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

on EAGF expenditure

Early warning system

No 4-6/2010

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ANNEX : PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 30/04/2010

1. INTRODUCTION

For the period 16 October 2009 to 30 April 2010, the budget's actual implementation level compared to the expenditure profile foreseen by the indicator, established on the basis of the dispositions of article 20 of Council Regulation (EC) No 1290/2005¹, is presented in the annexed table.

2. REVENUE ASSIGNED TO EAGF

On the basis of the rules of Article 34 of Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy, revenue originating from financial corrections under conformity clearance decisions, from irregularities and from the milk levy are designated as revenue assigned to the financing of EAGF expenditure. According to these rules, assigned revenue can be used to cover the financing of EAGF expenditure incurred by the Member States. In the case where part of this revenue is not used, then, this part will be automatically carried over into the following budget year.²

The Commission's Amending Letter for 2010 presented both its latest estimate on the amount of appropriations which will be needed in order to finance the expected expenditure for market measures and direct aids and estimates of the assigned revenue which is expected to be collected in the course of the budget year concerned and the carry over of the balance of assigned revenue left available from the previous budget year. As a consequence, in its proposal for this Amending Letter on the amount of appropriations to grant to the EAGF, the Commission took into consideration the total assigned revenue expected to be available in the coming budget year by requesting a level of appropriations calculated by deducting the estimated assigned revenue from its estimated expenditure for EAGF for the same year. The Budgetary Authority, then, adopted the new EAGF budget whose appropriations did not include the expected assigned revenue.

At the time of establishment of the 2010 Amending Letter, the Commission's estimates for the available assigned revenue amounted to EUR 922 million. Specifically:

- The assigned revenue expected to be generated in the course of the 2010 budget year was estimated at EUR 789 million. Amounts of EUR 600 million and EUR 91 million were expected from conformity clearance corrections and from irregularities correspondingly. The receipts from the milk levy were estimated at EUR 98 million.
- The amount of assigned revenue expected to be carried over from the budget year 2009 into 2010 was estimated at EUR 133 million.

¹ OJ L 209, 11.8.2005, p.1

² Assigned revenue carried over has to be used first, this means before the appropriations voted by the Budgetary Authority or the assigned revenues generated in the year (Art 10 of the Financial Regulation).

In its 2010 Amending Letter, the Commission assigned this revenue of EUR 922 million to two schemes. Specifically:

- EUR 222 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and
- EUR 700 million to the single payment scheme.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 547 million and to EUR 28 480 million respectively in accordance with the Commission's Amending Letter. The sum of the voted appropriations and the assigned revenue mentioned above corresponds to a total estimate of appropriations required of EUR 769 million for the operational funds for producer organisations in the fruits and vegetables sector and EUR 29 180 million for the single payment scheme.

In the annexed table which presents the 2010 budget's provisional execution for the period to 30.04.2010, the voted appropriations for the aforementioned two schemes are included in the original budget appropriations for the fruits and vegetables sector and for the decoupled direct aids sector which amount to EUR 720.1 million and to EUR 33 272 million correspondingly without taking account of the aforementioned assigned revenue. After including the revenue assigned to these sectors, the total appropriations foreseen in the 2010 budget amount to EUR 942.1 million for fruits and vegetables and to EUR 33 972 million for decoupled direct aids.

3. REVENUE ORIGINATING FROM THE TEMPORARY RESTRUCTURING AMOUNTS (SUGAR SECTOR)

The temporary restructuring amounts in the sugar sector are treated as assigned revenue intended to finance the sugar restructuring aid and other aids foreseen in the Sugar Restructuring Fund. For each marketing year, starting with 2006/07 up to 2008/09, these amounts relate to the sugar, inulin syrup and isoglucose quantitative quotas held by operators in each Member State and they are to be paid by the Member States into the Fund in two instalments, the deadlines of which are 31 March and 30 November respectively for each year. At the time of establishment of the 2010 budget, the estimation of this revenue amounted to EUR 606.8 million for the upcoming budget year. At the same time, an amount of EUR 717.9 million was expected to be carried over from the budget year 2009 into 2010.

4. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2010 EAGF BUDGET

A brief commentary is presented for certain budget articles which show, or which will show in the course of the year, the most significant divergences between the actual and the expected level of implementation of the 2010 budget:

4.1. Market measures

The uptake of appropriations for interventions in agricultural markets was lower than the level foreseen by the indicator on 30.04.2010, by - EUR 241.4 million. This divergence is primarily attributed to the food programmes and to the milk and milk

products sectors which, at this point in time, present an under-implementation. At the same time, other sectors, such as fruits and vegetables, wine and other plant products/measures present an over-implementation.

