

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 482 final.

Brussels, 31 October 1977.

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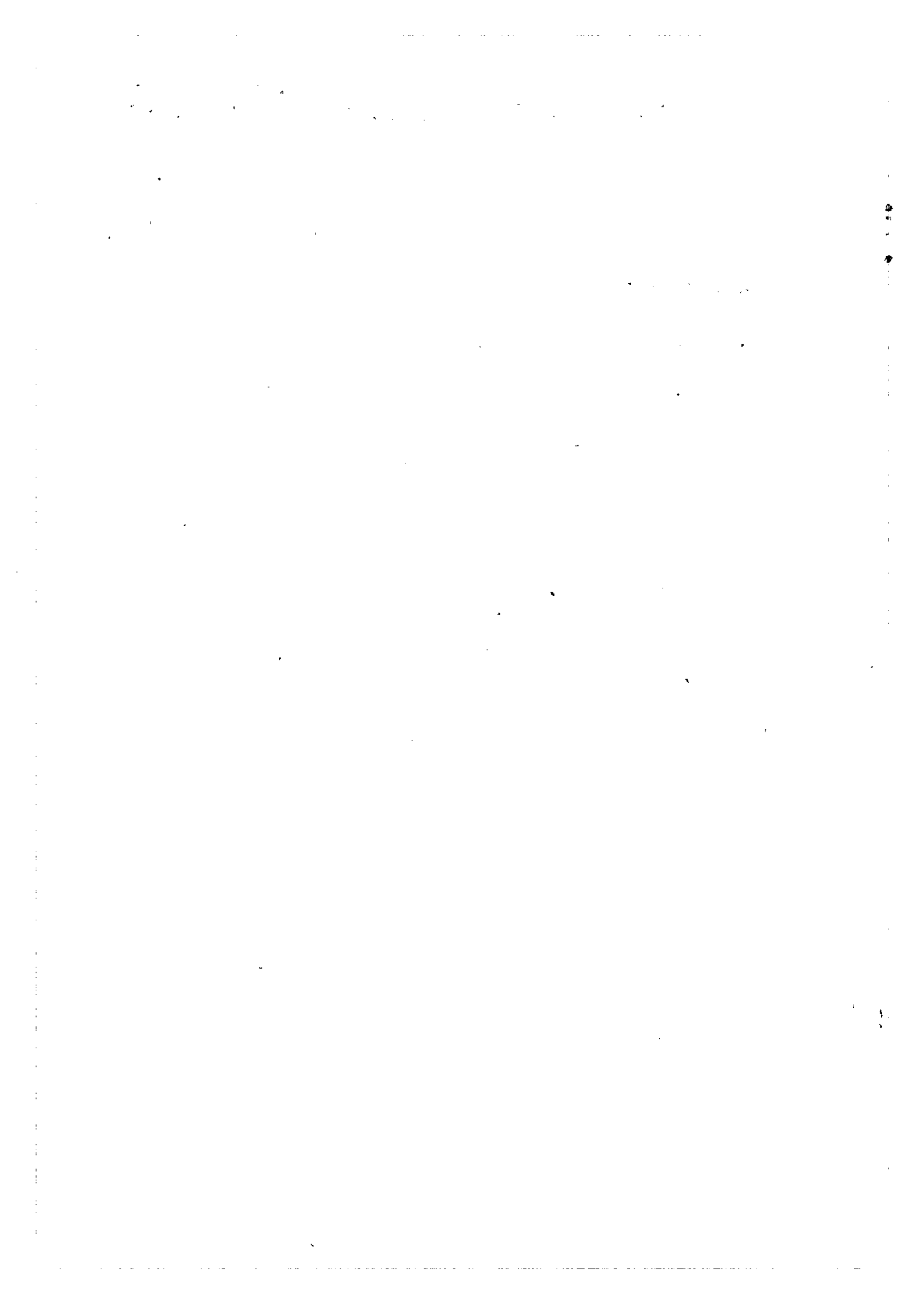
Proposal for a  
COUNCIL REGULATION (EEC)

relating to the fixing of representative conversion  
rates in agriculture

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(submitted to the Council by the Commission)

COM(77) 482 final.



