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"I" ITEM NOTE

from : Working Party on Financial Agricultural Questions (Agrifin)

On : 21 February 2007

To : Coreper

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Subject : - EAGF expenditure profile for 2007
- Reports n° 1-3/2007 from the Commission to the European Parliament and the Council on EAGF expenditure (Early Warning System)

I INTRODUCTION

1. The Working Party on Financial Agricultural Questions (Agrifin), at its meeting on 21 February 2007, heard a presentation by the Commission on the EAGF expenditure profiles for 2007 and considered information provided by the Commission on EAGF expenditure as at 31 January 2007 (corresponding to the Commission's Early Warning System reports 1/2007, 2/2007 and 3/2007). The outcome of the Working Party's proceedings is summarised below.

II OUTCOME OF PROCEEDINGS

A) EAGF expenditure profiles for 2007

2. The Commission representative presented the EAGF expenditure profiles for 2007, based on a Commission working paper provided to delegations in advance of the meeting (see Annex I). She pointed out that the annex to the Commission working paper contained the expenditure profiles for each article of the budget.
3. The Commission representative furthermore drew delegations' attention to the fact that the Commission, for a number of budget headings, had decided not to calculate the profile according to the basic calculation method (based on expenditure over the past three years). The relevant budget headings and the specific calculation method were set out in the Commission working paper.

B) EAGF expenditure as at 31 January

4. The Working Party then considered the state of EAGF expenditure for the period 16 October 2006 to 31 January 2007, on the basis of a table distributed by the Commission representative in the meeting room, showing the provisional consumption of appropriations as compared to the level of the indicator (see Annex II).
5. The table shows that the uptake of EAGF Guarantee Section appropriations as at 31 January 2007 stands at EUR 27 917.8 million (65.4% of appropriations available). The breakdown into the three main budget headings is as follows:
 - interventions in agricultural markets: EUR 1 625.9 million (EUR 12.2 million or 0.2% above budget indicator);

- direct aids: EUR 26 750.1 million (EUR 177.9 million or 0.5% below budget indicator);
- other expenditure (including rural development): EUR 12.8 million (EUR 121.6 million or 58.1 % below budget indicator).

6. The Commission representative pointed out that the overall budget execution showed an under-execution of EUR 732.7 million or 1.7%, but that it was too early to draw any conclusions, in particular following the uncertainties linked to the implementation of the single payment scheme. She then briefly commented a number of budget headings as follows:

Cereals (divergence of EUR -168.8 million or -32.7%)

This under-execution, mainly due to the extremely favourable world market situation, is a trend that will probably continue and that will lead to quite significant savings at the end of the budget year.

Refunds on non-Annex I products (divergence of EUR -19.3 million or -6.4%)

The under-execution is due to the general fall in the level of export refund rates as well as the lower quantities of processed agricultural products exported.

Milk and milk products (divergence of EUR 75 million or +12.8%)

The over-execution is due to the fact that the indicator does not take account of the effect of the collection of milk levy payments, whereas for the budget year 2007 these payments are treated as assigned revenue.

Direct aids (divergence of EUR -177.9 million or -0.5%)

The under-execution is due to the difficulties experienced by the Member States for which 2007 is the first year of implementation of the single payment scheme, and also by certain Member States that started its implementation already in 2006.

III. CONCLUSION

7. At the close of proceedings, the Working Party agreed, at the Presidency's initiative, to submit the outcome of its proceedings to Coreper as an "I" item on its agenda.

**WORKING PAPER
ON
THE EXPENDITURE PROFILES FOR 2007**

1. Introduction

The Commission is required, under Article 20 of Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy, to implement an 'early warning system' covering each chapter of EAGF expenditure. This expenditure is as a rule being monitored for each article. To that end, the Commission presents monthly reports to Parliament and the Council comparing actual expenditure with the forecast expenditure profiles.

The profiles are established by the Commission for each article of the budget as soon as budget data are available. They are based, where appropriate, on average monthly expenditure over the three preceding years.

