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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on EAGF expenditure

Early Warning System No 10-11/2013

1. INTRODUCTION

For the period 16 October 2012 to 30 September 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 1290/2005[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 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 2013 budget 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 30 September 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 30 September 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 30 September 2013, by EUR 313.4 million. This divergence is a net effect of the execution patterns primarily in the fruits and vegetables, wine and pig-meat and poultry sectors.

3.1.1. Fruit and vegetables (+ EUR 403.2 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 30 September 2013 to the budget's voted appropriations, which do not include the revenue assigned to this sector.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator, as of 30 September 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 under-execution of - EUR 29.7 million would appear, being the net effect of expected under-executions for both the producer organisations and the school fruit schemes, and of faster use of the appropriations for aid to producer groups.

In view of the 2013 Member States' incurred and forecasted expenditure for operational funds for producer organisations and preliminary recognition schemes, when taking account of the revenue assigned to this sector, the Commission estimates at this point in time that the total funds available will not be sufficient to cover the needs of this sector and additional appropriations should be transferred to it in order to fully cover its needs.

3.1.2. Products of the wine-growing sector (- EUR 48.4 million)

A slow-down in the take-up of available appropriations for the wine sector results from slower that in the past at this stage of the year execution of the wine envelopes in some of the Member States, while the indicator is based on the historical average payment rhythm. The changes proposed by the Commission on the legislation for these wine envelopes, aimed at facilitating the execution of certain measures, were voted by the Management Committee in July 2013. Consequently, the Commission expects that the Member States' payments rhythm will accelerate towards the end of the year. Indeed, the current under-execution level is less than half compared to the one observed in July 2013. However, at this point in time, on the basis of additional information from Member States, the Commission expects an almost full execution of the 2013 budget for these wine envelopes.

3.1.3. Pig-meat, eggs and poultry, bee-keeping and other animal products (-EUR 29.5 million)

The lower uptake of the appropriations in this article is due to the poultry sector following the reductions in the level of export refunds in October 2012 and February 2013 and their final abolishment in July 2013. As there has been no significant difference in exported quantities, overall expenditure for this measure is expected to be lower than estimated when the 2013 budget was prepared, thus, leading to an under-execution for this article by the end of the year.

3.2. Direct aids

The uptake of appropriations for direct aids compared to the level of the indicator on 30 September 2013 was higher by EUR 704.6 million.

3.2.1. Decoupled direct aids (+EUR 759.2 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 30 September 2013 to the budget's voted appropriations which do not include the revenue assigned to this sector.

A footnote * in the provisional execution table in annex 1 shows which would be the situation had the indicator, as at 30 September 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 an under-execution of - EUR 273.6 million would appear.

This difference results from the construction of the indicator for SPS (based on 2012 rhythm of payment but taking into account actual payments for the first two months of the year) which currently amounts to 100%, as compared to actual execution till 30 September 2013 of 99.2%[3]. On the other hand, Member States have already slightly over-executed the appropriations estimated in the budget for SAPS by approximately 0.2%. With regards to decoupled specific support scheme under article 68, Member States' execution in 2013 is expected to reach the level of the voted appropriations.

The Commission expects that available appropriations and assigned revenue are sufficient to cover the actual execution for this article. At this point in time, actual execution for this sector stands at 99.3% of the estimated net amounts and the Commission expects a slight net under-execution for decoupled direct aids.

3.2.2. *Other direct aids (- EUR 54 million)*

This difference in the uptake of the voted appropriations for other direct aids as compared to the level of the indicator on 30 September 2013 is an effect of slightly slower implementation for certain schemes, especially for the coupled specific support scheme under article 68 and additional amounts for sugar beet and cane producers and significant corrections reported by certain Member States. On the other hand, the budget available for payments of directs aids in POSEI was exceeded following adoption of the Council Regulations (EC) No 228/2013, which authorised a one-off payment of premium for banana producers in 2013 financial year.

Despite the over-execution of the POSEI scheme, the Commission, at this point in time, considers that there will be a slight under-execution for the schemes under this budget article.

3.3. Audit of agricultural expenditure

3.3.1. *Accounting clearance of previous years' accounts (+EUR 200 million)*

All accounting clearance decisions expected within the 2013 budget year have been adopted by the Commission. The result of these decisions is that the Commission made net positive corrections in favour of the Member States of approximately EUR 6 million. Further corrections are expected from the non-respect of payment deadlines by Member States which will be presented to the Funds committee in November 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

[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.

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.

Therefore, due to the above mentioned corrections and the negative expenditure of – EUR 200 million, the Commission will need to 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.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in Annex 1 shows that assigned revenue amounting to EUR 681.7 million was collected as of 30 September 2013. Specifically:

– the revenue from corrections based on conformity clearance decisions amounted to EUR 457.2 million with some significant additional amounts still expected by the end of the budget year on the basis of the ad-hoc conformity clearance decision n° 42 adopted by the Commission in August 2013;

– the revenue from irregularities amounted to approximately EUR 144.4 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 80.1 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 30 September 2013, amounts to EUR 1 927.2 million and it is expected to increase further by the end of the budget year.

5. CONCLUSIONS

The provisional execution of the 2013 EAGF budget's appropriations, for the period up to 30 September 2013, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by approximately EUR 1 184.1 million.

Assigned revenue amounting to EUR 1 927.2 million is already available, and additional amounts are still expected to be collected in 2013. At this point in time, the Commission considers that the amount of assigned revenue which will be available at the end of the year as well as possible under-execution in other parts of the budget will be sufficient to cover all the funding needs of the 2013 budget including the expected needs in the negative expenditure of the accounting clearance of accounts. Furthermore, the Commission expects that all voted appropriations of the 2013 budget as well as a part of the assigned revenue collected in 2013 would be used. The remaining balance of this assigned revenue, currently estimated at EUR 615 million, will be carried over to the next budget year 2014 and it has been already taken into account in the Amending Letter No 2/2014 currently discussed by the Budgetary Authority.