EUROPEAN COMMISSION

Brussels, 27.6.2012
COM(2012) 349 final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on EAGF expenditure

Early Warning System No 4-5/2012

TABLE OF CONTENTS

1. INTRODUCTION

For the period 16 October 2011 to 31 March 2012, the budget's actual implementation level compared to the expenditure profile foreseen by the indicator, established on the basis of the dispositions of article 20 of Council Regulation (EC) No 1290/2005[1], is presented in Annex 1.

2. REVENUE ASSIGNED TO EAGF

On the basis of the rules of article 34 of Council Regulation (EC) No 1290/2005, on the financing of the Common Agricultural Policy, revenue originating from financial corrections under conformity clearance decisions, from irregularities and from the milk levy are designated as revenue assigned to the financing of EAGF expenditure. According to these rules, assigned revenue can be used to cover the financing of EAGF expenditure incurred by the Member States. In the event part of this revenue is not used, then, this part will be automatically carried forward to the following budget year.[2]

The 2012 EAGF budget included both: the Commissions' latest estimate on the amount of appropriations, which would be needed in order 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 the course of the budget year concerned and the carryover of the balance of assigned revenue left available from the previous budget year. In its proposal for the amount of EAGF appropriations for the 2012 budget, the Commission took into consideration the total expected assigned revenue and requested in 2012 a level of appropriations calculated by deducting the estimated assigned revenue from its estimated expenditure. The Budgetary Authority adopted the new EAGF budget taking account of the expected assigned revenue.

At the time of establishing the budget for 2012, the Commission’s estimates for the available assigned revenue amounted to EUR 1 010 million. Specifically:

– The assigned revenue expected to be generated in the course of the 2012 budget year was estimated at EUR 805 million. Amounts of EUR 600 million and EUR 150 million were expected from conformity clearance corrections and from irregularities respectively. The receipts from the milk levy were estimated at EUR 55 million.

– The amount of assigned revenue expected to be carried over from the budget year 2011 into 2012 was estimated at EUR 205 million.

In the 2012 budget, the Commission allocated this assigned revenue of EUR 1 010 million to two schemes. Specifically:

– EUR 310 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and

---

1 OJ L 209, 11.8.2005, p.1

2 Assigned revenue carried over has to be used first, this means before the appropriations voted by the Budgetary Authority or the assigned revenues generated in the year (Art 10 of the Financial Regulation).

– EUR 700 million to the single payment scheme.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 496 million and to EUR 30 472 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 806 million for the operational funds for producer organisations in the fruits and vegetables sector and EUR 31 172 million for the single payment scheme.

In annex 1, which presents the 2012 budget's provisional execution for the period to 31 March 2012, the figures of the budget appropriations for fruits and vegetables and for decoupled direct aids present voted appropriations for these two sectors, which amount to EUR 788 million and to EUR 37 189 million respectively, without taking account of the aforementioned assigned revenue. After including the revenue assigned to these sectors, the total appropriations foreseen in the 2012 budget amounted to EUR 1 098 million for fruits and vegetables and to EUR 37 889 million for decoupled direct aids.

3. REVENUE ORIGINATING FROM THE TEMPORARY RESTRUCTURING AMOUNTS (SUGAR SECTOR)

The temporary restructuring amounts in the sugar sector are treated as assigned revenue intended to finance the sugar restructuring aid and other aids foreseen in the Sugar Restructuring Fund. For three marketing years: 2006/07, 2007/08 and 2008/09, these amounts relating to the sugar, inulin syrup and isoglucose quantitative quotas held by operators in each Member State were paid into the Fund. At the time of establishment of the 2012 budget an amount of EUR 832.2 million was expected to be carried over from the budget year 2011 into 2012.

4. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2012 EAGF BUDGET

The budget's provisional implementation level for the period 16 October 2011 to 31 March 2012 is presented in Annex 1. This implementation level is compared to the expenditure profile based on the indicator, which was established on the basis of the provisions of article 20 of Council Regulation (EC) No 1290/2005. Below a brief commentary is presented for certain budget articles, which show the most significant divergences between the actual and the expected level of implementation of the 2012 budget.