2. Calculation method - Basic rule

The approach adopted involves establishing profiles by article on the basis of data for each item, as follows (see Annex):

- a) Expenditure over the three preceding financial years is adjusted as required to the budgetary nomenclature for the coming year.
- b) For each closed financial year, a profile in terms of accumulated percentages is calculated at the lowest budgetary level (item or itemless article).
- c) The historical profile for each budget heading is the weighted arithmetic mean of the percentage values for the corresponding months of each financial year.
- d) Multiplying the percentage obtained by the appropriation amount for that heading for the year concerned gives, for each item, the amount of expenditure that can be considered normal at a given date.
- e) The indicator at the next level up is obtained by adding together the amounts at the constituent levels (chapter = sum of amounts under each article).

The percentage for these amounts in relation to the budget for each article gives the profile for that article. The profile therefore incorporates the weighting of expenditure at the lower level (items).

Profiles should also reflect any payment deadlines that are set under the rules.

3. Exceptions to the basic rule

As a rule, profiles are calculated as described under point 2. However, a different approach has to be adopted in certain cases, in particular the following:

- a) Where historical data for a given budget heading include factors of a strictly one-off nature the appropriate adjustments are to be made.
- b) Where, for a given budget heading, the data for one or two years are considered to be more representative than the historical profile, calculations are to be based on the data for that year or years only.
- c) Where special circumstances (such as a new heading, or changes in the rules or in payment deadlines) mean that the historical data do not reflect the foreseeable pattern of expenditure under a budget heading, a theoretical profile is to be established on the basis of working hypotheses that take account of the new situation.

The above exceptions have been made for the budget heading detailed below.

CHAPTER 05 01 – ADMINISTRATIVE EXPENDITURE

05 01 04 01 – European Agriculture Guarantee Fund (EAGF) — Non-operational technical assistance

The profile has been calculated on the basis of the data for the years 2004 to 2006, taking into account that direct payments can be paid until 31 December.

CHAPTER 05 02 – INTERVENTION ON AGRICULTURAL MARKETS

05 02 10 02 – Promotion measures - Direct payments by the European Community The profile has been calculated on the basis of the data for the years 2004 to 2006, taking into account that direct payments can be paid until 31 December.

05 02 15 07 – Exceptional market-support measures for the poultrymeat and eggs sector

The profile has been calculated by distributing the expenditure evenly over the first five months of the year.

CHAPTER 05 03 - DIRECT AIDS

05 03 01 01 – Single payment scheme

05 03 01 02 – Single area payment scheme

05 03 02 – Other direct aids

05 03 03 00 – Additional amounts of aid

Many Member States apply the single payment scheme for the first time. Moreover, in respect of 2006, the Member States were authorized to pay to the farmer, from 16 October 2006, an advance that should not exceed 50% for certain direct payments. For these reasons and in order to be as close as possible to the real rhythm of expenditure, the profile has been calculated taking into account the Member States' forecasts.

05 03 01 03 – Separate sugar payment

This is a new measure. The profile has been calculated taking into account the Member States' forecasts.

CHAPTER 05 07 – AUDIT OF AGRICULTURAL EXPENDITURE

05 07 01 02 – Monitoring and preventive measures - direct payments by the European Community

The profile is based on the data for the years 2004 to 2006, taking into accounts the decisions already taken or launched.

CHAPTER 05 08 – POLICY STRATEGY AND COORDINATION OF AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA

05 08 01 00 – Farm Accountancy Data Network (FADN)

The profile has been calculated on the basis of the planning of the commitments established by measure.

05 08 02 00 – Surveys on the structure of agricultural holdings

05 08 03 00 – Restructuring of systems for agricultural surveys

05 08 06 00 – Enhancing public awareness of the common agricultural policy

The profile has been calculated on the basis of the data for the years 2004 to 2006, taking into account that direct payments can be paid until December 31.

CHAPTER 11 02 – FISHERIES MARKETS

11 02 01 01 – Intervention in fishery products

11 02 03 01 – Fisheries programme for the outermost regions

Regulation 1290/05 has foreseen that the EAGF shall finance in a centralised manner expenditure related to fisheries markets. As a consequence, a profile must be established, and this has been calculated on the basis of the planning of the commitments.

CHAPTER 17 01 – ADMINISTRATIVE EXPENDITURE OF HEALTH AND CONSUMER PROTECTION POLICY AREA

17 01 04 01 – Plant-health measures - Expenditure on administrative management

17 01 04 05 – Feed and food safety and related activities - Expenditure on administrative management

As these are direct payments, the profile has been calculated (taking into account past experience) on the basis of the forecast expenditure for 2007.

