



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 05.12.1995  
COM(95)637 final

Proposal for a

COUNCIL REGULATION (EC)

**regulating compensation for appreciable reductions in the  
agricultural conversion rates before 1 July 1996**

(presented by the Commission)






## EXPLANATORY MEMORANDUM

Regulation (EC) No 1527/95 lays down, for certain currencies and until 1 January 1996, the measures to be adopted in the event of appreciable revaluations, in particular to prevent the application of Article 7 of Regulation (EEC) No 3813/92 running counter to compliance with the obligations deriving from the GATT agreement and budgetary discipline. The fundamental reasons behind the adoption of Regulation (EC) No 1527/95 remain valid and probably will do so for several months to come.

Because of their rise in value, the Finnish markka and the Swedish krona have recently been at risk of an appreciable revaluation which could occur after 1 January 1996. In accordance with Article 1(e) of Regulation (EEC) No 3813/92, any fall in the agricultural conversion rate for these currencies resulting from the halving of a monetary gap of more than 5 points should be regarded as appreciable because it would be greater than the effects of previous devaluations.

In order to afford the Finnish markka and the Swedish krona the same treatment as the other currencies which found themselves in similar situations in 1995, it is necessary to take measures similar to those in Regulation (EC) No 1527/95. The overall amount of compensation which Finland or Sweden can grant will be determined according to the same criteria as those previously used.

The measures to be taken will of necessity be at Community level, because this is an area in which the Community has exclusive competence. They pursue the general objective of uniform application of the common agricultural policy and adapt provisions already laid down by the Council to take account of the particular situation arising.



**PROPOSAL FOR  
COUNCIL REGULATION (EC) No ..../95  
of  
regulating compensation for appreciable reductions in the agricultural  
conversion rates before 1 July 1996**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the proposal from the Commission,

Having regard to Council Regulation (EEC) No 3813/92 of 28 December 1992 on the unit of account and the conversion rates to be applied for the purposes of the common agricultural policy<sup>1</sup>, as last amended by Regulation (EC) No 150/95<sup>2</sup>, and in particular Article 9 thereof,

Whereas Council Regulation (EC) No 1527/95 of 29 June 1995 regulating compensation for reductions in the agricultural conversion rates of certain national currencies<sup>3</sup> lays down special rules applicable between 23 June 1995 and 1 January 1996 to currencies which experience during that period an appreciable reduction in their agricultural conversion rate; whereas the risk of an appreciable reduction in the agricultural conversion rates has arisen in the case of the Finnish markka and the Swedish krona since monetary gaps of more than 5% have occurred for those currencies; whereas this situation could lead to an appreciable reduction in the agricultural conversion rates after the period referred to in Regulation (EC) No 1527/95;


Whereas Article 9 of Regulation (EEC) No 3813/92 provides for the Council to take all necessary measures in the event of an appreciable revaluation, which, primarily to

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<sup>1</sup> OJ No L 387, 31.12.1992, p.1.

<sup>2</sup> OJ No L 22, 31. 1.1995, p. 1

<sup>3</sup> OJ No L 148, 30. 6.1995, p. 1.



comply with obligations under the GATT agreement and budgetary discipline, may involve derogations from the provisions of the said Regulation concerning aid and the amount by which the monetary gaps are dismantled, without, however, resulting in the threshold being extended; whereas the measures provided for in Articles 7 and 8 of the said Regulation cannot be applied as they stand; whereas it is necessary to take steps at Community level to prevent distortions of monetary origin affecting the implementation of the common agricultural policy;

Whereas on the basis of the information available it is impossible to know what the situation will be after 30 June 1996; whereas application of the rules laid down in Regulation (EC) No 1527/95 would be justified in similar cases up to that time; whereas the amounts of the aid provided for in Regulation (EC) No 1527/95 must be determined using the criteria employed when that Regulation was adopted, and in particular by reference to the most recent data available; whereas in order to reflect the most recent data available the amount of the aid must be fixed for those Member States, such as Finland and Sweden at present, for which there is a risk of an appreciable reduction in the agricultural conversion rate,


**HAS ADOPTED THIS REGULATION:**

#### **Article 1**

**This Regulation shall apply in the event of significant reductions in agricultural conversion rates in accordance with Article 4 of Regulation (EEC) No 3813/92 before 30 June 1996.**

#### **Article 2**

1. Provided an amount is fixed for the purpose in paragraph 2, in the event of a reduction in an agricultural conversion rate as referred to in Article 1, the Member State affected may make compensatory payments to farmers in three



successive tranches lasting twelve months each, starting with the month following the relevant reduction in the agricultural conversion rate. These compensatory payments shall not take the form of aid linked to production, other than production during a stipulated period prior to introduction of the compensation scheme; they shall not favour any particular type of production or be dependent on production subsequent to the period stipulated.


