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

on EAGF expenditure

Early Warning System No 1-3/2020

Table of Contents

| | | |
|--------|--|---|
| 1. | The 2020 EAGF budget procedure | 3 |
| 2. | Revenue assigned to the EAGF | 3 |
| 3. | Comments on the provisional implementation of the 2020 EAGF budget | 4 |
| 3.1. | Market measures..... | 4 |
| 3.1.1. | Olive oil | 4 |
| 3.1.2. | Promotion | 4 |
| 3.1.3. | Fruit and vegetables..... | 5 |
| 3.1.4. | Products of the wine-growing sector..... | 5 |
| 3.2. | Direct payments | 5 |
| 3.2.1. | Decoupled direct payments | 5 |
| 3.2.2. | Other direct payments | 5 |
| 4. | Implementation of revenue assigned to the EAGF | 5 |
| 5. | Conclusions..... | 6 |

ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/01/2020

1. THE 2020 EAGF BUDGET PROCEDURE

On 27 November 2019, the European Parliament adopted the 2020 general budget of the European Union. The budget included for the European Agricultural Guarantee Fund (EAGF) commitment and payment appropriations amounting to EUR 43 410 million and EUR 43 380 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 year¹.

The 2020 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 2020 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue, and requested for the 2020 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 2020 budget, the Commission's estimates of the available assigned revenue was EUR 1 071 million, composed of:

- assigned revenue expected to be generated during the 2020 budget year, estimated at EUR 719 million (EUR 592 million from conformity clearance corrections and EUR 127 million from irregularities);
- assigned revenue to be carried over from 2019, estimated at EUR 352 million.

¹ 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 1 071 million to the following schemes:

- EUR 150 million to the operational funds for producer organisations in fruit and vegetables, and
- EUR 921 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 17 038 million for the basic payment scheme.

In the annex, presenting the 2020 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 700.5 million and to EUR 34 574 million respectively.

Including the revenue assigned to these articles, the total amounts foreseen in the 2020 budget are EUR 850.5 million for fruit and vegetables and EUR 35 495 million for decoupled direct payments.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2020 EAGF BUDGET

The annex to this report presents the budget's provisional implementation for the period 16 October 2019 to 31 January 2020. Comparison is made of the implementation level with the expenditure profile of the Early Warning System (EWS) set up in accordance with Article 28 of Regulation (EU) No 1306/2013.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets was EUR 164 million lower than expected using the consumption profile. This is mainly explained by a lower uptake of appropriations in the budget article for promotion of agricultural products (see point 3.1.2).

3.1.1. Olive oil

The expenditure made for the quality improvement programmes is almost EUR 4 million lower than expected at the end of January according to the expenditure profile.

The budgeted amount is however expected to be implemented by the end of the year.

3.1.2. Promotion

As the commitment of the budget appropriations for the so-called "multi" programmes initially expected to take place in January was not yet made, the budget execution shows temporarily a difference of EUR -108 million compared to the expenditure profile.

3.1.3. Fruit and vegetables

The execution in this sector is well on track, with declared expenditure around EUR 7 million ahead of the profile.

3.1.4. Products of the wine-growing sector

For this budget article, expenditure declared so far is EUR -57 million lower than the expenditure profile.

The divergence is considered temporary and the budgeted amount is expected to be implemented towards the end of the year.

3.2. Direct payments

The uptake of appropriations for direct payments is in line with the consumption profile, surpassing it with almost EUR 358 million .

3.2.1. Decoupled direct payments

The declared expenditure is EUR 277 million ahead of the profile (+0.8%-points).

Expenditure for the Basic payment scheme and for the Single area payment scheme were slightly higher than expected according to the consumption profile, while they were somewhat lower than expected for the Payment for agricultural practices beneficial for the climate and the environment.