4.1.1. Cereals (-EUR 12.3 million)

The slower uptake of appropriations compared to the level of the indicator at this point in time is primarily due to the slower rhythm of intakes of cereals into public storage compared to the rhythm retained when the 2010 indicator was established. This slower rhythm affects the expenditure incurred and declared by Member States concerning the costs of this storage. The Commission considers this situation to be temporary.

4.1.2. Refunds on non-Annex I products (-EUR 27.5 million)

The slower uptake of appropriations compared to the level of the indicator at this point in time is primarily due to the lower expenditure incurred by Member States for payment of export refunds for dairy products incorporated in the exported processed agricultural products. This is due to the fact that the situation in dairy markets has much improved compared to the one prevailing at the time when the Amending Letter for the 2010 budget year was being established. As a result of this improvement, the Commission discontinued the payment of export refunds for dairy products in November 2009. The Commission considers that this slower uptake of appropriations in this sector will continue to the end of the budget year and that it will result in budget savings in this sector.

4.1.3. Food programmes (- EUR 109.6 million)

The slower uptake of appropriations compared to the level of the indicator at this point in time is due to the delayed approval of the 2010 food distribution plan by the Commission. While the outtakes of cereals and sugar from public storage, which are foreseen in the 2010 plan, have been slow, the outtakes of the dairy products foreseen in the same plan only started after 01.05.2010. At this point in time, the Commission considers that this implementation rhythm is temporary and that it will accelerate as the budget year progresses.

4.1.4. Sugar (+EUR 8.9 million)

The main measures funded under this year's budget are the payment of still outstanding export refund certificates for sugar, estimated at EUR 12.0 million, and the expenditure on the outtake of the quantity of sugar in public storage which is to be distributed to the most deprived persons under the 2010 food distribution plan, estimated at – EUR 11.0 million. Adding the payment of outstanding balances for other sugar schemes, estimated at EUR 0.5 million, the final budget for the sugar sector amounted to EUR 1.5 million. However, at this point in time, EAGF payments for this sector concern principally payments of outstanding export refund certificates for an amount of EUR 9.4 million. The outtake of sugar from public storage has not yet taken place. Therefore, the payments already made in this sector present a big over-implementation gap compared to the level of the indicator at this point in time.

4.1.5. *Fruits and vegetables (+ EUR 27.9 million in comparison with voted appropriations)*

This implementation level is attributable to the payments made by the Member States for the operational funds for producer organisations which is funded both by the budget's voted appropriations and by the revenue assigned to this scheme in the 2010 budget (NB: For details please see point 2 above). This implementation level is the result of applying the indicator for the period to 30.04.2010 to the budget's voted appropriations which do not include the revenue assigned to this sector.

NB: For the benefit of the reader, the Commission introduced footnote * to the provisional execution table which appears in the annexed table. This footnote shows which would be the situation had the indicator, as at 30.04.2010, been applied to the total appropriations which are expected to be available in order to fund this sector. As it is pointed out in point 2 above, the total funding expected to be available for this sector is composed of the budget's voted appropriations of EUR 720.1 million and of the revenue assigned to this sector which is estimated to amount to EUR 222.0 million. Therefore, had the indicator been applied to the total funding of EUR 942.1 million expected to be available for this sector, then, an under-execution of – EUR 48.3 million would appear.

At this point in time, the Commission considers the situation to be temporary and that the 2010 budget will be implemented as established.

4.1.6. *Products of the wine-growing sector (+EUR 33.3 million)*

When compared to the level of budget appropriations pointed out by the indicator on 30 April 2010, this execution pattern above the budget's appropriations is due to the acceleration of the rhythm of payments by Member States primarily for the grubbing up scheme. An acceleration of payments made by Member States is also observed for the national support programmes but at a slower rhythm. As the primary expenditure in this sector (NB: the national support programmes and the grubbing up scheme) is subject to fixed ceilings, then, the Commission considers this situation to be temporary.

4.1.7. *Other plant products/measures (+EUR 9.9 million)*

When compared to the level of budget appropriations pointed out by the indicator on 30 April 2010, this execution pattern above the budget's appropriations is due to the acceleration of the rhythm of payments by Member States primarily for the POSEI programmes. Based on past year's experience, the Commission considers this situation to be temporary.