## EXPLANATORY MEMORANDUM

1. In autumn 1976, the Commission presented to the Council a draft regulation relating to the continuous adjustment of representative rates and the gradual dismantling of monetary compensatory amounts.

The Council could not come to agreement on that proposal, which is replaced by the present one. At the Council meeting of 11 May 1977 the Commission announced that a new proposal would be prepared.

2. The main principle of the new proposal resides in dismantling those MCAs in existence at the time of adoption of the proposal on a different basis from that applied to any MCAs created after that date in response to currency changes. Further, this proposal drops the introduction of a ceiling on MCAs that would call for an automatic adjustment of the representative rate of the currency concerned.

3. The proposal sets a <sup>seven</sup>/<sub>7</sub>-year period for dismantling existing MCAs. In view of the size of existing differences this seems the best way to avoid too great an impact on production or consumption. To this end, the green rates of currencies with high MCAs would be adjusted annually so that the MCAs existing at the time the regulation came into force would be run down at the latest by the end of the <sup>seven</sup>/<sub>7</sub>-year period.

Existing monetary compensatory amounts would thus be divided by seven. The MCAs would have to be reduced by one-seventh<sup>th</sup> each year. The reduction would be achieved by a devaluation or revaluation of the green currency concerned. The MCAs would be reduced on the day on which the prices for the new marketing year came into effect.

4. Given the present monetary differences, the adjustment procedure laid down in the proposal would lead in two years to a difference of one point in the case of the Benelux countries. The application of the MCAs in question would then no longer be appropriate because of their very slight effect, and the Commission would automatically abolish them.
5. Any MCAs introduced in the future, in addition to the amounts existing on the date indicated in paragraph 3 would, subject to the cut-off point (para. 6), be eliminated annually at the time of the new price fixing.

6. However, to avoid excessive changes in national currency terms in prices and other amounts fixed in units of account, an annual cut-off point should be provided for. This would have the effect of limiting for the marketing year in question the automatic devaluation and revaluation of the green currencies concerned, resulting from the reduction of both the old and new MCAs, to a maximum of 5 % which could, however, be exceeded at the request of the Member State concerned. In cases where, as a result of application of the cut-off point, the "new" part of the MCAs could not be fully eliminated, the backlog thus created would in principle be cleared the following year, subject of course again to application of the cut-off point.

7. In any case this system should only be regarded as a minimum programme, as more rapid dismantling would always be possible.

8. The Commission considers that the proposed system would make it possible to restore the single market in agricultural products in the Community in the long term, account being taken of parallel progress towards economic and monetary union. The proposed method would not have too great an impact on production or consumption of agricultural products, nor on the economy in general.

9. This proposal, which is presented at the request of the Council, does not take account of the prospects for introducing the EUA in agriculture. That matter is dealt with in separate communication to the Council (Doc. COM(77) 880 final).

Proposal for Council Regulation (EEC) No  
of  
relating to the fixing of representative conversion  
rates in agriculture

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular Articles 28, 43 and 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Monetary Committee,

Whereas Council Regulation No 129 on the value of the unit of account and the exchange rates to be applied for the purposes of the common agricultural policy(1), as last amended by Regulation (EEC) No 2542/73 (2), fixed the value of the agricultural unit of account and the conversion rates to be applied for the purposes of the common agricultural policy between this unit of account and the national currencies, on the one hand, and between the national currencies themselves, on the other; whereas Article 3 of that Regulation enables derogations to be made from the rules originally established to meet cases of exceptional monetary practices; whereas, since the utilization of floating rates by some Member States, this provision has been resorted to on numerous occasions for the purpose of introducing and modifying the representative rates;

Whereas, since 1975, these rates have been applied by all the Member States; whereas they serve to harmonize the rates used in connection with the agricultural policy with market rates; whereas they thus contribute particularly to a diminution of the monetary compensatory amounts introduced by Council Regulation (EEC) No 974/71 of 12 May 1971 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States (3), as last amended by Regulation (EEC) No 557/76 (4);

Whereas movements in the currencies of certain Member States have several times led to monetary compensatory amounts such as to defeat the original purpose of the sys-

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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 106, 12.5.1971, p. 1.