4.1. 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 March 2012, by EUR 253.6 million. This divergence is primarily attributed to the food programmes, wine and fruits and vegetables sectors. At the same time, other sectors presented in total a small under-implementation.

4.1.1. *Food programmes (+ EUR 31.4 million)*

When compared to the level of execution pointed out by the indicator on 31 March 2012, the current over-execution is due to the Member States' administrative and transport costs linked to the management of the 2011 programme which were paid and declared in 2012 as well as to the faster than expected outtake of skimmed milk powder from intervention stores for distribution to the most deprived persons in the Union. It should be noted that this faster implementation rhythm should not constitute any risk of exceeding the budget's voted appropriations which have been fixed at EUR 500 million for these programmes.

4.1.2. *Fruit and vegetables (+ EUR 105.7 million in comparison with voted appropriations)*

As regards voted appropriations, this implementation level is primarily due to the expenditure for the operational funds for producer organisations scheme, which is funded both by the budget’s voted appropriations and by the revenue assigned to this scheme in the 2012 budget (NB: For details please see point 2 above). This implementation level is the result of applying the indicator for the period to 31 March 2012 to the budget’s voted appropriations, which do not include the revenue assigned to this sector.

Furthermore, for the period under examination, Member States made payments at a rhythm which was faster than the level of the indicator established for the aid to producer groups for preliminary recognition scheme. At this point in time, the Commission expects that the expenditure to be incurred for this scheme in 2012 will be higher than the corresponding appropriations included in the 2012 budget.

Consequently, the Commission considers that the total appropriations available for this sector will not be sufficient to cover the expenditure expected to be incurred by Member States in 2012.

As from 2010, for the benefit of the reader, the Commission introduced footnote * to the provisional execution table which appears in annex 1. This footnote shows what the situation would be, had the indicator, as of 31 March 2012, been applied to the total appropriations, which are expected to be available in order to fund this sector. As it is pointed out in point 2 above, the total funding expected to be available for this sector is composed of the budget’s voted appropriations of EUR 788 million and of the revenue assigned to this sector which is estimated at EUR 310 million. Therefore, had the indicator been applied to the total funding of EUR 1 098 million expected to be available for this sector, then, the observed over-execution would be reduced to EUR 12.3 million.

4.1.3. *Products of the wine-growing sector (+EUR 115.4 million)*

When compared to the level of execution pointed out by the indicator on 31 March 2012, the current over-execution is due to the acceleration of the rhythm of payments made by Member States for the national support programmes for the wine sector. It should be noted that this faster implementation rhythm for these programmes does not constitute any risk of exceeding the budget's appropriations as they are equal to the financial ceilings established by the legislation for these programmes.

4.2. Direct aids

The uptake of appropriations for direct aids compared to the level of the indicator on 31 March 2012 was higher by EUR 1 152.1 million.

4.2.1. Decoupled direct aids (+EUR 987.3 million in comparison with voted appropriations)

As regards voted appropriations, the single payment scheme (SPS) presents an over-execution which results both from applying the indicator for the period to 31 March 2012 to the budget's voted appropriations which do not include the revenue assigned to this sector as well as from the general authorisation granted by the Commission to Member States to pay advances of direct aids as of 16 October 2011. Furthermore, it should be noted that the implementation rhythm of all other schemes within this sector, ie. SAPS, separate sugar and fruits and vegetables payment and specific support (article 68), was faster compared to the level of the indicator.

Indeed, Member States have already paid till now more than 96% of the estimated needs in the budget as compared to 94% at the same time for the 2010 claims paid in 2011.

As from 2010, for the benefit of the reader, the Commission introduced footnote * to the provisional execution table which appears in annex 1. This footnote shows which would be the situation had the indicator, as of 31 March 2012, been applied to the total appropriations which are expected to be available in order to fund decoupled direct aids. As it is pointed out in point 2 above, the total funding expected to be available for decoupled direct aids is composed of the budget’s voted appropriations of EUR 37 189 million and of the revenue assigned to decoupled direct aids which is estimated to amount to EUR 700 million. Therefore, had the indicator been applied to the total funding of EUR 37 889 million expected to be available for decoupled direct aids, then, the observed over-execution would be smaller at EUR 320.2 million.

