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

on EAGF expenditure

Early Warning System No 1-3/2019

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/01/2019

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 year¹.

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.

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 1 078 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

The annex to this report presents the budget's provisional implementation for the period 16 October 2018 to 31 January 2019. 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 lower than expected, by EUR 152 million. This is mainly explained by a lower uptake of appropriations in the budget article for promotion of agricultural products (see point 3.1.1).

3.1.1. Promotion

The expenditure profile provided for the financial commitment of the budget appropriations for the so-called "multi-" programmes to take place in January. However, only a part of the total amount was committed by the end of January, explaining the difference of EUR 112 million compared to the profile.

3.1.2. Fruit and vegetables

The execution in this sector is on track, with declared expenditure being EUR 8 million ahead of the profile.

3.1.3. Products of the wine-growing sector

For this budget article, expenditure declared so far is 2%-points or EUR -23 million lower than the expenditure profile.

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

3.1.4. Other plant products/measures

Declared expenses are 6%-points or EUR -14 million behind the profile. The payments for POSEI (programmes specific for the outermost regions) are lower than expected.

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

3.1.5. Milk and milk products

The deviation from the expenditure profile is explained by the declaration by Member States of gains (compared to the accounting value) on sales of skimmed milk powder.

3.2. Direct payments

The uptake of appropriations for direct payments surpassed the consumption profile with EUR 1 347 million, or +3.4%-points.

3.2.1. Decoupled direct payments

The declared expenditure is EUR 1 359 million or 4%-points ahead of the profile. The Payment for farmers in areas with natural constraints is in line with the profile, while expenditure for the other five schemes is ahead of the spending profile. The Basic payment scheme and the Payment for agricultural practices beneficial for the climate and the environment represent the greater part of the head start, with + EUR 977 million and + EUR 278 million respectively.

3.2.2. Other direct payments

The declared expenditure under this budget article is in line with the profile.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 195 million was collected as of end January 2019. Specifically:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 146 million, with additional amounts expected by the end of the budget year;
- the revenue from irregularities amounted to EUR 48 million, also with additional amounts expected by the end of the budget year, and
- some residual revenue from the milk levy equal to EUR 0.8 million.

Finally, the amount of assigned revenue eventually carried over from 2018 to 2019 amounts to EUR 449 million, which is EUR 4.8 million more than anticipated when adopting the 2019 budget.

Therefore, the total amount of assigned revenue available on 31 January 2019 for the financing of the EAGF expenditure was EUR 644 million, with additional amounts expected to be collected during the budget year.

5. CONCLUSIONS

The provisional execution of the 2019 EAGF budget appropriations, for the period up to 31 January 2019, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 1 183 million.

An amount of EUR 644 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.