3.2.2. Other direct payments

The declared expenditure is EUR 81 million ahead of the profile (+1.4%-points): expenditure for the Voluntary coupled support scheme and the Small farmers scheme were slightly higher than calculated according to the consumption profile.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 64.5 million was collected as of end January 2020. Specifically:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 1.4 million, with more significant amounts expected to be collected during the budget year;
- the revenue from irregularities amounted to EUR 62.5 million, with additional amounts expected by the end of the budget year, and
- some residual revenue from the milk levy equal to EUR 0.6 million.

Finally, the amount of assigned revenue eventually carried over from 2019 to 2020 amounted to EUR 348 million, which is almost EUR 4 million less than anticipated when adopting the 2020 budget.

Therefore, the total amount of assigned revenue available on 31 January 2020 for the financing of the EAGF expenditure was EUR 412.7 million, with additional amounts expected to be collected during the budget year.

5. CONCLUSIONS

The provisional execution of the 2020 EAGF budget appropriations, for the period up to 31 January 2020, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 183.9 million.

An amount of EUR 412.7 million of assigned revenue is already available, and collection of additional amounts in the course of the budget year is expected.

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



EUROPEAN
COMMISSION

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ANNEX

ANNEX

to the

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ANNEX

Budget Year 2020(1) PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 31/01/2020
in Eur million

