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

**on EAGF expenditure**

**Early Warning System No 11-12/2019**

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ANNEX : PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/12/2019

## **1. THE 2019 EAGF BUDGET PROCEDURE**

On 12 December 2018, the European Parliament adopted the 2019 general budget of the European Union. The budget included for the European Agricultural Guarantee Fund (EAGF) commitment and payment appropriations amounting to EUR 43 192 million and EUR 43 116 million respectively, for direct payments and market related expenditure.

The reason for the different amounts for both types of appropriations is the use of differentiated appropriations for certain measures 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**

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

According to these provisions, assigned revenue can cover the financing needs of any EAGF expenditure. Any part of the revenue left unused within the budget year is automatically carried forward to the following budget year<sup>1</sup>.

The 2019 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 2019 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue, and requested for the 2019 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 2019 budget, the Commission's estimates of the available assigned revenue was EUR 1 078 million, composed of:

- assigned revenue expected to be generated during the 2019 budget year, estimated at EUR 634 million (EUR 499 million from conformity clearance corrections and EUR 135 million from irregularities);
- assigned revenue to be carried over from 2018, estimated at EUR 444 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. Therefore, in the interests of sound budget management, this assigned revenue is generally used first before the voted appropriation of the concerned budget article.

The Commission assigned this estimated revenue of EUR 1 078 million to the following schemes:

- EUR 140 million to the operational funds for producer organisations in fruit and vegetables, and
- EUR 938 million to the basic payment scheme.

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

- EUR 849 million for the operational funds for producer organisations in fruit and vegetables, and
- EUR 17 149 million for the basic payment scheme.

In the annex, presenting the 2019 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 715 million and to EUR 34 388 million respectively.

Including the revenue assigned to these articles, the total amounts foreseen in the 2019 budget are EUR 855 million for fruit and vegetables and EUR 35 326 million for decoupled direct payments.

### **3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2019 EAGF BUDGET**

This report presents the provisional implementation of the 2019 budget for the EAGF, with details given in the Annex.

The total expenditure of EUR 43 526.4 million mainly includes EAGF expenditure under shared management as declared by Member States for the period between 16 October 2018 and 15 October 2019, 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 11.1 million, which is still foreseen to be made until 31 December 2019.

A brief commentary for certain budget articles, showing the most significant differences between the actual expenditure incurred and the corresponding appropriations included in the 2019 budget, is presented below.

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

The uptake of appropriations for interventions in agricultural markets was EUR 25.7 million lower than the appropriations. This uptake includes an estimate of EUR 1.5 million of expenditure under direct management for promotion measures still foreseen to be made until 31 December 2019. However, when taking into account the assigned revenue of EUR 140 million allocated to the fruit and vegetables scheme, the result is an under-execution of EUR 165.7 million.

The uptake of appropriations was lower than expected in the sectors of olive oil; wine; milk; pigmeat, eggs and poultry and other animal products; and for the school schemes. The expenditure made for the fruit and vegetables sector, on the other hand, slightly exceeded the budgeted needs.

### *3.1.1. Olive oil*

The final uptake for this budget article results in an under-execution of EUR 7.9 million, mainly due to lower than expected payments in one Member State with an important share in this budget article.

### *3.1.2. Fruit and vegetables*

The apparent over-execution of EUR 150.6 million does not take into account the revenue assigned to the budget article. Including this revenue, the over-execution only amounts to EUR 10.6 million or + 1.2% of the foreseen budget (see the (\*) footnote in the Annex).

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

The final uptake for this budget article results in an under-execution of EUR 47.6 million, with lower than expected payments under the wine support programmes of various Member States.

### *3.1.4. Milk and milk products*

For this budget article, the budget was EUR 6.3 million while negative expenditure for EUR 60.3 million has been declared by Member States. An end-of-year depreciation of the public stocks of skimmed milk powder had been booked in financial year 2018 to adjust the stock value to foreseeable selling price at that moment. Since then and reflecting subsequent favourable market developments, in financial year 2019 the remaining stocks of skimmed milk powder were sold at higher prices than the accounting value, producing gains as declared by the Member States.

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

For this article, the expenditure declared by Member States – in particular for exceptional support measures – was lower than foreseen by the budget (- EUR 21.1 million).

### *3.1.6. School schemes*

As of school year 2017/2018, the previously separate school fruit and school milk schemes have been merged. Total expenditure for this article is at year-end EUR 25.5 million lower than budgeted.

## **3.2. Direct payments**

Expenditure for direct payments amounts to EUR 40 897.5 million, which is 99.7 % of the budgeted appropriations and assigned revenue.

### 3.2.1. *Decoupled direct payments*

Taking into account the revenue assigned to this article (EUR 938.0 million), the execution is nearly equal to the budgeted needs (+ EUR 2.6 million); see the (\*) footnote in the Annex.

### 3.2.2. *Other direct payments*

The final expenditure for “Other direct payments” is close to the budgeted amount (- EUR 119.1 million). Payments were in particular lower than expected for the Small farmers scheme.

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

The annex shows that the total assigned revenue eventually available in 2019 amounts to EUR 1 154.9 million.

Compared to the estimated amounts taken into account when adopting the 2019 budget, the revenue from clearance decisions adopted by the Commission is EUR 49.3 million higher and from irregularities, the final amount is EUR 20.8 million higher. Furthermore, EUR 2.0 million of residual revenue coming from the super levy from milk producers has been booked.

The balance of revenue not used will be carried over to financial year 2020 to contribute to the funding of EAGF expenditure for that year.

## 5. **CONCLUSIONS**

The provisional expenditure of the 2019 EAGF budget, including estimated expenditure for actions under direct management by the Commission until 31 December 2019, results in an over-execution of EUR 803.1 million compared to the budget's voted appropriations. This over-execution is covered by the available assigned revenue of EUR 1 154.9 million.

The crisis reserve has not been mobilised in 2019 (EUR 468.7 million). Hence, the amount of financial discipline actually applied in 2019 will be available for the carry-over of appropriations to 2020 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 2020 budget. In the context of the conciliation procedure on the budget for 2020, this balance to be carried over to 2020 was estimated at EUR 352 million.