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

on EAGF expenditure

Early Warning System No 5/2013

TABLE OF CONTENTS

1.	Introduction.....	3
2.	Revenue assigned to EAGF	3
3.	Comments on the provisional implementation of the 2013 EAGF budget	4
4.	Implementation of revenue assigned to EAGF.....	7
5.	Conclusions.....	7

ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/03/2013

1. INTRODUCTION

For the period 16 October 2012 to 31 March 2013, 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 1290/2005¹, 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 any EAGF expenditure. 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 2013 EAGF budget included both: the Commissions' latest 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 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 2013 budget, the Commission took into consideration the total expected assigned revenue and requested for the DB 2013 a level of appropriations calculated by deducting the estimated assigned revenue from the estimated needs. The Budgetary Authority adopted the new EAGF budget taking account of the expected assigned revenue.

At the time of establishing the budget for 2013, the Commission's estimates for the available assigned revenue amounted to EUR 1 533 million. Specifically:

- The assigned revenue expected to be generated in the course of the 2013 budget year was estimated at EUR 628 million. Amounts of EUR 389 million and EUR 161 million were expected from conformity clearance corrections and from irregularities respectively. The receipts from the milk levy were estimated at EUR 78 million.
- The amount of assigned revenue expected to be carried over from the budget year 2012 into 2013 was estimated at EUR 905 million (including the remaining balance of the Sugar Restructuring Fund estimated at EUR 675 million).

In the 2013 budget, the Commission assigned this initially estimated revenue of EUR 1 533 million to two schemes. Specifically:

¹ OJ L 209, 11.8.2005, p.1

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.

- EUR 500 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and
- EUR 1 033 million to the single payment scheme.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 267 million and to EUR 30 635 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 767 million for the operational funds for producer organisations in the fruits and vegetables sector and EUR 31 668 million for the single payment scheme.

In annex 1, which presents the 2013 budget's provisional execution for the period to 31 March 2013, 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 611 million and to EUR 38 076 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these sectors, the total appropriations foreseen in the 2013 budget amounted to EUR 1 111 million for fruits and vegetables and to EUR 39 109 million for decoupled direct aids.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2013 EAGF BUDGET

The budget's provisional implementation level for the period 16 October 2012 to 31 March 2013 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 dispositions of Article 20 of Council Regulation (EC) No 1290/2005. 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 2013 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 March 2013, by EUR 95.4 million. This divergence is a net effect of the execution patterns primarily in the fruits and vegetables sector and in the food programmes.

3.1.1. Food programmes (- EUR 45.6 million)

A slower up-take of the appropriations for the Most Deprived Persons scheme than foreseen by the level of the indicator is related to prevailing uncertainty regarding the future of the scheme and thus implementation of 2013 scheme is postponed by the majority of the Member States to later months in the year. Clearly, as 2013 is the last year of this scheme, pressure exists on the level of the MS to execute the budget in full in 2013; thus, the Commission perceives this divergence as temporary.

3.1.2. Fruit and vegetables (+ EUR 172.8 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 2013 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 2013 to the budget's voted appropriations, which do not include the revenue assigned to this sector.

At this point in time, the Commission considers that the total appropriations available for this sector will be sufficient to cover the expenditure expected to be incurred by Member States in 2013.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator, as of 31 March 2013, 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 611 million and of the revenue assigned to this sector which is estimated at EUR 500 million. Therefore, had the indicator been applied to the total funding of EUR 1 111 million expected to be available for this sector, then, an over-execution of EUR 16.9 million would appear. This can be explained by a continuously higher uptake of appropriations available for the aid to producer groups for preliminary recognition. The Commission continues to closely follow the execution developments in this article.

3.2. Direct aids

The uptake of appropriations for direct aids compared to the level of the indicator on 31 March 2013 was higher by EUR 1 326.2 million.

3.2.1. Decoupled direct aids (+EUR 1 221.2 million in comparison with voted appropriations)

As regards voted appropriations, the single payment scheme (SPS) presents an over-execution which results from applying the indicator for the period to 31 March 2013 to the budget's voted appropriations which do not include the revenue assigned to this sector. The implementation of the SPS on 31 March 2013 runs still at a slightly faster rhythm: 97.5% compared to 97.0% in 2012. On the other hand, the uptake of the available appropriations for the single area payment scheme (SAPS) and the other schemes in this sector has been slower than expected by the level of the indicator. Indeed, for SAPS Member States have already paid till now approximately 92.6% of the estimated needs in the budget as compared to 94.9% at the same time for the 2011 claims paid in 2012³.

A footnote * in the provisional execution table in annex 1 shows which would be the situation had the indicator, as at 31 March 2013, 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 38 076 million and of the revenue assigned to decoupled direct aids which is estimated to amount to EUR 1 033 million. Therefore, had the indicator been applied to the total funding of EUR 39 109 million expected to be available for decoupled direct aids, then, the observed over-execution would amount to EUR 234.4 million.

