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

on EAGF expenditure

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/05/2015

1. INTRODUCTION

This report presents an update of the provisional 2015 budget execution for the European Agricultural Guarantee Fund (EAGF). In particular, Annex 1 presents the comparison between the actual level of the implementation of the EAGF budget for the period 16 October 2014 to 31 May 2015 and the forecasted expenditure profile. The latter results from the application of the indicator to the level of the budgetary appropriations. The indicator is established on the basis of the provisions of Article 28 of Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy¹.

2. REVENUE ASSIGNED TO EAGF

Under Article 43 of Regulation (EU) No 1306/2013, the revenue originating from financial corrections under accounting and conformity clearance decisions, from irregularities and from the milk levy is designated as revenue assigned to the financing of EAGF expenditure. The 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, this part will be automatically carried forward to the following budget year².

The 2015 EAGF budget, as adopted by the Budgetary Authority included both:

- the Commission's estimates of the needs to finance the expected expenditure for market measures and direct payments, and
- the estimates of the assigned revenue which was expected to be collected in budget year 2015 as well as the assigned revenue carried over from the budget year 2014.

At the time of establishing the 2015 budget, the Commission's estimates of the assigned revenue amounted to EUR 1 768.6 million. This included:

- The assigned revenue expected to be generated in the course of the 2015 budget year estimated at EUR 1 438.6 million, i.e.: EUR 868.6 million for conformity clearance corrections, EUR 165 million for irregularities and EUR 405 million for the receipts from the milk levy.
- The amount of assigned revenue expected to be carried over from the budget year 2014 into 2015 estimated at EUR 330 million.

In the 2015 budget, the Commission assigned this initially estimated revenue of EUR 1 768.6 million to the budget items in the following articles:

- 05 02 08 – Fruit and vegetables: EUR 469.3 million³

¹ OJ L 347, 20.12.2013, p.549

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.

³ EUR 362.4 million to the operational funds for producer organisations in fruit and vegetables and EUR 106.9 million to the other measures in fruit and vegetables

- 05 02 12 – Milk and milk products: EUR 54.3 million⁴
- 05 03 01 – Decoupled direct payments: EUR 1 245 million⁵.

For these schemes, the Budgetary Authority eventually voted appropriations 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 needs.

In annex 1, the figures of the budget appropriations at article level for fruit and vegetables, for milk and milk products and for the decoupled direct payments relate to the voted appropriations for these articles amounting to EUR 836.2 million, to EUR 77.1 million and to EUR 37 397 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these articles, the total appropriations foreseen in the 2015 budget amount to EUR 1 305.5 million for fruit and vegetables, EUR 131.4 million for milk and milk products and to EUR 38 642 million for decoupled direct payments.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2015 EAGF BUDGET

The budget's provisional implementation for the period 16 October 2014 to 31 May 2015, as presented in Annex 1, is compared to the expenditure profile based on the indicator established in accordance with Article 28 of Regulation (EU) No 1306/2013. 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 2015 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 May 2015, by EUR 22.7 million. This divergence is the net effect of the execution patterns primarily in the fruits and vegetables, milk and milk products and wine sectors.

3.1.1. *Fruit and vegetables (+ EUR 88.6 million in comparison with voted appropriations)*

This implementation level is primarily due to the expenditure for the operational funds for producer organisations scheme and other measures in fruit and vegetables, which are funded both by the voted appropriations and by the assigned revenue (NB: For details please see point 2 above). In contrast, the indicator for the period to 31 May 2015 is applied only to the budget's voted appropriations of EUR 836.2 million, thus not taking into account the assigned revenue.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator been applied to the total appropriations for this article including the assigned revenue of EUR 469.3 million. Had the indicator been applied to the total funding expected to be available for this article (EUR 1 305.5 million), then an under-execution of - EUR 71.3 million would appear.

This is the effect of a slower uptake of all the schemes funded by this article except for the other measures in fruit and vegetables (budget item 05 02 08 99). It should be noted that the pace of the uptake of budgetary appropriations for the crisis measures,

⁴ EUR 0.9 million to the storage measures for skimmed milk powder, EUR 2.9 million to the storage measures for butter and cream and EUR 50.5 million to the other measures in milk and milk products

⁵ The entire amount to the single payment scheme

available under the operational funds for producer organisations and other measures in fruit and vegetables, could not be reliably estimated. Thus it is likely to diverge from a 3-year average consumption profile which is the basis for the indicator for this article.

At this point in time, this situation is considered to be temporary and the execution of this article is closely monitored by the Commission services.