(4) OJ No L 67, 15.3.1975, p. 1.

tem; whereas these amounts were introduced to prevent short-term changes in exchange rates from having immediate repercussions on agricultural prices expressed in national currency, whereas maintaining them permanently has a disturbing effect on the unity of the agricultural market and distorts competition;

Whereas, in addition, this reasoning is equally valid in respect of the differential amounts introduced by Council Regulation (EEC) No 1569/72 of 20 July 1972 laying down special measures for colza and rape seed (5), as last amended by Regulation (EEC) No 3477/73 (6);

Whereas, in these circumstances, the system at present in force should be altered by the introduction of measures that will have a direct effect on representative rates and hence on the level of compensatory amounts and differential amounts; whereas the new system should operate by continuous adjustment of these rates; whereas the latter should be amended regularly by reference to changes in the market rates of the currencies concerned, taking into account on the one hand monetary compensatory amounts already in effect and, on the other, any amounts that may be introduced in the future; whereas provision should be made that in principle the latter are to be abolished each year, while the former could be run down gradually;

Whereas, however, the impact of these measures should be limited, particularly as regards their effect on producer and consumer prices; whereas to this end a sufficiently long dismantling period should be set; whereas, further, representative rates should be changed only within reasonable limits and provided existing differences between prices are not increased or new ones introduced,

HAS ADOPTED THIS REGULATION :

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(5) OJ No L 167, 25.7.1972, p. 9.  
(6) OJ No L 357, 28.12.1973, p. 6.

## Article 1

1. The provisions of this Regulation shall supplement those of Regulation No 129.
2. The provisions of Article 3 of Regulation No 129 may not be applied in such a way as to introduce or increase monetary compensatory amounts.

## Article 2

1. The representative rate of a currency shall be adjusted once a year in accordance with the following provisions.
2. The <sup>representative</sup> rates shall be adjusted so that the monetary compensatory amounts are reduced each year :
  - (a) firstly, over a period of <sup>seven</sup> years ;
    - by points in Belgium, Luxembourg and the Netherlands\*
    - by points in Germany\*
    - by points in France\*
    - by points in Ireland\*
    - by points in Italy\*
    - by points in the United Kingdom\*
  - (b) and secondly, by the amount they have increased for the Member State concerned since the last annual fixing of representative rates.
3. However, the representative rate must not be adjusted, as the result of the application of paragraph 2, by more than 5 % per year.

Where, due to the 5 % limit, the adjustment is less than that resulting from paragraph 2, the <sup>representative</sup> rate of the currency in question shall be adjusted the following year in such a way as to reduce the monetary amounts by the number of points by which the adjustment could not be made the previous year. However, in no case may the representative amount be adjusted by more than 5 %.

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\* One <sup>seventh</sup> of the monetary compensatory amounts applicable at the time the Regulation comes into effect.

- 4. The adjustments shall take effect at the beginning of the marketing year for the products in question or, in the absence of a marketing year, on dates to be determined.
- 5. The previous paragraphs may be derogated from, in that monetary compensatory amounts may be dismantled more quickly.

Article 3

- 1. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt the adjustments to the representative rates.
- 2. Any implementing rules shall be adopted in accordance with the procedure laid down in Article 26 of Regulation (EEC) No 2727/75<sup>7</sup>, as last amended by Regulation (EEC) No 1143/76<sup>8</sup>, or, depending on the case, in the corresponding Article of the other agricultural Regulations.

Article 4

For the purposes of this Regulation, the representative rate means the conversion rate to be used when the operations to be carried out pursuant to the acts relating to the common agricultural policy or the specific regulations adopted under Article 235 of the Treaty require sums expressed in the currency of one Member State or in units of account to be expressed in the currency of another Member State, and vice versa.

Article 5

This Regulation shall enter into force on the third day following 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

<sup>7</sup>OJ No L 281, 1.11.1975, p.1

<sup>8</sup>OJ No L 130, 19.5.1976, p.1