³ The level of implementation for decoupled direct aid is calculated as a percentage of the budgeted needs, including for the SPS the amount of the assigned revenue.

This divergence results from the fact that the indicator for SPS is based on the average rhythm of payment of the years 2010-2012, and amounts to 96.9%, as compared to actual execution till 31 March 2013 of 97.5%.

As compared to the situation on 28 February 2013, the payment rhythm of the SPS has slowed down and the gap between actual execution and the level of the indicator has significantly decreased. Taking this into account the Commission expects at this point in time, that this over-execution in decoupled direct aids can be considered temporary and that the available appropriations and assigned revenue are sufficient to cover the actual execution for this article.

3.2.2. Other direct aids (+EUR 105.6 million)

A faster uptake of the voted appropriations for other direct aids is a net effect of a faster rhythm of payments compared to the level of the indicator on 31 March 2013 for certain schemes, especially for the suckler cow premium. On the other hand, execution of the coupled specific support scheme under article 68 is slightly slower than expected by the level of the indicator. The Commission, at this point in time, is closely following the implementation situation for other direct aids.

3.3. Audit of agricultural expenditure

3.3.1. Accounting clearance of previous years' accounts (+EUR 66.0 million)

Until 31 March 2013, Member States have not declared any clearance of accounts corrections as no accounting clearance decision has been taken by the Commission. The current implementation level results from the level of the corresponding indicator as of 31 March 2013.

It should be pointed out that the Commission, in its Amending Letter for 2013, had proposed corrections amounting to – EUR 56 million, based on the average execution of previous years as such corrections are not predictable. In the new Draft Budget drawn up in November, following the failure in the first conciliation, this amount was increased to – EUR 100 million. In the end, following the conciliation of 5 December 2012, the Budgetary Authority adopted the 2013 budget in which this amount was finally 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 eventually cover the resulting shortfall of negative budget appropriations by transferring positive budget appropriations from other items in order to close this budget item in 2013.

3.4. Policy area 11 and 17

3.4.1. Fisheries markets (- EUR 21.6 million)

The level of the indicator for these budget items was established on the basis of the initial planning of the commitments for this sector which was expected to be made in the month of March 2013. However, due to minor timing issues, some commitments were only completed in April 2013, thus this difference is clearly temporary.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in Annex 1 shows that assigned revenue amounting to EUR 272 million was collected as of 31 March 2013. Specifically:

- the revenue from corrections based on conformity clearance decisions amounted to EUR 107.9 million with additional amounts expected by the end of the budget year;
- the revenue from irregularities amounted to approximately EUR 84.6 million with additional amounts also expected by the end of the budget year, and
- at this point in time, most of the revenue from the milk levy has been collected and it amounts to approximately EUR 79.5 million;

Finally, the amount of assigned revenue eventually carried over from 2012 into 2013 amounted to EUR 1 245.6 million including the balance of approximately EUR 755 million in the temporary Sugar Restructuring Fund after all due payments under the Fund were made. This amount is significantly higher than the initially estimated amount of EUR 905 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 31 March 2013, amounts to EUR 1 517.6 million. At this point in time, the Commission estimates that the amount of assigned revenue still to be collected would amount to EUR 356 million (estimated assigned revenue to be generated in the 2013 budget of EUR 628 million of which EUR 272 million has been collected).

5. CONCLUSIONS

The provisional execution of the 2013 EAGF budget's appropriations, for the period up to 31 March 2013, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by approximately EUR 1 439.2 million. This was mostly due to the general authorisation granted by the Commission to pay advances of direct aids as of 16 October 2012 which led to a faster payment rhythm for these aids. This rhythm is expected to slow down as the payment deadline of 30 June 2013 for these aids approaches.

Assigned revenue amounting to EUR 1 517.6 million is already available, and an amount of EUR 356 million is still expected to be collected in 2013. At this point in 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 operational funds for producer organisations and of the single payment scheme as originally expected when the 2013 budget was established.

PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 31/03/2013
in EUR million

	Appropriations	Consumption	Utilisation	Consumption profile		Gap between	
	Budget (***)	from		as at March		implementation and	
	EUR mio	November to	%	%	EUR mio	%	EUR mio
	A	March	C=B/A	D	E=D*A	F=C-D	G=B-E
Expenditure							
05 01 (1) ADMINISTRATIVE EXPENDITURE FOR EAGF	8.9	1.2	13.1%	12.5%	1.1	0.6%	0.1
05010401							
Total 05 01 Administrative expenditure for EAGF	8.9	1.2	13.1%	12.5%	1.1	0.6%	0.1
05 02 INTERVENTIONS IN AGRICULTURAL MARKETS							
05 02 01 Cereals	0.2	0.1	56.6%	56.7%	0.1	-0.1%	0.0
05 02 02 Rice	p.m.	0.0					
05 02 03 Refunds on non-Annex 1 products	8.0	3.1	38.1%	58.5%	4.7	-20.4%	-1.6
05 02 04 Food programmes	500.1	4.5	0.9%	10.0%	50.1	-9.1%	-45.6
05 02 05 Sugar	0.1	-0.1	-87.0%	49.4%	0.0	-136.4%	-0.1
05 02 06 Olive oil	62.1	26.7	43.1%	48.1%	29.9	-5.1%	-3.1
05 02 07 Textile plants	20.0	9.2	46.0%	60.1%	12.0	-14.1%	-2.8
05 02 08 Fruits and vegetables (estimated 500 Mio EUR from assigned revenue)(*)(****)	611.0	363.3	59.5%	31.2%	190.5	28.3%	172.8
05 02 09 Products of the wine-growing sector	1071.6	318.1	29.7%	31.4%	336.1	-1.7%	-18.0
05 02 10 Promotion	61.0	21.4	35.1%	44.4%	27.1	-9.4%	-5.7
05 02 11 Other plant products/measures	233.0	144.7	62.1%	61.7%	143.6	0.4%	1.0
05 02 12 Milk and milk products	83.2	37.4	44.9%	47.2%	39.3	-2.3%	-1.9
05 02 13 Beef and veal	7.1	4.8	67.4%	44.6%	3.2	22.7%	1.6
05 02 14 Sheepmeat and goatmeat	p.m.	0.0					
05 02 15 Pigmeat, eggs and poultry, bee-keeping and other animal products	114.0	36.4	31.9%	32.9%	37.5	-10%	-1.1
Total 05 02 Interventions in agricultural markets (excluding 05 02 08)	2 771.4	969.5	35.0%	31.5%	874.2	3.4%	95.4
05 03 DIRECT AIDS							
05 03 01 Decoupled direct aids (estimated 1033 Mio EUR credits coming from assigned revenue)(*)(****)	38 076.0	37 594.8	98.7%	95.5%	36 373.6	3.2%	1221.2
05 03 02 Other direct aids	2 854.9	2 078.9	72.8%	69.1%	1 973.3	3.7%	105.6
05 03 03 Additional amounts of aid	1.0	0.1	9.8%	76.7%	0.8	-66.9%	-0.7
Total 05 03 Direct aids	40 931.9	39 673.8	96.9%	93.7%	38 347.6	3.2%	1 326.2
OTHER EXPENDITURE							
05 04 05040114 Rural development financed by the EAGGF-Guarantee Section- Programming period 2000-2006	p.m.	-0.6					
05 04 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	0.0	0.0%	33.0%	-66.0	-33.0%	66.0
(3) 05070107 Conformity clearance of previous years' accounts	108.3	108.3	100.0%	100.0%	108.3	0.0%	0.0
Other lines (05070102 and 050702)	6.8	0.2	2.8%	33.8%	2.3	-31.0%	-2.1
05 08 POLICY STRATEGY AND COORDINATION OF THE AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA (excl. 050810 to 050812)	27.3	5.2	19.1%	76.3%	20.8	-57.2%	-15.6
11 01 (1) (2) Only 11010408 EAGF Non-operational technical assistance	0.7	0.0	0.0%	100.0%	0.7	-100.0%	-0.7
11 02 (1) (2) FISHERIES MARKETS (only 11020101 and 11020301)	26.5	4.9	18.4%	100.0%	26.5	-81.6%	-21.6
17 01 (1) (2) ADMINISTRATIVE EXPENDITURE OF 'HEALTH AND CONSUMER PROTECTION' POLICY AREA	2.7	1.2	44.0%	55.1%	1.5	-11.1%	-0.3
17 04 17010401, 17010405, 17010407 and 17010431							
17 04 (1) (2) FOOD AND FEED SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH 170401 to 170407 (excl. 17040102, 17040303 and 170406)	272.0	209.2	76.9%	79.6%	216.5	-2.7%	-7.4
Total Expenditure (excluding 05 02 17)	43 956.5	40 972.7	93.2%	89.9%	39 533.5	3.3%	1 439.2

Assigned Revenue		taken into account in the budget					
6 7 0 1	Clearance of European Agricultural Guarantee Fund accounts — Assigned revenue	389.0	107.9				
6 7 0 2	European Agricultural Guarantee Fund irregularities — Assigned revenue	161.0	84.6				
6 7 0 3	Superlevy from milk producers — Assigned revenue	78.0	79.5				
	Assigned revenue carried over from 2012 (including the remaining balance of the Sugar Restructuring Fund)	905.0	1245.6				
Total Revenue		1 533.0	1 517.6				

(*) For information only: expenditure against original appropriations and estimated assigned revenue							
05 02 08	Fruits and vegetables (incl. estimated assigned revenue of 500 Mio EUR)(****)	1 111.0	363.3	32.7%	31.2%	346.4	1.5%
05 03 01	Decoupled direct aids (including estimated assigned revenue of 1033 Mio EUR)(****)	39 109.0	37 594.8	96.1%	95.5%	37 360.4	0.6%

(**) Budget year = 16.10.2012 to 15.10.2013 but direct expenditure possible until 31.12.2013

(***) 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