At this point in time, the Commission is closely following the implementation situation for decoupled direct aids.

4.2.2. Other direct aids (+EUR 165.5 million)

Following the general authorisation granted by the Commission to Member States to pay advances of direct aids as of 16 October 2011, payments were made at a faster rhythm compared to the level of the indicator on 31 March 2012 for certain schemes like: the suckler cows and the beef special premiums as well as for the aids for starch potato producers and for the area payments for rice and cotton. Similarly to decoupled direct aids, the Commission, at this point in time, is closely following the implementation situation for other direct aids.

4.3. Audit of agricultural expenditure

4.3.1. Accounting clearance of previous years’ accounts (+EUR 58.3 million)

For the period to 31 March 2012, Member States declared positive clearance of accounts corrections of EUR 0.7 million. The current implementation level results from the comparison of these corrections with the level of the corresponding indicator as of 31 March 2012. However, it should be noted that, at this point in time, neither all accounting clearance decisions expected within this budget year have been taken nor all clearance of accounts corrections have been declared by the Member States concerned.

It should be pointed out that the Commission, in its Amending Letter for 2012, had proposed corrections amounting to – EUR 69 million. The Budgetary Authority adopted the 2012 budget in which this amount was set at – EUR 200 million.

At this point in time the Commission considers that the expected corrections from its accounting clearance decisions and from the non-respect of aid payments' deadlines by the Member States would not be sufficient to cover in full the higher amount of – EUR 200 million. The Commission would need to cover the resulting significant shortfall of negative budget appropriations by positive budget appropriations in order to close this budget item in 2012.

4.4. Other expenditure

4.4.1. Food and feed safety, animal health, animal welfare and plant health (- EUR 59 million)

The schemes funded under this article involve direct payments by the Commission. Due to the improved animal health situation and the changes in the legislation where fewer tests are required for TSE, the expected needs for the animal disease and eradication programmes are smaller compared to the ones estimated at the time of preparation of the 2012 budget. At this point in time, it is expected that this budget article's appropriations will be under-executed.

5. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in Annex 1 shows that assigned revenue amounting to EUR 477.2 million was collected as of 31 March 2012. Specifically:

– the revenue from corrections based on conformity clearance decisions amounted to EUR 345.7 million with additional amounts expected by the end of the budget year,

– the revenue from irregularities amounted to approximately EUR 74.9 million with additional amounts also expected by the end of the budget year, and

– at this point in time, the main share of the revenue from the milk levy has been collected and it amounts to EUR 56.6 million.

Finally, the amount of assigned revenue eventually carried over from 2011 into 2012 amounted to EUR 441.5 million which is significantly higher than the initially estimated amount of EUR 205 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 31 March 2012, amounts to EUR 918.6 million. At this point in time, the amount of assigned revenue still to be collected would amount to EUR 327.8 million (on the basis of the 2012 budget hypothesis that estimated assigned revenue to be generated in 2012 would be equal to EUR 805 million of which EUR 477.2 million has been already collected).

6. IMPLEMENTATION OF REVENUE ORIGINATING FROM THE TEMPORARY RESTRUCTURING AMOUNTS (SUGAR SECTOR)

In accordance with the legislation no new temporary restructuring amounts have been collected from the Member States since November 2009. Therefore, the total assigned revenue available to the Sugar Restructuring Fund equals the amount carried over from the budget 2011, which, contrary to the initial estimates, amounts to EUR 856.8 million (higher than the EUR 832.2 million foreseen in the 2012 budget due to lower, than expected, aid payments made at the end of 2011).

7. IMPLEMENTATION OF SUGAR RESTRUCTURING FUND

As of the end of March 2012, Member States had made payments of EUR 69 million for aids concerning restructuring measures, for diversification aids or for aids to sugar refining.

8. CONCLUSIONS

The provisional execution of the 2012 EAGF budget's appropriations, for the period up to 31 March 2012, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by EUR 1 359.7 million. This was mostly due to the general authorisation granted by the Commission to pay advances of direct aids as of 16 October 2011 which led to a faster payment rhythm for these aids.