| | Appropriations Budget(2) | Consumption from November to January | Utilisation | Consumption profile as at January | | Gap between consumption and profile | |
|---|---|---|---------------|---|-----------------|---|---------------|
| | EUR mio | EUR mio | % | % | EUR mio | % | EUR mio |
| | A | B | C=B/A | D | E=D*A | F=C-D | G=B-E |
| Expenditure | | | | | | | |
| 05 01 ADMINISTRATIVE EXPENDITURE OF THE AGRICULTURE AND RURAL DEVELOP. POLICY AREA (only 05010401 and 05010601) | 11,7 | 0,0 | 0,0 % | 45,3 % | 5,3 | -45,3 % | -5,3 |
| Total 05 01 ADMIN. EXPEND. OF THE AGRICULTURE AND RURAL DEVELOP. POLICY AREA | 11,7 | 0,0 | 0,0 % | 45,3 % | 5,3 | -45,3 % | -5,3 |
| 05 02 INTERVENTIONS IN AGRICULTURAL MARKETS | | | | | | | |
| 05 02 01 Cereals | p.m. | 0,0 | | | | | |
| 05 02 02 Rice | p.m. | 0,0 | | | | | |
| 05 02 03 Refunds on non-Annex 1 products | p.m. | 0,0 | | | | | |
| 05 02 04 Food programmes | p.m. | 0,0 | | | | | |
| 05 02 05 Sugar | p.m. | 0,0 | | | | | |
| 05 02 06 Olive oil | 46,1 | 0,6 | 1,2 % | 8,9 % | 4,1 | -7,7 % | -3,6 |
| 05 02 07 Textile plants | p.m. | 0,0 | | | | | |
| 05 02 08 Fruits and vegetables (estimated 150,0 Mio EUR from assigned revenue)(*)(3) | 700,5 | 153,9 | 22,0 % | 21,0 % | 147,2 | 1,0 % | 6,7 |
| 05 02 09 Products of the wine-growing sector | 1.026,1 | 81,1 | 7,9 % | 13,5 % | 138,3 | -5,6 % | -57,2 |
| 05 02 10 Promotion | 186,9 | 9,1 | 4,9 % | 62,4 % | 116,7 | -57,5 % | -107,6 |
| 05 02 11 Other plant products/measures | 234,4 | 112,3 | 47,9 % | 48,1 % | 112,6 | -0,1 % | -0,3 |
| 05 02 12 Milk and milk products | 0,1 | 0,0 | 36,3 % | 3,0 % | 0,0 | 33,3 % | 0,0 |
| 05 02 13 Beef and veal | 50,0 | 48,4 | 96,9 % | 97,3 % | 48,7 | -0,4 % | -0,2 |
| 05 02 14 Sheepmeat and goatmeat | p.m. | 0,0 | | | | | |
| 05 02 15 Pigmeat, eggs and poultry, bee-keeping and other animal products | 71,0 | 0,3 | 0,5 % | 1,0 % | 0,7 | -0,5 % | -0,4 |
| 05 02 18 School schemes | 215,0 | 45,8 | 21,3 % | 22,1 % | 47,6 | -0,8 % | -1,8 |
| Total 05 02 INTERVENTIONS IN AGRICULTURAL MARKETS | 2.530,1 | 451,6 | 17,8 % | 24,3 % | 615,9 | -6,5 % | -164,4 |
| 05 03 DIRECT PAYMENTS (**) | | | | | | | |
| 05 03 01 Decoupled direct payments (estimated 921,0 Mio EUR from assigned revenue)(*)(3) | 34.574,0 | 31.394,4 | 90,8 % | 90,0 % | 31.117,6 | 0,8 % | 276,8 |
| 05 03 02 Other direct payments | 5.569,0 | 3.384,3 | 60,8 % | 59,3 % | 3.303,5 | 1,4 % | 80,7 |
| Total 05 03 DIRECT PAYMENTS (**) | 40.143,0 | 34.778,7 | 86,6 % | 85,7 % | 34.421,1 | 0,9 % | 357,6 |
| 05 04 OTHER EXPENDITURE | | | | | | | |
| 05 04 RURAL DEVELOPMENT (only 05040114 and 05040302) | p.m. | -0,2 | | | | | |
| 05 07 AUDIT OF AGRICULTURAL EXPENDITURE FINANCED BY THE EAGF | 205,9 | 176,7 | 85,8 % | 87,3 % | 179,8 | -1,5 % | -3,1 |
| 05 08 POLICY STRATEGY AND COORDINATION OF POLICY AREA 'AGRICULTURE AND RURAL DEVELOPMENT' (excl. 050877 and 050880) | 41,4 | 0,0 | 0,0 % | 1,6 % | 0,7 | -1,6 % | -0,7 |
| Total Expenditure | 42.932,1 | 35.406,7 | 82,5 % | 82,0 % | 35.222,8 | 0,4 % | 183,9 |
| Assigned Revenue | Taken into account in the budget | | | | | | |
| 6 7 0 1 Clearance of European Agricultural Guarantee Fund accounts — Assigned revenue | 592,0 | 1,4 | 0,2 % | | | | |
| 6 7 0 2 European Agricultural Guarantee Fund irregularities — Assigned revenue | 127,0 | 62,5 | 49,2 % | | | | |
| 6 7 0 3 Superlevy from milk producers — Assigned revenue | p.m. | 0,6 | | | | | |
| Assigned revenue carried over from 2019 | 352,0 | 348,2 | 98,9 % | | | | |
| Total Revenue | 1.071,0 | 412,7 | 38,5 % | | | | |
| (*) For information only: expenditure against original appropriations and estimated assigned revenue | | | | | | | |
| 05 02 08 Fruit and vegetables (including estimated assigned revenue of 150,0 Mio EUR)(3) | 850,5 | 153,9 | 18,1 % | 21,0 % | 178,7 | -2,9 % | -24,8 |
| 05 03 01 Decoupled direct payments (including estimated assigned revenue of 921,0 Mio EUR)(3) | 35.495,0 | 31.394,4 | 88,4 % | 90,1 % | 31.991,7 | -1,7 % | -597,3 |
| (**) Not included | | | | | | | |
| 05 03 09 Reimbursement of direct payments in relation to financial discipline(4) | 466,8 | 103,4 | 22,1 % | | | | |
| 05 03 10 Reserve for crises in the agricultural sector | 478,0 | 0,0 | 0,0 % | | | | |

(1) Budget year = 16.10.2019 to 15.10.2020 but expenditure under direct management possible until 31.12.2020

(2) It concerns the commitments

(3) Including use of assigned revenues carried over from the previous year

(4) Credits carried over from the previous year

- Please note that this report contains data for the U.K. that was a MS until 31/01/2020