



Brussels, 1.2.2019  
COM(2019) 73 final

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

**on EAGF expenditure**

**Early Warning System No 11-12/2018**

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/12/2018

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

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.

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<sup>1</sup> Art 12(4)(b) of Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union determines that appropriations corresponding to internal assigned revenue may be carried over only to the following financial year. 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, 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**

This report presents the provisional implementation of the 2018 budget for the EAGF, with details given in the Annex. The total expenditure of EUR 43 926.6 million mainly includes EAGF expenditure under shared management as declared by Member States between 16 October 2017 and 15 October 2018 and the reductions of monthly reimbursements imposed in the course of the budget year. It further includes an estimate of expenditure under direct management, amounting to approximately EUR 15.6 million, which is still foreseen to be made until 31 December 2018.

A brief commentary for certain budget articles, showing the most significant differences between the actual expenditure incurred and the corresponding appropriations included in the 2018 budget, is presented below.

#### **3.1. Market measures**

The uptake of appropriations for interventions in agricultural markets was EUR 351.3 million higher than the appropriations. This uptake includes an estimate of EUR 6.4 million of expenditure under direct management of promotion measures still foreseen to be made until 31 December 2018. However, 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 -48.7 million (or only -1.8%).

##### *3.1.1. Fruit and vegetables*

The apparent over-execution of EUR 333.3 million does not take into account the revenue assigned to the budget article. Including this revenue, there is an under-execution of EUR -66.7 million (see the (\*) footnote in the Annex). This is mainly

due to less payments for the operational programmes of producer organisations in some Member States.

#### *3.1.2. Products of the wine-growing sector*

The final uptake for this budget article results in an under-execution of EUR -89.9 million, mainly due to lower than expected payments in some Member States.

#### *3.1.3. Milk and milk products*

The over-execution of EUR 167 million in the milk sector is explained by sales of skimmed milk powder with a loss, and mainly by the end-of-year depreciation of the stocks of skimmed milk powder.

#### *3.1.4. Pigmeat, eggs and poultry, bee-keeping and other animal products*

In previous years, this budget article included expenditure for beekeeping and measures for the pig meat sector. In 2018, the article finances the aid for beekeeping and exceptional market support measures related to animal diseases. This year's execution pattern is therefore different from the calculated profile based on previous years' patterns. The total expenditure for this budget article is EUR 31.1 million lower than originally budgeted, particularly as final expenditure declared by Member States for exceptional support measures was below the budgeted amounts.

#### *3.1.5. School schemes*

As of school year 2017/2018, the previously separate school fruit and school milk schemes have been merged. The expenditure profile for budget article 05 02 18 has been developed on the basis of the execution pattern of the former separate school schemes. The total expenditure at year-end for this budget article turns out to be EUR 32.2 million lower than budgeted.

### **3.2. Direct payments**

Expenditure for direct payments was EUR 845.6 million higher than the budget appropriations. When taking into account the revenue assigned to this budget chapter (see also point 2 above), the execution is very close to what was foreseen (EUR -230.3 million or only -0.6%).

#### *3.2.1. Decoupled direct payments*

The declared expenditure exceeds the budgeted appropriations by EUR 995.7 million. When taking into account the revenue assigned to this article (EUR 1 075.9 million), the execution is almost equal to what was budgeted (EUR -80.2 million); see the (\*) footnote in the Annex.

#### *3.2.2. Other direct payments*

The final expenditure for "Other direct payments" is close to the profile (EUR -150.0 million). In particular, for the Small farmers scheme, payments were lower than expected. On the other hand, expenditure for the Voluntary coupled support scheme was higher than foreseen.

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

For the budget chapter 05 07, there is an under-consumption of EUR -44.9 million mainly because under the budget line 05 07 02 (settlement of disputes) for the European Court Justice case C585/15 "Tirlemontoise" an important amount is expected to be declared in 2019 instead of 2018.

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

The annex shows that the total assigned revenue eventually available in 2018 amounts to EUR 1 598.2 million.

Compared to the estimated amounts, the revenue from clearance of accounts is EUR 125.5 million higher, whereas for irregularities the final amount is almost as expected (EUR - 0.4 million). Some residual revenue from the super levy from milk producers has also been booked (EUR 3.9 million).

The balance of revenue not used will be carried over to financial year 2019 to contribute to the funding of EAGF expenditure for that year.

#### **5. CONCLUSIONS**

The provisional expenditure of the 2018 EAGF budget, including estimated expenditure for actions under direct management by the Commission until 31 December 2018, results in an over-execution of EUR 1 152 million compared to the budget's voted appropriations. This over-execution is covered by the available assigned revenue of EUR 1 598 million.

The crisis reserve has not been mobilised in 2018 (EUR 459.5 million). Hence, the amount of financial discipline actually applied in 2018 will be available for the carry-over of appropriations to 2019 for the reimbursement of direct payments to the beneficiaries.

A number of end-of-year adjustments and transfers of appropriations still to be made will influence slightly the final balance of assigned revenue to be carried over to the 2019 budget. In the context of the conciliation procedure on the budget for 2019, this final balance to be carried over into 2019 was estimated at EUR 444 million.