3.1.2. Products of the wine-growing sector (- EUR 95 million)

This under-execution is due to a slower rhythm of payments made by the Member States compared to the expenditure profile of the established indicator for the national wine programmes. However, Member States usually accelerate the rhythm of implementation of these programmes towards the end of the budget year. Therefore, at this point in time, this situation is considered to be temporary.

3.1.3. Milk and milk products (+ EUR 33.9 million)

This implementation level is primarily due to the expenditure for the storage and for the other measures in milk and milk products (budget item 05 02 12 99), which are funded both by the voted appropriations and by the assigned revenue (NB: For details please see point 2 above). In contrast, the indicator for the period to 31 May 2015 is applied only to the budget's voted appropriations of EUR 77.1 million, thus not taking into account the assigned revenue.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator been applied to the total appropriations for this article including the assigned revenue of EUR 54.3 million. Had the indicator been applied to the total funding expected to be available for this article (EUR 131.4 million), then an under-execution of - EUR 18.6 million would appear.

This is predominantly the effect of a slower uptake of the appropriations for the school milk scheme. Moreover it should be noted that the pace of the uptake of budgetary appropriations for the crisis measures, available for the storage and for the other measures in milk and milk products could not be reliably estimated. Thus the profile of expenditure is likely to diverge from a 3-year average which is the basis for the indicator for this article.

At this point in time, this situation is considered to be temporary and the execution of this article is closely monitored by the Commission services.

3.2. Direct payments

The uptake of appropriations for direct payments compared to the level of the indicator on 31 May 2015 was higher by EUR 991.1 million.

3.2.1. Decoupled direct payments (+EUR 999 million in comparison with voted appropriations)

This implementation level is primarily due to the expenditure for the single payment scheme, which is funded both by the voted appropriations and by the assigned revenue (NB: For details please see point 2 above). In contrast, the indicator for the period to 31 May 2015 is applied only to the budget's voted appropriations of EUR 37 397 million, thus not taking into account the assigned revenue.

A footnote * in the provisional execution table in annex 1 shows what the situation would be, had the indicator been applied to the total appropriations for this article including the assigned revenue of EUR 1 245 million. Had the indicator been applied

to the total funding expected to be available for this article (EUR 38 642 million), then an under-execution of – EUR 231 million would appear.

This divergence in the level of implementation of the budget for decoupled direct payments results primarily from a slower implementation rhythm of the specific support scheme (article 68) compared to the level of the indicator for the period to 31 May 2015. However, it should be noted that Member States are forecasting a full implementation of this scheme's 2015 appropriations by the end of the budget year.

It should also be noted that despite the fact that the execution of the single payment scheme has improved reaching (98.4% of needs until 31 May 2015 compared to 97.8% until 31 May 2014), Member States' forecast indicate that a slight under-implementation of this item might occur in the end of the budget year. However, as 2015 is the last year of single payment scheme application, the Commission continues to carefully follow-up the uptake of the appropriations for this scheme.

The Commission expects, at this point in time, that available appropriations and assigned revenue would be sufficient to cover the funding needs for this article.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in annex 1 shows that assigned revenue amounting to EUR 1 263.1 million was collected as of 31 May 2015. Specifically:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 746.7 million with additional amounts resulting from the implementation of Commission Implementing Decision (ad hoc 48)⁶ still expected by the end of the budget year;
- the revenue from irregularities amounted to EUR 107.9 million with additional amounts also expected by the end of the budget year, and
- at this point in time, the entire revenue from the milk levy has been collected and it amounts to approximately EUR 408.5 million;

Finally, the amount of assigned revenue eventually carried over from 2014 into 2015 amounted to EUR 341.3 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 31 May 2015, amounts to EUR 1 604.4 million with additional amounts of freshly collected assigned revenue from accounting and conformity clearance decisions and irregularities expected by the end of the budget year.

5. CONCLUSIONS

The provisional execution of the 2015 EAGF budget's appropriations, for the period up to 31 May 2015, shows that monthly reimbursements to Member States exceeded the expenditure profile for budget execution based on the indicator, by approximately EUR 1 004 million.

Assigned revenue amounting to EUR 1 604.4 million is already available and additional amounts are still expected to be collected in 2015.

⁶ Commission Implementing Decision of 22 June 2015 excluding from European Union financing certain expenditure incurred by the Member States under the European Agricultural Guarantee Fund (EAGF) and under the European Agricultural Fund for Rural Development (EAFRD)

At this point in time, the Commission considers that the amounts of the voted appropriations and the assigned revenue already available and expected by the end of the year will be sufficient to cover the needs of the EAGF in 2015, including the implementation of the crisis measures taken by the Commission following the Russian ban as originally expected when the 2015 budget was established.