4.1.8. *Milk and milk products (-EUR 154.7 million)*

The situation in dairy markets has much improved compared to the one prevailing at the time when the Amending Letter for the 2010 budget year was being established. As a result, the Commission discontinued the payment of export refunds for dairy products. Furthermore, market prices in the EU have risen substantially, thus stopping the inflow of skimmed milk powder and butter to public storage where the quantity stored for both products has stabilised. The slower uptake of appropriations compared to the level of the indicator, at this point in time, is due to the lower expenditure currently incurred in this sector as a result of the aforementioned factors.

Therefore, the Commission considers that this slower uptake of appropriations in this sector will continue to the end of the budget year and that it will result in budget savings in this sector.

4.2. Direct aids

The uptake of appropriations for direct aids compared to the level pointed out by the indicator on 30.04.2010 was higher by EUR 728.4 million.

4.2.1. Decoupled direct aids (+ EUR 865.4 million in comparison with voted appropriations)

This implementation level is attributable to the payments made by the Member States for the Single Payment Scheme which is funded both by the budget's voted appropriations and by the revenue assigned to this scheme in the 2010 budget (NB: For details please see point 2 above). This implementation level is the result of applying the indicator for the period to 30.04.2010 to the budget's voted appropriations which do not include the revenue assigned to this sector.

NB: For the benefit of the reader, the Commission introduced footnote * to the provisional execution table which appears in the annexed table. This footnote shows which would be the situation had the indicator, as at 30.04.2010, been applied to the total appropriations which are expected to be available in order to fund this sector. As it is pointed out in point 2 above, the total funding expected to be available for this sector is composed of the budget's voted appropriations of EUR 33 272 million and of the revenue assigned to this sector which is estimated to amount to EUR 700 million. Therefore, had the indicator been applied to the total funding of EUR 33 972 million expected to be available for this sector, then, the over-execution would have been limited to EUR 190.3 million.

At this point in time, the Commission considers that this scheme will show a better execution in 2010 compared to the one of 2009.

4.2.2. Other direct aids (-EUR 138.5 million)

This execution pattern is primarily due to the slower rhythm of payments made by Member States for certain schemes (premiums for suckler cows, tobacco and for durum wheat) compared to the level pointed out by the indicator at this point in time. At this point in time, the Commission considers this situation to be temporary.

4.3. Audit of agricultural expenditure

4.3.1. Accounting clearance of previous years' accounts (+ EUR 115 million)

The current implementation level results from the comparison of the clearance of accounts corrections already made with the level of the corresponding indicator as of 30 April 2010. However, it should be noted that all the accounting clearance decisions expected within this budget year have not been declared yet. Therefore, the Commission, at this point in time, considers this level of implementation to be temporary.

Nevertheless, it should be pointed out that, while the Commission, in its Amending Letter for 2010, proposed corrections amounting to – EUR 80.0 million, the Budgetary Authority retained an amount of – EUR 310.0 million. At this point in time, the Commission considers that the expected corrections from its accounting clearance decisions and from the non-respect of aid payments' deadlines by the Member States would not be sufficient to cover this extra-ordinary amount imposed by the Budgetary Authority and will eventually lead to a significant shortfall of negative budget appropriations which the Commission would need to cover through positive budget appropriations in order to close this budget item in 2010.

5. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The annexed table shows that assigned revenue amounting to EUR 522.7 million was collected as of 30 April 2010. Specifically:

- the revenue from corrections based on conformity clearance decisions amounted to EUR 188.8 million with additional amounts expected by the end of the budget year;
- the revenue from irregularities amounted to EUR 92.4 million with additional amounts also expected by the end of the budget year, and
- at this point in time, all of the revenue from the milk levy should have been collected and it amounts to EUR 100 million compared to the initial estimate of EUR 98 million;
- finally, contrary to the initially estimated amount of EUR 133 million, the amount of assigned revenue eventually carried over from 2009 into 2010 amounted to EUR 141.5 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 30 April 2010, amounts to EUR 522.7 million. At this point in time, the Commission expects that it will fully collect the assigned revenue of EUR 789 million foreseen to be collected in 2010 in the 2010 budget.

6. IMPLEMENTATION OF REVENUE ORIGINATING FROM THE TEMPORARY RESTRUCTURING AMOUNTS (SUGAR SECTOR)

In November 2009, Member States paid the second instalment of the temporary restructuring amounts due for the marketing year 2008/09 amounting to EUR 606.8 million identical to the amount initially estimated. In addition, contrary to the initially estimated amount of EUR 717.9 million, the assigned revenue carried over from 2009 into 2010 eventually amounted to EUR 768.3 million. Therefore, the total assigned revenue available to the 2010 budget in the form of temporary restructuring amounts came to EUR 1 375.1 million.

