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Working Documents

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Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 392/77) for a regulation on the exchange rates to be applied for the purposes of the agricultural structures policy

Rapporteur: Mr H.-J. HOFFMANN

1.2.2

PE 51.346/fin.

Ausgabe in deutscher Sprache

By letter of 18 November 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a Council regulation (EEC) on the exchange rates to be applied for the purposes of the agricultural structures policy.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

At its meeting of 22 and 23 November 1977 the Committee on Agriculture appointed Mr Hoffmann rapporteur.

At its meeting of 1 and 2 December 1977 it considered this proposal and unanimously adopted the motion for a resolution.

Present: Mr Houdet, chairman; Mr Liogier and Mr Hughes, vice-chairmen; Mr Schwabe (deputizing for Mr Hoffmann, rapporteur); Mr Brégègère, Mr Brugger, Mr Granelli (deputizing for Mr Pucci), Mr Herbert, Mr Klinker, Mr de Koning, Mr Ney, Mr Pisoni, Mr Radoux (deputizing for Mr Mitchell) and Mr Scott-Hopkins.

The opinion of the Committee on Budgets will be published separately.

C O N T E N T S

A

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Council regulation (EEC) on the exchange rates to be applied for the purposes of the agricultural structures policy

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council[1],
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 392/77),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 453/77),

Approves the Commission's proposal.

[1] OJ No. C 283, 24.11.1977

B

EXPLANATORY STATEMENT

1. For the purposes of granting aid under the Guidance Section of the EAGGF, the amounts expressed in units of account are at present converted at the representative rate in force at the time the aid is granted. In practice, therefore, the value of the aid received by any one country corresponds to the 'green rate' of its currency. Even if payment of the aid is made in instalments over several years, the rate of the green currency used will remain unchanged over the whole period. Thus, for example, if the amount of the aid to be granted had been decided at the beginning of 1976 when the unit of account was equivalent to 857 'green lire', even the present instalments would be paid at the original rate, regardless of the fact that one unit of account is now worth 1,030 'green lire' (+ 20%).

2. In view of the repeated adjustments to the representative rate, especially for some of the weak currencies, the disadvantages resulting from this system are obvious: administrative and control difficulties and discrimination between the recipients of aid who in one and the same year are likely to receive, depending on the rate in force, different amounts in their national currencies for the same amounts expressed in units of account.

3. The Commission therefore proposes that the system be simplified, recommending that, where payments are to be spread over several years, the representative rate to be taken into account should be that in force on 1 January of each year. This would ensure that the aids to countries with weak currencies were to some extent adjusted to take account of inflation, which otherwise might substantially reduce their real value and even make it impossible to implement the measures for which they were intended.

4. A problem arises for the countries with strong currencies, since any revaluation of the national currency in relation to the unit of account would reduce the amount, expressed in that national currency, of the structural aids provided over several years. However, if various other factors are taken into account, it will be seen that in the case of these economically strong countries the reductions are in fact virtually negligible. Their inflation rates are much lower and so are their production costs, notably because they are able to import raw materials such as fertilisers and animal feed on favourable terms by paying for them with a strong currency. Furthermore, the representative rates are adjusted - if they

are adjusted at all - only once a year, at the time of the agricultural price review, and in any case such adjustments as are made are generally very small in percentage terms. Taking the German market from 1972 up to the present time as an example, the value of the unit of account has fallen from 3.66 to 3.41258 (approx. - 7.2%), while over the same period the green lira has depreciated by almost 65% (from 625 to 1,030 lire per unit of account), the Irish pound by 27% (from 0.462022 to 0.586638 per unit of account), etc. Finally, it should not be forgotten that structural problems are generally far less serious in countries with a strong currency than in those with a weak currency; in the latter the need for measures of structural aid is recognized and emphasized by everyone, notably in the context of the current discussions on the problems of the Mediterranean.

5. For all these reasons, the Committee on Agriculture can accept the Commission's proposal since, without damaging the countries with strong currencies, it will be of considerable benefit to those countries beset by extremely serious and urgent structural problems.