CHAPTER 17 03 –PUBLIC HEALTH

17 03 02 00 – Community tobacco fund – Direct payments by the European Union

As these are direct payments, the profile has been calculated (taking into account past experience) on the basis of the forecast expenditure for 2007.

CHAPTER 17 04 – FOOD SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH

17 04 01 – Animal disease eradication and monitoring programmes and monitoring of the physical condition of animals that could pose a public-health risk linked to an external factor - New measures

17 04 02 – Other measures in the veterinary, animal welfare and public health field - New measures

17 04 03 – Emergency fund for veterinary complaints _____ and other animal contaminations which are a risk to public health - New measures

17 04 04 – Plant health measures - New measures

17 04 07 – Feed and food safety and related activities - New measures

As these are direct payments, the profile has been calculated (taking into account past experience) on the basis of the forecast expenditure for 2007.

Appendix 1 - Profile 2007 - Initial Budget Allocation - Cumulated Percentages

BUDGET ITEMS	November	December	January	February	March	April	May	June	July	August	September	October
Expenditure (A)												
05 01	0.0	0.0	1.5	10.6	19.7	22.7	34.9	43.9	48.5	56.1	62.1	77.3
Total 05 01 Administrative expenditure of policy area Agriculture	0.0	0.0	1.5	10.6	19.7	22.7	34.9	43.9	48.5	56.1	62.1	77.3
05 02												
05 02 01	18.9	28.3	27.6	34.0	42.1	45.5	51.1	54.3	64.8	72.0	81.2	100.0
05 02 02	28.1	46.6	87.3	103.7	106.8	113.8	116.5	105.4	91.3	73.7	76.2	100.0
05 02 03	11.9	20.5	29.2	38.6	48.5	56.2	64.8	73.1	81.3	88.5	96.2	100.0
05 02 04	1.2	3.3	4.6	8.5	31.4	49.5	58.8	72.0	80.3	85.4	98.5	100.0
05 02 05	-5.5	13.9	25.4	31.9	39.4	48.9	53.6	44.4	17.1	18.1	88.2	100.0
05 02 06	49.5	74.4	78.9	82.5	84.5	85.4	86.7	87.8	92.6	96.5	98.1	100.0
05 02 07	8.2	8.6	8.1	29.3	31.4	31.5	31.8	61.8	61.4	62.1	65.3	100.0
05 02 08	14.6	34.5	38.0	42.1	46.3	49.8	54.4	74.3	80.7	85.9	93.3	100.0
05 02 09	8.4	17.5	23.5	32.4	45.6	56.1	67.5	82.2	87.4	91.1	95.7	100.0
05 02 10	7.0	15.2	18.6	26.2	38.4	48.3	57.6	67.2	73.5	81.3	92.9	97.4
05 02 11	11.7	22.9	30.9	36.6	42.8	49.2	61.4	67.4	75.3	85.8	93.8	100.0
05 02 12	12.3	21.0	28.0	36.6	47.2	55.3	63.6	72.4	80.6	88.0	96.9	100.0
05 02 13	13.3	23.9	34.5	44.1	53.0	59.7	66.6	74.1	81.1	88.8	95.4	100.0
05 02 14												
05 02 15	13.0	24.5	35.5	46.9	58.7	63.6	67.5	73.2	77.9	84.0	91.3	100.0
05 02 16												
Total 05 02 Interventions in agricultural markets	11.1	23.3	28.7	35.8	45.4	52.8	60.6	72.0	76.9	82.4	93.3	100.0
05 03												
05 03 01	13.0	70.2	75.8	86.7	91.6	94.6	97.2	99.5	99.8	100.0	100.0	100.0
05 03 02	10.8	58.9	64.3	71.1	78.6	87.8	93.6	99.0	99.8	99.9	99.9	100.0
05 03 03	0.0	9.3	9.7	15.4	22.9	23.4	27.9	34.0	37.7	42.5	99.8	100.0
05 03 04												
Total 05 03 Direct aids	12.4	67.5	73.0	83.1	88.5	92.5	95.7	98.6	99.0	99.2	100.0	100.0
05 04												
05 07	-3.5	-3.5	-3.8	-4.1	-4.4	5.0	4.7	65.4	86.8	86.5	94.1	100.6
05 08	0.0	0.0	5.5	11.1	48.3	54.4	60.0	65.6	71.1	76.6	82.1	88.5
11 02	0.0	0.0	0.0	0.0	0.0	0.0	25.0	50.0	50.0	50.0	50.0	50.0
17 01	0.0	0.0	0.0	0.0	0.0	30.8	69.2	69.2	69.2	69.2	76.9	84.6
17 03	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17 04	0.0	0.0	33.9	70.2	76.6	80.2	80.9	80.9	84.3	84.3	90.5	92.1
Total other expenditure	2.9	2.9	51.9	104.4	121.0	119.7	125.9	80.8	69.1	70.4	74.1	72.3
Total Expenditure (excluding clearance)	12.1	61.1	66.8	76.7	82.6	87.1	90.9	94.8	95.9	96.8	98.9	99.9
Total Expenditure (including clearance)	12.2	61.4	67.1	77.0	83.0	87.4	91.2	95.0	95.9	96.9	99.0	99.9
Revenue (B)												
6 7 0 1												
6 7 0 2												