Assigned revenue amounting to EUR 918.6 million is available and an amount of EUR 327.8 million is still expected to be collected in 2012. At this point it time, the Commission expects that the amount of assigned revenue which is available as well the one which will become available, in the course of the year, will be sufficient to cover the funding of the fruits and vegetables and decoupled direct aids sectors as initially expected when the 2012 budget was established.

As regards the increase of accounting clearance corrections to – EUR 200 million (see point 4.3.1 above), the Commission will closely follow the evolution of the budget's execution in order to see if the under-execution in other parts of the budget will allow funding the part of the higher negative expenditure, which would not be covered by the amounts actually collected by the Commission pursuant to its accounting clearance decisions and other corrections for non-respect of the aid payments' deadlines by the Member States concerned.

Annex 1

BUDGET YEAR 2012 (**)

PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 31/03/2012

in EUR million

		Appropriations Budget (***)	Consumption from November to March	Utilisation	Consumption profile as at March		Gap between implementation and indicator	
		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	(1) ADMINISTRATIVE EXPENDITURE FOR EAGF 05010401	8,8	1,2	14,2 %	12,5 %	1,1	1,7 %	0,1
	Total 05 01 Administrative expenditure for EAGF	**8,8**	**1,2**	**14,2 %**	**12,5 %**	**1,1**	**1,7 %**	**0,1**
05 02	INTERVENTIONS IN AGRICULTURAL MARKETS							
05 02 01	Cereals	43,0	28,9	67,1 %	67,9 %	29,2	-0,8 %	-0,4
05 02 02	Rice	p.m.	0,8	0,0 %				
05 02 03	Refunds on non-Annex 1 products	12,0	5,0	41,5 %	55,5 %	6,7	-14,0 %	-1,7
05 02 04	Food programmes	500,1	72,0	14,4 %	8,1 %	40,5	6,3 %	31,4
05 02 05	Sugar	1,2	-0,2	-15,7 %	65,6 %	0,8	-81,3 %	-1,0
05 02 06	Olive oil	68,5	12,4	18,1 %	28,6 %	19,6	-10,4 %	-7,1
05 02 07	Textile plants	27,0	12,6	46,6 %	39,6 %	10,7	7,0 %	1,9
05 02 08	Fruits and vegetables (estimated 310 Mio EUR from assigned revenue)(*)(****)	788,0	343,2	43,5 %	30,1 %	237,4	13,4 %	105,7
05 02 09	Products of the wine-growing sector	1.108,9	349,3	31,5 %	21,1 %	233,8	10,4 %	115,4
05 02 10	Promotion	55,4	22,0	39,8 %	42,9 %	23,8	-3,1 %	-1,7
05 02 11	Other plant products/measures	356,5	189,0	53,0 %	53,2 %	189,5	-0,1 %	-0,5
05 02 12	Milk and milk products	91,1	49,9	54,8 %	43,1 %	39,3	11,6 %	10,6
05 02 13	Beef and veal	46,1	19,4	42,1 %	47,1 %	21,7	-4,9 %	-2,3
05 02 14	Sheepmeat and goatmeat	p.m.	0,0					
05 02 15	Pigmeat, eggs and poultry, bee-keeping and other animal products	133,0	54,4	40,9 %	39,2 %	52,1	1,7 %	2,3
	Total 05 02 Interventions in agricultural markets (excluding 05 02 16 and 05 02 17)	**3.230,8**	**1.158,6**	**35,9 %**	**28,0 %**	**905,1**	**7,8 %**	**253,6**
05 03	DIRECT AIDS							
05 03 01	Decoupled direct aids (estimated 700 Mio EUR credits coming from assigned revenue)(*)(****)	37.189,0	36.431,5	98,0 %	95,3 %	35.444,2	2,7 %	987,3
05 03 02	Other direct aids	3.320,7	2.400,2	72,3 %	67,3 %	2.234,7	5,0 %	165,5
05 03 03	Additional amounts of aid	1,0	0,1	8,1 %	79,0 %	0,8	-71,0 %	-0,7
	Total 05 03 Direct aids	**40.510,7**	**38.831,8**	**95,9 %**	**93,0 %**	**37.679,7**	**2,8 %**	**1.152,1**
	OTHER EXPENDITURE							
05 04	05040114 Rural development financed by the EAGGF-Guarantee Section-Programming period 2000-2006	p.m.	-1,9					
	05040302 Plant and animal genetic resources-Completion of earlier measures	p.m.	0,0					
05 07	05070106 Accounting clearance of previous years' accounts	-200,0	0,7	-0,4 %	28,8 %	-57,6	-29,2 %	58,3
	(3) 05070107 Conformity clearance of previous years' accounts	p.m.	0,0					
	Other lines (05070102 and 050702)	7,3	0,1	2,0 %	27,4 %	2,0	-25,4 %	-1,9
05 08	POLICY STRATEGY AND COORDINATION OF THE AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA (excl. 050810 to 050812)	45,8	5,1	11,2 %	36,2 %	16,6	-25,1 %	-11,5
11 01	(2) Only 11010408 EAGF Non-operational technical assistance	0,5	0,0	0,0 %	0,0 %	0,0	0,0 %	0,0
11 02	(2) FISHERIES MARKETS (excl. 11020103)	30,0	0,0	0,0 %	100,0 %	30,0	-100,0 %	-30,0
17 01	(1) (2) ADMINISTRATIVE EXPENDITURE OF 'HEALTH AND CONSUMER PROTECTION' POLICY AREA 17010401, 17010405, 17010407 and 17010431	2,8	1,2	44,3 %	53,1 %	1,5	-8,8 %	-0,2
17 03	(1) (2) PUBLIC HEALTH 17 03 02 Community tobacco fund - direct payments by the Union	p.m.	0,0	0,0 %				
17 04	(1) (2) FOOD AND FEED SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH 170401 to 170407 (excl. 17040102, 17040303 and 170406)	333,0	216,5	65,0 %	82,7 %	275,5	-17,7 %	-59,0
	Total Expenditure (excluding 05 02 16 and 05 02 17)	**43.969,6**	**40.213,5**	**91,5 %**	**88,4 %**	**38.853,8**	**3,1 %**	**1.359,7**

