



Brussels, 11.6.2013  
COM(2013) 425 final

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

**on EAGF expenditure**

**Early Warning System No 1-4/2013**

## TABLE OF CONTENTS

1.	The 2013 EAGF budgetary procedure.....	3
2.	Revenue assigned to EAGF .....	3
3.	Comments on the implementation of the 2013 EAGF budget .....	4
4.	Implementation of revenue assigned to EAGF.....	6
5.	Conclusions.....	7

ANNEX 1	THE 2013 EAGF BUDGETARY PROCEDURE
ANNEX 2:	PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 28/02/2013

## **1. THE 2013 EAGF BUDGETARY PROCEDURE**

The 2013 budgetary procedure for the European Agricultural Guarantee Fund (EAGF) and the corresponding amounts of appropriations involved at each stage of the procedure are summarised in the table presented in Annex 1.

The 2013 EAGF budget was adopted by the European Parliament on 12 December 2012. The budget included commitment and payment appropriations amounting to:

- EUR 43 654.7 million and to EUR 43 660 million respectively for agricultural market measures and direct aids (policy area 05).
- EUR 274.7 million and to EUR 247.3 million respectively for veterinary and plant-health measures (policy area 17).
- EUR 27.2 million and to EUR 26.9 million respectively for fisheries (policy area 11).

The budget's total commitment appropriations for EAGF amounted to EUR 43 956.5 million and its payment appropriations amounted to EUR 43 934.2 million. The difference between commitment and payment appropriations is due to the fact, that for certain measures, which are directly implemented by the Commission, differentiated appropriations are used. These schemes relate mainly to the promotion of agricultural products, to policy strategy and coordination measures for agriculture as well as to fisheries and to veterinary and plant-health measures.

## **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.<sup>1</sup>

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.

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<sup>1</sup> 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.

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:

- 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 2, which presents the 2013 budget's provisional execution for the period to 28 February 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 28 February 2013 is presented in Annex 2. 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 28 February 2013, by EUR 161.1 million. This divergence is primarily attributed to the fruits and vegetables sector.

### *3.1.1. Fruit and vegetables (+ EUR 158.9 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 28 February 2013 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 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 2 shows what the situation would be, had the indicator, as of 28 February 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 37.2 million would appear, which can be explained by a higher uptake of appropriations available for the aid to producer groups for preliminary recognition, as a result of a slower execution towards the end of 2012 budget year. At this point in time, this situation is considered to be temporary.

## **3.2. Direct aids**

The uptake of appropriations for direct aids compared to the level of the indicator on 28 February 2012 was higher by EUR 1 562.3 million.

### *3.2.1. Decoupled direct aids (+EUR 1 541.9 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 28 February 2013 to the budget's voted appropriations which do not include the revenue assigned to this sector. The implementation of the SPS on 28 February 2013 runs at a faster rhythm: 95% compared to 94.3% 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 all decoupled direct aids Member States have already paid till now approximately 78% of the estimated needs in the budget as compared to 89% at the same time for the 2011 claims paid in 2012.

A footnote \* in the provisional execution table in annex 2 shows which would be the situation had the indicator, as at 28 February 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 599.1 million. 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 93.5%, as compared to actual execution till 28 February 2013 of 95%. The Commission will continue following closely this budget article in order to ensure that available appropriations and assigned revenue are sufficient to cover the actual budgetary execution.

### **3.3. Audit of agricultural expenditure**

#### *3.3.1. Accounting clearance of previous years' accounts (+EUR 54.0 million)*

Until 28 February 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 28 February 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.

## **4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF**

The table in Annex 2 shows that assigned revenue amounting to EUR 245.4 million was collected as of 28 February 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 70.3 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 78.7 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 28 February 2013, amounts to EUR 1 502.5 million. At this point in

time, the Commission estimates that the amount of assigned revenue still to be collected would amount to EUR 371.1 million (estimated assigned revenue to be generated in the 2013 budget of EUR 628 million of which EUR 256.9 million has been collected).

## **5. CONCLUSIONS**

The provisional execution of the 2013 EAGF budget's appropriations, for the period up to 28 February 2013, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by approximately EUR 1 755.9 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 1 502.5 million is already available, and an amount of EUR 371.1 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 as 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.