6703													
6801													
6802													
Total Revenue													
Expenditure and revenue (A-B)													
Total Expenditure (excluding clearance) and revenue	12.1	61.1	66.8	76.7	82.6	87.1	90.9	94.8	95.9	96.8	98.9	99.9	99.9
Total Expenditure (including clearance) and revenue	12.2	61.4	67.1	77.0	83.0	87.4	91.2	95.0	95.9	96.9	99.0	99.9	99.9

**PROVISIONAL CONSUMPTION OF THE APPROPRIATIONS
AGAINST ORIGINAL APPROPRIATIONS of EAGF**
Situation to the 31/01/2007
In EUR million

	Original appropriations Budget (*)	Consumption from November to January	Utilisation	Consumption profile (**) as at January		Gap between implementation and indicator	
	EUR mio	EUR mio	%	%	EUR mio	%	EUR mio
	A	B	C=(B*100)/A	D	E=(D*A)/100	F=C-D	G=B-E
Expenditure (A)							
05 01 ADMINISTRATIVE EXPENDITURE OF AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA	8.5	0.6	7.1 %	1.5 %	0.1	5.6 %	0.5
<i>05010401, 05010406 and 05010407: Monitoring/evaluation and pilot projects</i>							
Total 05 01 Administrative expenditure of policy area Agriculture	8.5	0.6	7.1 %	1.5 %	0.1	5.6 %	0.5
05 02 01 INTERVENTIONS IN AGRICULTURAL MARKETS							
05 02 02 Cereals	516.0	-26.2	-5.1 %	27.6 %	142.6	-32.7 %	-168.8
05 02 03 Rice	-2.0	0.7	-33.1 %	87.3 %	-1.7	-120.4 %	2.4
05 02 04 Refunds on non-Annex 1 products	299.0	68.0	22.7 %	29.2 %	87.2	-6.4 %	-19.3
05 02 05 Sugar	278.0	40.2	14.5 %	4.6 %	12.7	9.9 %	27.5
05 02 06 Olive oil	323.0	187.0	57.9 %	25.4 %	82.1	32.5 %	105.0
05 02 07 Textile plants	50.0	26.3	52.6 %	78.9 %	39.5	-26.3 %	-13.2
05 02 08 Fruit and vegetables	22.0	2.6	11.8 %	8.1 %	1.8	3.8 %	0.8
05 02 09 Products of the wine-growing sector	1,319.8	478.3	36.2 %	38.0 %	501.1	-1.7 %	-22.9
05 02 10 Promotion	1,487.0	410.4	27.6 %	23.5 %	349.6	4.1 %	60.9
05 02 11 Other plant products/measures	45.3	9.2	20.2 %	18.6 %	8.4	1.7 %	0.7
05 02 13 Beef and veal	379.0	90.6	23.9 %	30.9 %	117.2	-7.0 %	-26.6
05 02 14 Sheepmeat and goatmeat	587.0	239.1	40.7 %	28.0 %	164.1	12.8 %	75.0
05 02 15 Pigmeat, eggs and poultry, bee-keeping and other animal products	117.0	40.3	34.5 %	34.5 %	40.3	-0.0 %	-0.0
<i>Super Restructuring Fund (estimation of 757 Mio EUR credits coming from revenue)***</i>	p.m.	0.0	0.0 %				
Total 05 02 Interventions in agricultural markets	5,615.2	1,625.9	29.0 %	28.7 %	1,613.6	0.2 %	12.2
05 03 01 DIRECT AIDS							
05 03 02 Decoupled direct aids (estimation of 638 Mio EUR credits coming from revenue)***	30,196.0	22,829.2	75.6 %	75.8 %	22,886.6	-0.2 %	-57.4