	Assigned Revenue	**taken into account in the budget**						
6 7 0 1	Clearance of EAGF accounts — Assigned revenue	600,0	345,7					
6 7 0 2	EAGF irregularities — Assigned revenue	150,0	74,9					
6 7 0 3	Superlevy from milk producers — Assigned revenue	55,0	56,6					
	Assigned revenue carried over from 2011	205,0	441,5					
	Total Revenue (excluding 6 8)	**1.010,0**	**918,6**					

	Sugar Restructuring Fund	**taken into account in the budget**						
05 02 16	Sugar Restructuring Fund	193,0	69,0					
6 8 0 1	Temporary restructuring amounts — Assigned revenue	p.m.	0,0					
	Assigned revenue carried over from 2011	832,2	856,8					
6 8 0 2	Irregularities concerning the temporary restructuring fund — Assigned revenue	p.m.	7,8					
6 8 0 3	Clearance with regard to the temporary restructuring fund — Assigned revenue	p.m.	0,0					
	Total Sugar Restructuring Fund	**639,2**	**795,6**					

	(*) For information only: expenditure against original appropriations and estimated assigned revenue							
05 02 08	Fruits and vegetables (incl. estimated assigned revenue of 310 Mio EUR)(****)	1.098,0	343,2	31,3 %	30,1 %	330,8	1,1 %	12,3
05 03 01	Decoupled direct aids (including estimated assigned revenue of 700 Mio EUR)(****)	37.889,0	36.431,5	96,2 %	95,3 %	36.111,3	0,8 %	320,2

(**) Budget year = 16.10.2011 to 15.10.2012 but direct expenditure possible until 31.12.2012

(***) It concerns the commitments

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

(1) Chapter not exclusively EAGF

(2) Chapter outside title 05 but included in EAGF

(3) Used only for cases in which Member States are beneficiaries