7. IMPLEMENTATION OF SUGAR RESTRUCTURING FUND

As of the end of April 2010, Member States had made payments of EUR 91.1 million for aids to the restructured sugar industry, for diversification aids or for aids to sugar refining.

8. CONCLUSIONS

The provisional execution of the 2010 EAGF budget's appropriations, for the period up to 30 April 2010, shows that monthly reimbursements to Member States exceeded the level foreseen by the indicator by approximately EUR 571.2 million. This over-execution result primarily from the expenditure for direct aids while, as regards the expenditure on interventions in agricultural markets, the improved situation in the milk market will lead to savings both on the expected expenditure for export refunds for dairy products as well as on the expected expenditure for public storage of butter and skimmed milk powder.

At this point in time, the Commission expects that the amount of assigned revenue which is available as well the one which will become available, in the course of the year, will be mainly used to cover the funding of the operational funds for producer organisations and of the single payment scheme as originally expected when the budget was established.

As regards, the Budgetary Authority's increase of accounting clearance corrections by – EUR 230.0 million to a total of – EUR 310.0 million, the Commission expects that the corrections imposed through the Commission's accounting clearance decisions as well as other corrections for non-respect of aid payments' deadlines by the Member States will not be sufficient to fund this negative expenditure. The Commission expects that the unfunded part of this negative expenditure will be covered both by the aforementioned potential savings in agricultural markets, especially in the dairy and Non-Annex I sectors, and by the assigned revenue which will be available in 2010.