## Annex 2

BUDGET YEAR 2013

## PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 28/02/2013

in EUR million

	Appropriations	Consumption	Utilisation	Consumption profile		Gap between	
	Budget (***)	from		as at February		implementation and	
	EUR mio	November to	%	%	EUR mio	%	EUR mio
	A	February	C=B/A	D	E=D*A	F=C-D	G=B-E
<b>Expenditure</b>							
0501 (1) ADMINISTRATIVE EXPENDITURE FOR EAGF	8,9	0,5	5,9 %	9,4 %	0,8	-3,5 %	-0,3
05010401							
<b>Total 05 01 Administrative expenditure for EAGF</b>	<b>8,9</b>	<b>0,5</b>	<b>5,9 %</b>	<b>9,4 %</b>	<b>0,8</b>	<b>-3,5 %</b>	<b>-0,3</b>
0502 INTERVENTIONS IN AGRICULTURAL MARKETS							
050201 Cereals	0,2	0,1	50,4 %	40,6 %	0,1	9,8 %	0,0
050202 Rice	p.m.	0,0					
050203 Refunds on non-Annex 1 products	8,0	2,5	31,5 %	47,6 %	3,8	-16,1 %	-1,3
050204 Food programmes	500,1	0,0	0,0 %	0,0 %	0,1	0,0 %	-0,1
050205 Sugar	0,1	-0,1	-115,6 %	2,0 %	0,0	-117,6 %	-0,1
050206 Olive oil	62,1	24,2	39,0 %	27,1 %	16,8	11,9 %	7,4
050207 Textile plants	20,0	9,2	46,0 %	59,2 %	11,8	-13,3 %	-2,7
050208 Fruits and vegetables (estimated 500 Mio EUR from assigned revenue)(*)(***)	611,0	307,7	50,4 %	24,4 %	148,8	26,0 %	158,9
050209 Products of the wine-growing sector	1071,6	272,3	25,4 %	25,4 %	271,8	0,1 %	0,6
050210 Promotion	61,0	17,4	28,5 %	34,0 %	20,8	-5,5 %	-3,4
050211 Other plant products/measures	233,0	124,2	53,3 %	53,9 %	125,6	-0,6 %	-1,3
050212 Milk and milk products	83,2	31,9	38,3 %	38,4 %	31,9	-0,1 %	-0,1
050213 Beef and veal	7,1	4,3	60,3 %	36,4 %	2,6	23,9 %	1,7
050214 Sheepmeat and goatmeat	p.m.	0,0					
050215 Pigmeat, eggs and poultry, bee-keeping and other animal products	114,0	31,0	27,2 %	26,0 %	29,6	1,2 %	1,4
<b>Total 05 02 Interventions in agricultural markets (excluding 05 02 17)</b>	<b>2.771,4</b>	<b>824,7</b>	<b>29,8 %</b>	<b>23,9 %</b>	<b>663,6</b>	<b>5,8 %</b>	<b>161,1</b>
0503 DIRECT AIDS							
050301 Decoupled direct aids (estimated 1033 Mio EUR credits coming from assigned revenue)(*)(***)	38.076,0	36.289,9	95,3 %	91,3 %	34.748,0	4,0 %	1.541,9
050302 Other direct aids	2.854,9	1.576,8	55,2 %	54,5 %	1.556,1	0,7 %	20,8
050303 Additional amounts of aid	1,0	0,1	9,2 %	41,2 %	0,4	-32,0 %	-0,3
<b>Total 05 03 Direct aids</b>	<b>40.931,9</b>	<b>37.866,8</b>	<b>92,5 %</b>	<b>88,7 %</b>	<b>36.304,5</b>	<b>3,8 %</b>	<b>1.562,3</b>
<b>OTHER EXPENDITURE</b>							
0504 05040114 Rural development financed by the EAGGF-Guarantee Section-Programming period 2000-2006	p.m.	-0,6					
05040302 Plant and animal genetic resources-Completion of earlier measures	p.m.	0,0					
0507 05070106 Accounting clearance of previous years' accounts	-200,0	0,0	0,0 %	27,0 %	-54,0	-27,0 %	54,0
(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	0,0	0,0 %	0,0 %	0,0	0,0 %	0,0
0508 POLICY STRATEGY AND COORDINATION OF THE AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA (excl. 050810 to 050812)	27,3	0,2	0,6 %	14,6 %	4,0	-14,0 %	-3,8
1101 (1) (2) Only 11010408 EAGF Non-operational technical assistance	0,7	0,0	0,0 %	0,0 %	0,0	0,0 %	0,0
1102 (1) (2) FISHERIES MARKETS (only 11020101 and 11020301)	26,5	0,0	0,0 %	0,0 %	0,0	0,0 %	0,0
1701 (1) (2) ADMINISTRATIVE EXPENDITURE OF 'HEALTH AND CONSUMER PROTECTION' POLICY AREA	2,7	1,2	43,8 %	7,5 %	0,2	36,3 %	1,0
17010401, 17010405, 17010407 and 17010431							
1704 (1) (2) FOOD AND FEED SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH	272,0	194,4	71,5 %	77,9 %	212,0	-6,5 %	-17,6
170401 to 170407 (excl. 17040102, 17040303 and 170406)							
<b>Total Expenditure (excluding 05 02 17)</b>	<b>43.956,5</b>	<b>38.995,4</b>	<b>88,7 %</b>	<b>84,7 %</b>	<b>37.239,5</b>	<b>4,0 %</b>	<b>1.755,9</b>

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	16,0	70,3				
6 7 0 3 Superlevy from milk producers — Assigned revenue	78,0	78,7				
Assigned revenue carried over from 2012 (including the remaining balance of the Sugar Restructuring Fund)	905,0	1.245,6				
<b>Total Revenue</b>	<b>1.533,0</b>	<b>1.502,5</b>				

(*) For information only: expenditure against original appropriations and estimated assigned revenue						
050208 Fruits and vegetables (incl. estimated assigned revenue of 500 Mio EUR)(***)	1.111,0	307,7	27,7 %	24,4 %	270,6	3,3 %
050301 Decoupled direct aids (including estimated assigned revenue of 1033 Mio EUR)(***)	39.109,0	36.289,9	92,8 %	91,3 %	35.690,8	1,5 %

(\*\*) 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