2. In the case of Sweden the overall amount of compensation allocated for the first 12-month tranche may not exceed ECU 10,8 million multiplied by the fall in the agricultural conversion rate referred to in Article 1 expressed as a percentage and reduced, in the case of the first appreciable reduction, by 1,564 points if the reduction occurs before 13 January 1996 or by 1,043 points if it occurs thereafter.

In the case of Finland the overall amount of compensation allocated for the first 12-month tranche may not exceed ECU 14,6 million multiplied by the fall in the agricultural conversion rate referred to in Article 1 expressed as a percentage and reduced, in the case of the first appreciable reduction, by 1,119 points if the reduction occurs before 21 January 1996 or by 0,746 points if it occurs thereafter.

The amounts paid out under the second and third tranches shall not exceed the amount paid out in the previous tranche in each case, less at least a third of the amount paid out in the first tranche.

3. The Community contribution to financing these compensatory payments shall be 50 % of the amounts that may be paid out.

For the purposes of the financing of the common agricultural policy, this contribution shall be considered to form part of the assistance designed to



regularize agricultural markets. The Member State may withdraw from national participation in financing the aid.

4. The Commission shall, in accordance with the procedure laid down in Article 12 of Regulation (EEC) No 3813/92, adopt detailed rules for applying this Article and in particular, in cases where the Member State does not participate in financing the aid, lay down the conditions for paying that aid.

#### Article 3

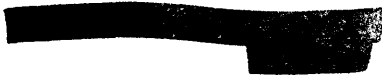
1. In cases as referred to in Article 1, the agricultural conversion rates applicable, on the date of the appreciable reduction, to the amounts referred to in Article 7 of Regulation (EEC) No 3813/92 shall remain unchanged until 1 January 1999.
2. Articles 7 and 8 of Regulation (EEC) No 3813/92 shall not apply to the reductions in agricultural conversion rates referred to in Article 1 of this Regulation.

#### Article 4

Before the end of the third period during which the compensation is granted, the Commission shall examine the effects on agricultural income of the reductions in agricultural conversion rates as referred to in Article 1.

Where it is established that income losses are likely to continue, the Commission may, in accordance with the procedure laid down in Article 12 of Regulation (EEC) No 3813/92, extend the possibility of granting compensation as provided for in Article 2 by a maximum of two additional 12-month tranches, the maximum amount per tranche being equal to that granted in the third tranche.

#### Article 5



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



1.	BUDGET HEADING: 390 and practically all EAGGF Guarantee items	APPROPRIATIONS: ECU 194m (Item 390)	
2.	TITLE: Proposal for a Council Regulation regulating compensation for appreciable reductions in the agricultural conversion rates before 1 July 1996		
3.	LEGAL BASIS: Regulation 3813/92 - Article 9		
4.	AIMS OF PROJECT: Fixing degressive aid financed by the Community budget to compensate farmers for loss of income as a result of reductions in agricultural conversion rates		
5.	FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (96)
5.0.	EXPENDITURE - CHARGED TO THE EC BUDGET INTERVENTION - NATIONAL ADMINISTRATION		+ 19,- Mio ECU p.m.
			+ 8,- Mio ECU p.m.
5.2.	METHOD OF CALCULATION:		
6.0.	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?		NO <sup>1</sup>
6.1.	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?		NO <sup>1</sup>
6.2.	IS A SUPPLEMENTARY BUDGET NECESSARY?		
6.3.	WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?		YES
OBSERVATIONS:			
At present it is necessary to make assumptions in order to estimate the proposal's financial impact. The calculations are based on monetary gaps at 20.11.1995 of 6 points for the SKR and 5 points for the FMK and appreciable revaluations up to 11.1.1996 for the SKR and up to 21.1.1996 for the FMK.			
The measure proposed avoids the possible application of Articles 7 and 8 of Regulation 3813/92 which could have a financial impact in 1997 of around ECU 750m for EUR 15.			
Updating the DR for the 96 budget gives expenditure of ECU 79m for Sweden and ECU 18m for Finland compared with the assumptions in the 96 draft budget.			
The DR effects are based on that updating.			
<u>Cost of the measure :</u>			
		<u>1996</u>	<u>1997</u>
- Cost for compensatory aid			
- Sweden		9 Mio ECU	6 Mio ECU
- Finland		14 Mio ECU	9 Mio ECU
Total compensatory aid		23 Mio ECU	15 Mio ECU
- DR savings :			
- Sweden		- 2 Mio ECU	- 3 Mio ECU
- Finland		- 2 Mio ECU	- 4 Mio ECU
Total DR		- 4 Mio ECU	- 7 Mio ECU
<b>GENERAL TOTAL</b>		<b>19 Mio ECU</b>	<b>8 Mio ECU</b>

The Commission will make proposals for mobilizing any budget resources necessary for this proposal in compliance with the decision on budget discipline of 31 October 1994 and the Financial Regulation.

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# DOCUMENTS

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