05 03 03 Other direct aids	6,214.5	3,894.0	62.7 %	64.3 %	3,995.9	-1.6 %	-102.0
05 03 04 Additional amounts of aid	468.0	40.1	8.6 %	9.7 %	45.4	-1.1 %	-5.3
Total 05 03 Direct aids	36,878.5	26,750.1	72.5 %	73.0 %	26,928.0	-0.5 %	-177.9
OTHER EXPENDITURE							
05 04 Rural development (050401 and 05040302)	p.m.	-14.1	0.0 %				
05 07 AUDIT OF AGRICULTURAL EXPENDITURE	-172.0	-0.0	0.0 %	-3.8 %	6.6	3.8 %	-6.6
Accounting clearance of previous years' accounts (05070106 and 05070108)	-178.0	0.0	0.0 %	-3.4 %	6.1	3.4 %	-6.1
(3) Conformity clearance of previous years' accounts (05070107 and 05070109)	p.m.	0.0	0.0 %				
Audit of agricultural expenditure, other lines (05070101, 05070102, 05070105)	6.0	-0.0	-0.3 %	8.3 %	0.5	-8.6 %	-0.5
05 08 (1) POLICY STRATEGY AND COORDINATION OF AGRICULTURE AND RURAL DEVELOPMENT POLICY AREA	41.2	0.0	0.0 %	5.5 %	2.3	-5.5 %	-2.3
11 02 (2) FISHERIES MARKETS	30.5	0.0	0.0 %	0.0 %	0.0	0.0 %	0.0
17 01 (1) (2) ADMINISTRATIVE EXPENDITURE OF POLICY AREA HEALTH AND CONSUMER PROTECTION	1.3	0.4	30.8 %	0.0 %	0.0	30.8 %	0.4
17 03 17010401, 17010404 and 17010405: Plant health meas. - Pilot study - Feed and food safety							
17 03 (1) (2) PUBLIC HEALTH	13.5	0.0	0.0 %	0.0 %	0.0	0.0 %	0.0
17 04 17 03 02 Community tobacco fund - direct payments by the EU	295.0	0.9	0.3 %	33.9 %	99.9	-33.6 %	-99.0
(1) (2) FOOD SAFETY, ANIMAL HEALTH, ANIMAL WELFARE AND PLANT HEALTH							
170401 to 170407 Veterinary, animal welfare, public health, plant health, feed and food							
Total other expenditure	209.5	-12.8	-6.1 %	51.9 %	108.8	-58.1 %	-121.6
Total Expenditure (excluding clearance)	42,889.7	28,363.7	66.1 %	66.8 %	28,644.4	-0.7 %	-280.7
Total Expenditure (including clearance)	42,711.7	28,363.7	66.4 %	67.1 %	28,650.5	-0.7 %	-286.8
Revenue (B)							
6 7 0 1 Conformity clearance of previous years'accounts - EAGF (estimation : 568 Mio EUR)	p.m.	68.7					
6 7 0 2 Irregularities - EAGF (estimation : 70 Mio EUR)	p.m.	26.5					
6 7 0 3 Superlevy from milk producers (estimation : 349 Mio EUR)	p.m.	350.8					
6 8 0 1 Temporary restructuring amounts - Assigned revenue (estimation : 1259 Mio EUR)	p.m.	0.0					
Total Revenue	p.m.	445.9					
Expenditure and revenue (A-B)							
Total Expenditure and revenue (excluding clearance)	42,889.7	27,986.5	65.3 %	66.8 %	28,644.4	-1.5 %	-658.0
Total Expenditure and revenue (including clearance)	42,711.7	27,917.8	65.4 %	67.1 %	28,650.5	-1.7 %	-732.7