND RURAL DEVELOPMENT POLICY (1)						
	050806: enhancing public awareness of the CAP						
	6,5	0,6	9,8%	30,0%	2,0	-20,2%	-1,3
	<b>6,5</b>	<b>0,6</b>	<b>9,8%</b>	<b>30,0%</b>	<b>2,0</b>	<b>-20,2%</b>	<b>-1,3</b>
<b>TITLE 11 FISHERIES</b>							
11 02	FISHERIES MARKETS (2)						
	33,2	16,0	48,2%	61,3%	20,3	-13,1%	-4,3
	<b>33,2</b>	<b>16,0</b>	<b>48,2%</b>	<b>61,3%</b>	<b>20,3</b>	<b>-13,1%</b>	<b>-4,3</b>
<b>TITLE 17 HEALTH AND CONSUMER PROTECTION</b>							
17 01	ADMINISTRATIVE EXPENDITURE OF POLICY AREA HEALTH AND CONSUMER PROTECTION (1)(2)						
	17010401 and 17010404&05: Plant health measures, pilot study and feed&food safety						
	8,1	0,0	0,0%	50,0%	4,0	-50,0%	-4,0
	<b>8,1</b>	<b>0,0</b>	<b>0,0%</b>	<b>50,0%</b>	<b>4,0</b>	<b>-50,0%</b>	<b>-4,0</b>
17 03	PUBLIC HEALTH (1)(2)						
	170302 Community tobacco fund: direct payments by the EU						
	14,6	0,0	0,0%	61,6%	9,0	-61,6%	-9,0
	<b>14,6</b>	<b>0,0</b>	<b>0,0%</b>	<b>61,6%</b>	<b>9,0</b>	<b>-61,6%</b>	<b>-9,0</b>
17 04	FOOD SAFETY, ANIMAL HEALTH AND WELFARE, PLANT HEALTH (1)(2)						
	170401 to 05 and 170407: Veterinary, animal welfare, public health, plant health, feed&food and other measures						
	278,5	198,9	71,4%	78,6%	219,0	-7,2%	-20,1
	<b>278,5</b>	<b>198,9</b>	<b>71,4%</b>	<b>78,6%</b>	<b>219,0</b>	<b>-7,2%</b>	<b>-20,1</b>
	<b>43.679,7</b>	<b>36.310,5</b>	<b>83,1%</b>	<b>87,4%</b>	<b>38.195,3</b>	<b>-4,3%</b>	<b>-1.884,8</b>
05 07	AUDIT OF AGRICULTURAL EXPENDITURE (1)						
	05070106 Accounting clearance of previous years' accounts and reduction/suspension of advances for 1a						
	-70,0	2,3	-3,3%	0,0%	0,0	-3,3%	2,3
	05070107 Conformity clearance of previous years' accounts of shared management expenditure under 1a						
	-330,0	0,0	0,0%	31,0%	-102,3	-31,0%	102,3
	<b>-400,0</b>	<b>2,3</b>	<b>-0,6%</b>	<b>25,6%</b>	<b>-102,3</b>	<b>-26,1%</b>	<b>104,6</b>
	<b>43.279,7</b>	<b>36.312,8</b>	<b>83,9%</b>	<b>88,0%</b>	<b>38.093,0</b>	<b>-4,1%</b>	<b>-1.780,2</b>
<b>Subheading 1b: Rural development</b>							
05 04	RURAL DEVELOPMENT						
	050401 Rural development in the EAGGF Section - Eur 15						
	5.675,0	1.742,9	30,7%	32,3%	1.833,2	-1,6%	-90,3
	050404 Rural development in the EAGGF Section - Eur 10 (3)						
	2.096,0	2.096,0	100,0%	100,0%	2.096,0	0,0%	0,0
	<b>7.771,0</b>	<b>3.838,9</b>	<b>49,4%</b>	<b>50,6%</b>	<b>3.929,2</b>	<b>-1,2%</b>	<b>-90,3</b>
	<b>7.771,0</b>	<b>3.838,9</b>	<b>49,4%</b>	<b>50,6%</b>	<b>3.929,2</b>	<b>-1,2%</b>	<b>-90,3</b>
05 07	AUDIT OF AGRICULTURAL EXPENDITURE (1)						
	05070108 Accounting clearance of previous years' accounts and reduction/suspension of advances for 1b						
	0,0	-0,3	0,0%		0,0		-0,3
	05070109 Conformity clearance of previous years' accounts of shared management expenditure under 1b						
	0,0	0,0	0,0%		0,0		0,0
	<b>0,0</b>	<b>-0,3</b>	<b>0,0%</b>		<b>0,0</b>		<b>-0,3</b>
	<b>7.771,0</b>	<b>3.838,6</b>	<b>49,4%</b>	<b>50,6%</b>	<b>3.929,2</b>	<b>-1,2%</b>	<b>-90,6</b>
<b>TOTAL EAGGF-Guarantee budget (excluding clearance)</b>							
	<b>51.450,7</b>	<b>40.149,4</b>	<b>78,0%</b>	<b>81,9%</b>	<b>42.124,5</b>	<b>-3,8%</b>	<b>-1.975,1</b>
<b>TOTAL EAGGF-Guarantee budget (including clearance)</b>							
	<b>51.050,7</b>	<b>40.151,4</b>	<b>78,6%</b>	<b>82,3%</b>	<b>42.022,2</b>	<b>-3,7%</b>	<b>-1.870,8</b>

(\*) Budget year = 16.10.05 to 15.10.06 but direct expenditure possible until 31.12.06

(\*\*) Commitments

(1) Chapter not exclusively EAGGF-Guarantee

(2) Chapter outside title 05 but included in EAGGF-Guarantee

(3) Differentiated appropriations