ANNEX

BUDGET YEAR 2010 (**) PROVISIONAL CONSUMPTION OF THE EAGF APPROPRIATIONS

Situation to the 30/04/2010
in EUR million

	Appropriations Budget (**)	Consumption from November to April	Utilisation	Consumption profile as at April		Gap between implementation and indicator	
				EUR mio	EUR mio	%	EUR mio
	A	B	C=B/A	D	E=D*A	F=C-D	G=B-E
Expenditure							
05 01 (1) ADMINISTRATIVE EXPENDITURE FOR EAGF 05010401	9,0	0,9	10,3 %	33,0 %	3,0	-22,7 %	-2,0
Total 05 01 Administrative expenditure for EAGF	9,0	0,9	10,3 %	33,0 %	3,0	-22,7 %	-2,0
05 02 INTERVENTIONS IN AGRICULTURAL MARKETS							
05 02 01 Cereals	115,1	61,5	53,5 %	64,2 %	73,9	-10,7 %	-12,3
05 02 02 Rice	p.m.	0,0	0,0 %				
05 02 03 Refunds on non-Annex 1 products	114,0	40,0	35,1 %	59,2 %	67,5	-24,1 %	-27,5
05 02 04 Food programmes	500,1	51,7	10,3 %	32,2 %	161,2	-21,9 %	-109,6
05 02 05 Sugar	1,5	9,7	648,8 %	54,2 %	0,8	592,6 %	8,3
05 02 06 Olive oil	57,5	29,0	50,4 %	69,5 %	40,0	-19,1 %	-11,0
05 02 07 Textile plants	30,0	6,0	20,1 %	28,0 %	8,4	-7,9 %	-2,4
05 02 08 Fruits and vegetables (estimated 222 Mio EUR credits coming from assigned revenue)(*)(****)	720,1	275,2	38,2 %	34,3 %	247,3	3,9 %	27,9
05 02 09 Products of the wine-growing sector	1.338,3	221,7	16,6 %	14,1 %	188,4	2,5 %	33,3
05 02 10 Promotion	57,2	28,2	49,3 %	52,2 %	29,9	-2,9 %	-1,6
05 02 11 Other plant products/measures	356,2	200,9	56,4 %	53,6 %	191,0	2,8 %	9,9
05 02 12 (4) Milk and milk products	943,1	265,2	28,1 %	44,5 %	420,0	-16,4 %	-154,7
05 02 13 Beef and veal	26,1	13,3	50,8 %	61,0 %	15,9	-10,1 %	-2,6
05 02 14 Sheepmeat and goatmeat	p.m.	0,0					
05 02 15 Pigmeat, eggs and poultry, bee-keeping and other animal products	136,1	62,2	45,7 %	45,4 %	61,8	0,3 %	0,4
Total 05 02 Interventions in agricultural markets (excluding 05 02 16)	4.395,3	1.264,7	28,8 %	34,3 %	1.506,1	-5,5 %	-241,4
05 03 DIRECT AIDS							
05 03 01 Decoupled direct aids (estimated 700 Mio EUR credits coming from assigned revenue)(*)(****)	33.272,0	32.955,1	99,0 %	96,4 %	32.089,6	2,6 %	865,4
05 03 02 Other direct aids	5.995,0	4.590,4	76,6 %	78,9 %	4.728,9	-2,3 %	-138,5
05 03 03 Additional amounts of aid	6,0	2,7	44,3 %	20,3 %	1,2	24,0 %	1,4
Total 05 03 Direct aids	39.273,0	37.548,1	95,6 %	93,8 %	36.819,8	1,9 %	728,4
05 04 OTHER EXPENDITURE							
05040114 Rural development financed by the EAGGF-Guarantee Section-Programming period 2000-2006	p.m.	-2,4					
05040302 Plant and animal genetic resources-Completion of earlier measures	p.m.	0,0					
05070106 Accounting clearance of previous years' accounts	-310,0	-16,8	5,4 %	42,5 %	-131,8	-37,1 %	115,0
(3) 05070107 Conformity clearance of previous years' accounts	p.m.	0,0					
Other lines (05070102 and 050702)	9,5	1,7	17,6 %	62,7 %	6,0	-45,0 %	-4,3
05 08 POLICY STRATEGY AND COORDINATION OF AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA (excl. 050810)	40,6	30,0	74,0 %	77,2 %	31,3	-3,2 %	-1,3
11 02 (2) FISHERIES MARKETS (excl. 11020103)	30,5	0,1	0,3 %	0,0 %	0,0	0,3 %	0,1
17 01 (1) (2) ADMINISTRATIVE EXPENDITURE OF 'HEALTH AND CONSUMER PROTECTION' POLICY AREA	2,3	1,3	58,6 %	66,1 %	1,5	-7,5 %	-0,2
17010401, 17010405, 17010407 and 17010431							
17 03 (1) (2) PUBLIC HEALTH	16,9	0,0	0,0 %	0,0 %	0,0	0,0 %	0,0
17 03 02 Community tobacco fund - direct payments by the EU							
17 04 (1) (2) FOOD AND FEED SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH	352,7	289,6	82,1 %	87,9 %	310,2	-5,8 %	-20,6
170401 to 170407 (excl. 17040303)							
Total Expenditure (excluding 05 02 16)	43.819,8	39.117,2	89,3 %	88,0 %	38.546,1	1,3 %	571,2
Assigned Revenue							
6 7 0 1 Clearance of EAGF accounts — Assigned revenue	600,0	188,8					
6 7 0 2 EAGF irregularities — Assigned revenue	91,0	92,4					
6 7 0 3 Superlevy from milk producers — Assigned revenue	98,0	100,0					
Assigned revenue carried over from 2009	133,0	141,5					
Total Revenue (excluding 6 8)	922,0	522,7					
Sugar Restructuring Fund							
05 02 16 Sugar Restructuring Fund	439,7	91,1					
6 8 0 1 Temporary restructuring amounts — Assigned revenue	606,8	606,8					
Assigned revenue carried over from 2009	717,9	768,3					
6 8 0 2 Irregularities concerning the temporary restructuring fund — Assigned revenue	p.m.	0,0					
6 8 0 3 Clearance with regard to the temporary restructuring fund — Assigned revenue	p.m.	0,0					
Total Sugar Restructuring Fund	885,0	1.283,9					
(*) For information only: expenditure against original appropriations and estimated assigned revenue							
05 02 08 Fruits and vegetables (including estimated assigned revenue of 222 Mio EUR)(****)	942,1	275,2	29,2 %	34,3 %	323,5	-5,1 %	-48,3
05 03 01 Decoupled direct aids (including estimated assigned revenue of 700 Mio EUR)(****)	33.972,0	32.955,1	97,0 %	96,4 %	32.764,8	0,6 %	190,3

(**) Budget year = 16.10.2009 to 15.10.2010 but direct expenditure possible until 31.12.2010

(***) It concerns the commitments

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

(1) Chapter not exclusively EAGF

(2) Chapter outside title 05 but included in EAGF

(3) Used only for cases in which Member States are beneficiaries

(4) Of which 300 EUR million were initially in chapter 40 02