

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(74) 1747 final
Brussels, 18 October 1974

PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL
amending Regulation (EEC) No 2958/73 on the exchange rate
applied in agriculture for the Italian lira

(submitted to the Council by the Commission)

COM(74) 1747 final

Explanatory Note

As a result of developments in the situation of the Italian Lira on the foreign Exchange Market it appears desirable to fix a new representative rate for this currency from 28 October 1974 which will avoid the reintroduction of monetary compensatory amounts intrade with this Member States.

The rate in question is equivalent to a devaluation of the "green lira" of approximately 4% which will thus correspond more closely with economic reality.

The monetary committee will be consulted.

Time-table. Decision of the Council 21 October.

PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL

amending Regulation (EEC) No 2958/73 on the exchange rate
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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation No 129 (1) on the value of the unit
of account and the exchange rates to be applied for the purposes of the
common agricultural policy, as last amended by Regulation (EEC)
No 2543/73 (2), and in particular Article 3 thereof;

Having regard to the proposal from the Commission;

Whereas Article 1 of Council Regulation (EEC) No 2958/73 (3) of 31 October
1973 on the exchange rates applied in agriculture for the Italian lira,
as last amended by Regulation (EEC) No 1847/74 (4), provided for the
application of a representative rates for the Italian lira,

Whereas the economic situation in Italy necessitates taking another step
towards uniformity of agricultural prices in the Community by fixing another
more realistic representative rate;

.../...

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- (1) OJ No 106, 30.10.1962, p. 2553/62.
(2) OJ No L 263, 19.9.1973, p. 1.
(3) OJ No L 303, 1.11.1973, p. 1.
(4) OJ No L 195, 18.7.1974, p. 1.

Whereas the Monetary Committee will be consulted and whereas, in view of the urgency of the matter, the measures envisaged should be adopted under the conditions laid down in Article 3 (2) of Regulation No 129;

Whereas the fixing of such a representative rate would lead to an adjustment in the level of prices for agricultural products in Italy; whereas this result is consistent with the basic principle of uniformity of prices in the Community; whereas it was on the basis of this principle and its consequences that specific provisions were laid down, in particular in Council Regulation (EEC) No 1134/68 (5) of 30 July 1968 laying down rules for the implementation of Regulation (EEC) No 653/68 on conditions for alterations to the value of the unit of account used for the common agricultural policy; whereas these provisions cover only the case of a change in the parity of a currency; whereas they should also be applied in this case; whereas the new representative rate should therefore be included in Regulation (EEC) No 2958/73, the other provisions of which remain unchanged;

HAS ADOPTED THIS REGULATION :

Article 1

The following is added to Article 1 (2) of Regulation (EEC) No 2958/73 :

"(g) with effect from 28 October 1974 100 Italian
lira = ~~0,120218~~ unit of account "

Article 2

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

Financial implications

1. The object of altering the representative rate of the lira is to avoid reintroduction of monetary compensatory amounts from 21 October 1974. The movement of the lira exchange rate is such that MCA on the basis of 4.6% would have to be applied from that date. To work out the financial implications of this proposal, it is therefore necessary to compare the financial impact of
 - (a) reintroduction of MCA on the basis of 4.6% from 21 October 1974 (status quo as concerns Regulations);
 - (b) alteration of the representative rate from the same date (proposed alteration of Regulations).

2. Reintroduction of MCA on the basis of 4.6% would have the following financial implications:

('000,000 u.a., 12 months)

<u>I. Outgoings</u>	
MCA in intra trade (granted-collected)	+ 63 (intervention outgoings)
MCA in extra trade	
(a) granted on importation	+ 23 (refund outgoings)
(b) collected on exportation (deducted from refunds)	- 5 (refund outgoings)
Total variation in EAGGF outgoings	<u>+ 81</u>
<u>II. Incomings</u>	
MCA granted on importation (deducted from levies)	- 17
MCA collected on exportation	<u>+ 3</u>
Total variation in incomings (own resources)	- 14

3. Financially changing the representative rate by 4% will mean widening the gap between the unit of account conversion rate for agricultural instruments and for the Budget. The financial implications of this may be estimated at:

('000,000 u.a., 12 months)

Interventions	+ 20
Refunds	+ 3
	<hr/>
Increase in EAGGF Guarantee outgoings	+ 23
Incomings in levies	+ 8

4. Comparison between the financial implications of reintroducing MCA and of altering the representative rate indicates that as regards outgoings in particular the latter course would be very much less costly.

In the case of the financial year 1974, given application for a period of 2.1/2 months allowing for the term of payment, the additional outgoings could be covered from the overall EAGGF Guarantee appropriations.

In the case of the financial year 1975, having regard to the data adopted in drawing up the 1975 Draft Budget, the comparatively limited increase in outgoings should not be such as to call for revision of the overall EAGGF Guarantee appropriations planned for financial 1975.