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

on EAGF expenditure

Early Warning System No 7-10/2022

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1. THE 2022 EAGF BUDGET PROCEDURE

On 24 November 2021, the European Parliament adopted the 2022 general budget of the European Union. The budget for chapter 08 02 - European Agricultural Guarantee Fund (EAGF) amounts to EUR 40 365 million of commitment appropriations and EUR 40 389 million of payment appropriations. 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, coordination and audit 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 2022 EAGF budget includes:

- the Commission's latest estimates of the financing needs for market measures and direct payments,
- and the estimates of assigned revenue to be collected in the course of the budget year.

In its proposal for the 2022 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue. For the 2022 budget the Commission requested a level of appropriations calculated by deducting the estimated assigned revenue from the estimated needs. The Budgetary Authority adopted the EAGF budget for 2022 taking account of the expected assigned revenue.

At the time of establishing the 2022 budget, the Commission's estimate of the available assigned revenue was EUR 551 million. With no carryover expected from 2021 to 2022, it was estimated that the entire amount would be collected during the budget year. The Commission took into account this estimated revenue when requesting the appropriations for the basic payment scheme (item 08 02 05 04). The sum of the voted appropriations and the assigned revenue for this scheme is equal to EUR 14 811 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 annex to this report shows the provisional implementation of the 2022 budget and its comparison to the expected expenditure profile.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2022 EAGF BUDGET

The annex to this report shows the budget's provisional implementation for the period 16 October 2021 to 31 August 2022.

A comparison is made of the implementation level with the expenditure profile of the early warning system 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 is slightly higher (EUR 74.2 million) than the consumption profile. This is mainly due to the execution on the exceptional support measures line (08 02 03 11) where no budget was foreseen and the transfer from the crises reserve is not being reflected in the EWS.

The implementation of the actions for promotion of agricultural products (08 02 03 02) is 38.0 percentage points (EUR -33.8 million) below the consumption profile, whereas the implementation of promotion of agricultural products – Multi-programmes (08 02 03 03) is 90.1 percentage points (EUR 87.3 million) ahead of the profile. For the latter, which is a direct expenditure budget item, the bulk of the budget was foreseen in the profile to be committed in September.

For School Schemes (08 02 03 04), the implementation at the end of August 2022 was around EUR 7.1 million (-3.8 percentage points) behind the profile.

The expenditure for Olive oil (08 02 03 05) is 6.5 percentage points (EUR 2.8 million) higher than the consumption profile.

Expenditure declared so far for Fruit and vegetables (08 02 03 06) is EUR 88.4 million (-9.5 percentage points) lower than expected at the end of August according to the expenditure profile.

For the wine support programmes (08 02 03 07), the expenditure declared so far is EUR 53.1 million (5.2 percentage points) ahead of the expenditure profile.

No amount was originally foreseen in the budget for Public and private storage measures (08 02 03 10) and Exceptional measures (08 02 03 11). In view of different crises leading to market disturbances, Commission Delegated Regulation (EU) 2022/467 and Commission Implementing Regulation (EU) 2022/470 were adopted.

Member States notified EUR 17 million for storage measures for the pig market on budget item 08 02 03 10. Until the end of the year Member States forecasted the expenditure to EUR 8.4 million.

Following the adoption of Commission Delegated Regulation (EU) 2022/467, in total EUR 500 million were allocated to the exceptional measures budget item, including EUR 350 million appropriations transferred from the crises reserve. It is the first time ever the crises reserve is being activated. At the end of August the expenditure on this line amounted to EUR 59.4 million. Overall, Member States forecasted to implement EUR 485.2 million leading to nearly full implementation before the final eligibility date of 30 September 2022.

At present, the divergence for the above types of measures is considered temporary as most of the forecasted amounts are expected to be implemented towards the end of the year.

3.2. Direct payments

The uptake of appropriations for direct payments is generally in line with the consumption profile.

The expenditure made for the POSEI (08 02 05 01), the Single area payment scheme (08 02 05 02), the Redistributive payment (08 02 05 03), the Payment for agricultural practices beneficial for the climate and the environment (08 02 05 05) and the Voluntary coupled support scheme (08 02 05 09) are corresponding to the consumption profile.

For the Basic payment scheme (08 02 05 04), the profile is calculated taking into account the assigned revenue. On this basis, the expenditure for this scheme is only EUR 69.5 million (-0.5 percentage points) lower than the profile - see the “For Information Only” box of the annex.

For the Payment for farmers in areas with natural constraints (08 02 05 06), payments made are 3.8 percentage points below the profile (EUR 0.2 million).

The declared expenditure for the young farmers scheme (08 02 05 07) is EUR 66.9 million below the profile (-12.6 percentage points) and payments made for the small farmers scheme (08 02 05 10) are EUR 34.1 million below the profile (-5.0 percentage points). The budgeted amount is not expected to be implemented fully towards the end of the year for those two budget items.

For Crop-specific payment for Cotton (08 02 05 08) declared expenditure is EUR 6.9 million lower than the profile (-2.8 percentage points).

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 486.0 million was collected as of end August 2022. This includes:

- revenue under budget item 62 00 at EUR 483.9 million. It concerns mainly the revenue from corrections included in accounting and conformity clearance decisions,

but also from irregularities declared by Member States. Additional amounts are expected to be collected before the closure of the financial year;

- while no carryover amount was estimated when adopting the 2022 budget, revenue eventually carried over from 2021 to 2022 amounted to EUR 2.1 million.

5. CONCLUSIONS

The provisional execution of the 2022 EAGF budget appropriations, for the period up to 31 August 2022 is, in relative terms, in line with the calculated expenditure profile.

It is the first time ever the crises reserve has been activated and it is estimated that almost the full amount allocated to the exceptional support measures will be implemented by the end of the year.

An amount of EUR 486.0 million of assigned revenue is already available and additional amounts are expected to be collected in the course of the budget year.

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.