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

on EAGF expenditure

Early Warning System No 8-10/2017

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/08/2017

1. INTRODUCTION

This report gives an update on the execution of the 2017 budget for the European Agricultural Guarantee Fund (EAGF), for the period of 16 October 2016 to 31 August 2017. The table in the Annex compares the actual level of implementation of the budget to the forecasted expenditure profile of the Early Warning System set up in conformity with Article 28 of Regulation (EU) No 1306/2013. A brief commentary for certain budget articles, showing the most significant differences between the actual and the expected level of implementation of the 2017 budget, is presented below.

2. REVENUE ASSIGNED TO THE EAGF

For 2017, 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 this part will be automatically carried forward to the following budget year¹.

The 2017 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 2017 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue, and requested for the 2017 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 2017 budget, the Commission's estimates of the available assigned revenue was EUR 2 732 million, composed of:

- the assigned revenue expected to be generated in the course of the 2017 budget year, estimated at EUR 1 430 million (EUR 1 278 million from conformity clearance corrections and EUR 152 million from irregularities);
- the assigned revenue to be carried over from 2016 to 2017, estimated at EUR 1 302 million.

¹ Article 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, as amended, 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 2 732 million to the following schemes:

- EUR 400 million to the operational funds for producer organisations in fruit and vegetables, and
- EUR 2 332 million to the basic payment scheme.

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

- EUR 855 million for the operational funds for producer organisations in fruit and vegetables, and
- EUR 17 628 million for the basic payment scheme.

In the Annex, presenting the 2017 budget's provisional execution for the period up to 31 August 2017, 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 661.5 million and to EUR 33 191.8 million respectively.

Including the revenue assigned to these articles, the total amounts foreseen in the 2017 budget are EUR 1 061.5 million for fruit and vegetables and EUR 35 523.8 million for decoupled direct payments.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2017 EAGF BUDGET

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets was higher than expected by EUR 74.9 million. When taking into account the assigned revenue of EUR 400 million allocated to the fruit and vegetables scheme, the result is an under-execution of EUR 167.6 million against the estimated profile of expenditure.

3.1.1. Fruit and vegetables (+ EUR 160.3 million)

The apparent over-execution of EUR 160.3 million compared to the spending profile results from not taking into account the revenue assigned to this sector. Taking into account the assigned revenue, the difference to the spending profile is EUR 82.2 million (see the (*) footnote in the Annex), reflecting a slower than estimated pace of the uptake of appropriations for the on-going exceptional measure. The Commission considers that the final execution of this measure will result in a slight under-execution, which at this moment cannot be exactly estimated.

3.1.2. Products of the wine-growing sector (+ EUR 63.1 million)

For the support programmes for the wine sector, the good pace of implementation noticed in the previous reports continues. However the Commission considers that the implementation for this sector will not lead to an over-execution at the end of the budget year.

3.1.3. Milk and milk products (- EUR 183.6 million)

An important factor in the implementation level in this article is the execution of the exceptional adjustment aid for the livestock sectors². The total amount of EUR 350 million of appropriations for this aid scheme was budgeted under item 05 02 12 99 – Other measures (milk and milk products). However as some Member States decided to allocate a part of the aid to producers in other livestock sectors, the uptake of the appropriations in this article is lower than budgeted. The Commission closely monitors the execution of this scheme.

As regards the implementation of this adjustment aid scheme as well as of the milk production reduction scheme (budgeted at EUR 150 million), in view of a lower uptake by the Member States, the Commission considers that some under-execution at the year-end might appear.

3.1.4. Pigmeat, eggs and poultry, bee-keeping and other animal products (+ EUR 25.0 million)

The over-consumption compared to the profile results mainly from the exceptional adjustment aid mentioned in point 3.1.3 above, whereby the expenditure for the aid granted to the pigmeat sector is declared in this article, while the entire amount of budgeted appropriations is entered in article 05 02 12 - Milk and milk products.

3.2. Direct payments

The uptake of appropriations for direct payments compared to the consumption profile was higher by EUR 3 912.8 million. When taking into account the revenue assigned to this budget chapter (see also point 2 above), an over-execution of around EUR 1 729.1 million is observed. The transition from the under-execution noted in the last report into an overrun is in particular due to the considerable amount of expenditure declared by Member States for the month of June 2017.

3.2.1. Decoupled direct payments (+ EUR 4 020.9 million)

Spending compared to budgeted appropriations is not fully indicative, due to the revenue assigned to the basic payment scheme (see also point 2 above). Taking into account the assigned revenue, the payments are EUR 1 837.2 million ahead of the execution profile (see the (*) footnote in the Annex). The Commission is closely monitoring the execution for this article and at this moment in time it considers that voted appropriations and available assigned revenue will be sufficient to cover the expenditure for this sector.

3.2.2. Other direct payments (- EUR 108.1 million)

The under-implementation for this budget article is decreasing compared to the preceding early-warning reports. However, it is likely that some under-implementation will remain at the end of the year, particularly due to a forecasted under-execution for the Small Farmers Scheme.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in the annex shows that assigned revenue amounting to EUR 1 184.2 million was collected as of end August 2017. Specifically:

² Milk and milk products as well as beef and veal, pigmeat and sheepmeat and goatmeat sectors

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 1 073.8 million;
- the revenue from irregularities amounted to EUR 107.0 million, and
- some residual revenue from the milk levy equal to EUR 3.5 million.

The amount of assigned revenue carried over from 2016 to 2017 amounts to EUR 1 304 million.

As a result, the total amount of assigned revenue available on 31 August 2017 for the financing of the EAGF expenditure was EUR 2 488.2 million.

5. CONCLUSIONS

The provisional execution of the 2017 EAGF budget appropriations, for the period up to 31 August 2017, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 1 755.9 million.

An amount of EUR 2 488.2 million of assigned revenue is already available.

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. It is currently estimated that assigned revenue of approximately EUR 400 million will be available for the carry-over to the 2018 budget.