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

on EAGF expenditure

Early Warning System No 1-3/2018

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/01/2018

1. THE 2018 EAGF BUDGETARY PROCEDURE

The 2018 EU budget was adopted by the European Parliament on 30 November 2017. The budget included for the European Agricultural Guarantee Fund (EAGF) commitment and payment appropriations amounting to EUR 43 235 million and EUR 43 189 million respectively, for direct payments and market related expenditure.

The difference between commitment and payment appropriations is due to the fact that differentiated appropriations are used for certain measures that are directly implemented by the Commission. These relate mainly to promotion measures for agricultural products and to policy strategy and coordination measures.

2. REVENUE ASSIGNED TO EAGF

On the basis of the provisions of Article 43 of Regulation (EU) No 1306/2013, revenue originating from financial corrections under accounting and conformity clearance decisions and irregularities is designated as revenue assigned to the financing of EAGF expenditure.

According to these provisions, assigned revenue can be used to cover the financing of any EAGF expenditure. If part of this revenue is not used within the budget year, then it will be automatically carried forward to the following budget year¹.

The 2018 EAGF budget includes:

- the Commission's latest estimates of the financing needs for market measures and direct payments,
- the estimates of assigned revenue to be collected in the course of the budget year,
- and the carry-over of the balance of assigned revenue left available from the previous budget year.

In its proposal for the 2018 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue, and requested for the 2018 budget a level of appropriations calculated by deducting the estimated assigned revenue from the estimated needs. The Budgetary Authority adopted the EAGF budget taking account of the expected assigned revenue.

At the time of establishing the 2018 budget, the Commission's estimates of the available assigned revenue was EUR 1 475.9 million, composed of:

- the assigned revenue expected to be generated in the course of the 2018 budget year, estimated at EUR 865.9 million (EUR 733.9 million from conformity clearance corrections and EUR 132 million from irregularities);
- the assigned revenue to be carried over from 2017 to 2018, estimated at EUR 610 million.

¹ 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.

The Commission assigned this estimated revenue of EUR 1 475.9 million to the following schemes:

- EUR 400 million to the operational funds for producer organisations in fruit and vegetables, and
- EUR 1 075.9 million to the basic payment scheme.

The sum of the voted appropriations and the assigned revenue for these schemes corresponds to:

- EUR 872 million for the operational funds for producer organisations in fruit and vegetables, and
- EUR 17 402 million for the basic payment scheme.

In the annex, presenting the 2018 budget's provisional execution for the period up to 31 January 2018, the figures of the budget appropriations at article level for fruit and vegetables and for the decoupled direct payments do not take account of the aforementioned assigned revenue. They present voted appropriations for these articles amounting to EUR 531.8 million and to EUR 34 309.1 million respectively.

Including the revenue assigned to these articles, the total amounts foreseen in the 2018 budget are EUR 931.8 million for fruit and vegetables and EUR 35 385 million for decoupled direct payments.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2018 EAGF BUDGET

The budget's provisional implementation for the period 16 October 2017 to 31 January 2018 is presented in the annex. This implementation level is compared to the expenditure profile of the Early Warning System (EWS) set up in conformity with Article 28 of Regulation (EU) No 1306/2013.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets was higher than expected, by EUR 98.4 million. Taking into account the assigned revenue of EUR 400 million allocated to the fruit and vegetables sector, the over-execution compared to the calculated expenditure profile becomes EUR 26.7 million. This divergence is the net effect of the positive execution pattern for promotion and a somewhat slower than expected budget execution of exceptional measures in the poultry sector and the school scheme.

3.1.1. Promotion (+ EUR 68.7 million)

The lead over the expenditure profile is due to the earlier than usual commitment of the budget appropriations for the so-called "multi" programmes.

3.1.2. Fruit and vegetables (+ EUR 65.5 million)

This apparent over-execution does not take into account the revenue assigned to this sector. Taking into account this revenue, the implementation is in line with the profile: minus EUR 6.2 million, or only minus 0.7% (see the (*) footnote in the Annex).

3.1.3. *School scheme (- EUR 24.0 million)*

As of school year 2017/2018 the previously separate school fruit and school milk schemes have been merged. The expenditure profile for this budget article has been developed on the basis of the execution pattern of the former separate school schemes. The actual execution pattern for the new scheme appears so far to be different (less advanced) from the patterns of the former schemes.

3.1.4. *Pigmeat, eggs and poultry, bee-keeping and other animal products (- EUR 7.7 million)*

In previous years this budget article included expenditure for beekeeping and measures for the pig meat sector. In 2018 the article finances aid for beekeeping and exceptional measures related to animal diseases. This year's execution pattern might therefore be different from the calculated profile based on previous years' patterns.

3.2. **Direct payments**

The uptake of appropriations for direct payments surpassed the consumption profile with EUR 1 146.3 million. When taking into account the assigned revenue allocated to this chapter, i.e. EUR 1 075.9 million, the over-execution becomes EUR 358.3 million.

3.2.1. *Decoupled direct payments (+ EUR 461.6 million)*

The above uptake indicates a progress in the level of implementation. This is however not fully indicative, given that this Article is funded both by voted appropriations and by assigned revenue whereas the above is compared only against the appropriations (NB: for details please see point 2 above).

A footnote (*) in the provisional execution table in the Annex compares the consumption and consumption profile to the total financial resources available. It shows that the expenditure execution is lagging EUR 326.4 million behind the profile (which is only minus 0.9%).

The Commission examines on a monthly basis Member States' execution levels and forecasts of expenditure. At this point in time, the small divergence is considered to be temporary and it is expected that at the end of the budget year decoupled direct payments will be implemented as foreseen.

3.2.2. *Other direct payments (+ EUR 684.7 million)*

Payments for Voluntary Coupled Support are remarkably high compared to the profile. On the contrary, an under-implementation of appropriation for the Small Farmers Scheme is observed.

In both cases, the divergences are considered to be temporary and it is expected that at the end of the budget year the other direct payments will be implemented as foreseen.

3.3. **Audit of agricultural expenditure (- EUR 28.4 million)**

For the budget chapter 05 07, the under-consumption indicates that a smaller amount of payments was made early in the financial year compared to the average profile of the previous years. These payments concern mainly financial corrections in favour of Member States following decisions on conformity clearance or financial clearance of previous years' accounts.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in the annex shows that assigned revenue amounting to EUR 402 million was collected as of end January 2018. Specifically:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 347.5 million, with additional amounts still expected by the end of the budget year;
- the revenue from irregularities amounted to EUR 52.6 million, also with additional amounts expected by the end of the budget year, and
- some residual revenue from the milk levy equal to EUR 1.9 million;

Finally, the amount of assigned revenue eventually carried over from 2017 to 2018 amounts to EUR 603.3 million, slightly less than anticipated when adopting the 2018 budget.

Therefore, the total amount of assigned revenue available on 31 January 2018 for the financing of the EAGF expenditure was EUR 1 005.3 million, with additional amounts expected to be collected during the budget year.

5. CONCLUSIONS

The provisional execution of the 2018 EAGF budget appropriations, for the period up to 31 January 2018, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 1 209.9 million.

An amount of EUR 1 005.3 million of assigned revenue is already available, and additional amounts are expected to be collected in the course of the budget year.

At this point in time, the Commission expects that the voted appropriations together with the amount of assigned revenue available and to be available by the end of the budget year will be sufficient to cover all expenditure.