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REPORT ON THE AGRIMONETARY SYSTEM

(submitted by the Commission)

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REPORT ON THE AGRI-MONETARY SYSTEM

(submitted by the Commission to the Council)

I. INTRODUCTION

1. Council Regulation (EEC) No 855/84 of 31 March 1984 on the calculation and the dismantlement of the monetary compensatory amounts applying to certain agricultural products (OJ No L 90, 1.4.1984, p.1.) introduced into the agri-monetary system a system of calculation of the MCAs known as "switch over" or "green ECU". The relevant provisions are now in Article 6 of Council Regulation (EEC) No 1677/85 of 11 June 1985 on the monetary compensatory amounts in the agricultural sector (OJ No L 164, 24.6.1985, p.6.) which, as the consolidated version of Regulation (EEC) No 974/81 (OJ No L 106, 12.5.1971, p.1.), replaced the latter with effect as at 1.1.1986.
2. Article 6(4) of this Regulation lays down that the Commission must submit to the Council before 31 December 1986 a report on the application of the switch-over system.

On the basis of this report, the Commission must make proposals in the light of the economic and monetary situation of the Community, developments with regard to farm incomes and experience gained, and the Council is to adopt, before the beginning of the 1987/88 milk marketing year, decisions designed either to extend the current system or establish another system. Should the Council not comply with this obligation, the system of calculation of the MCAs applicable before the 1984/85 marketing year (the "conventional system") will re-enter into force.

3. By submitting this document, the Commission is complying with this clause. In view of the factors to be referred to during the preparation of its proposals, it has felt that it should go beyond the framework set for the report by the relevant Article, and submit a general review of the agri-monetary situation as it now appears.

II. THE BASES OF THE SYSTEM

4. The agri-monetary system has now been operating for 15 years in a form which has essentially not been changed as to the essential, despite the many detailed adjustments.

The fundamental ideas have remained the same:

- the prices and other amounts fixed under the CAP are expressed in an agricultural unit of account; to be implemented, the amounts determined in this way are to be converted into national currencies by the Member States, normally using conversion rates reflecting real monetary conditions;

- the market organizations, especially where they have rigid intervention arrangements with direct impact on the market, cannot always bear, immediately, the effects - reductions or increases in the prices as expressed in national currency - of changes in exchange rates, especially where the scale of the change is large or where there are frequent changes (floating); the need for some degree of price stability is too strong;

- the principle of stable prices can be safeguarded only by the application of stable and specific agricultural conversion rates which may deviate - because of their stability - from real economic circumstances (creation of green rates);

- use of special green rates entails different price levels for the various Member States; these price differences, unless very small, require offsetting in trade - the monetary compensatory amounts (MCAs). For oilseeds, there is the system of "differential amounts"; these are MCAs adapted to a deficiency payment system.

III. CURRENT PROBLEMS

5. Originally devised for a limited period (cf. Article 8 of Regulation (EEC) No 974/71), the system of monetary compensation has since become an essential aspect of the CAP in its own right. However, it was set up in economic circumstances very different from the present ones. At the time (1971), there was general currency instability (floating) and firm support of agricultural prices through the system of intervention under market organizations.

The economic environment has since undergone a good deal of change. The European Monetary System (EMS) has restored some degree of exchange-rate stability for most of the Community's currencies. The problem of the agricultural surpluses has necessitated more flexible intervention rules. Nonetheless, green rates diverging according to Member State and product have become the rule and represent an important factor in the annual price reviews.

6. The MCAs and their dismantlement have become a permanent problem. From the outset, they were seen as a necessary evil. They are an evil because they are an obstacle to trade; they are, nonetheless, necessary because of the existence of price guarantee mechanisms and offsetting of differing price levels.

In fact, the problem derives not from the introduction of the MCAs, but from the existence of guarantee mechanisms and from the disparity of prices, of which the green rates are only an expression and the MCAs the consequence. This disparity itself is due to the fact that it is politically impossible to elicit acceptance of the principle that in all circumstances a change in the value of a currency must have an immediate impact on the prices of agricultural products, as it will normally have on the prices of manufactures. That such acceptance is impossible has been ascertained mainly among the Member States having positive MCAs: the elimination of such MCAs must necessarily force down farmgate prices because the green rate would be revalued.

For this reason, since 1984, the way in which the MCAs are calculated has been based on the strongest currency and has meant that currency realignments affect only the negative MCAs.

The dismantlement of the negative MCAs, which, in 1984, was felt to be an easier proposition since it would entail increases in prices expressed in national currency, has been to some extent hampered insofar as the Community, which has a problem of mounting surpluses to contend with, must bear in mind the danger of the added incentive to output which any price increase must entail. Insofar as the negative MCAs increase, the pressure for their elimination and for an increase in prices has grown stronger.

This problem was understood in 1984. For this reason, after an experimental period, the choice must now be made again between the systems, between positive and negative MCAs, having due regard to the increases or reductions in prices expressed in national currency which their respective dismantlement leads to.

In the system in force since 1984, another choice had to be made, that between the maintenance of the level of prices and MCAs, on the one hand, or the abolition of these amounts and an increase in prices on the other. In view of the situation with regard to production and profitability of farming in the various Member States, this choice led to the establishment of green rates differing by product within individual Member States.

7. The situation was complicated by the considerable depreciation in sterling and the drachma, which in the recent past has left monetary gaps exceeding 20 and 30 percentage points respectively. These gaps

have not only caused very high MCAs but also difficulties in trade in certain items for which there are no MCAs. Such difficulties, according to sector, are different depending on whether they concern trade between the Member States or trade with non-member countries or, indeed, both together.

8. Also, operation of the monetary compensatory system over a relatively long period has revealed problems of detail which, in a short-term, blanket approach, could be accepted but which require adaptations for a mechanism which is to be maintained.
9. The solutions sought for the various factors mentioned above entail divergent and sometimes conflicting approaches, which have influenced the decisions taken.

This situation is largely a result of the fact that a monetary phenomenon foreign to the agricultural system is superposed on the system of guaranteed agricultural prices. The decisions concerning exchange rates originate in the diverging trends of the economies, and as a result, of the Member States' currencies. For as long as convergent economic policies of the Member States have not been achieved, currency realignments will continue.

The agri-monetary problem is thus a reflection of the Community's economic and monetary situation. In the absence of a common economic and monetary policy the expression of which would be a Community currency, problems will arise.

However, these can be solved through different approaches. In its White Paper, the Commission, with a view to progressive strengthening of the convergence of the Member States' economies, came out (point 38) in favour of the abolition of the system of MCAs in 1992 by automatic alignment of the agricultural prices where there was a currency realignment. In the immediate future, this approach does not seem feasible. Nonetheless, the present system can always be improved, in particular with a view to the 1992 deadline. This is the viewpoint from which this report has been drafted. It covers not only experience gained with the "switch-over" system but provides an opportunity to conduct a general policy review with regard to future guidelines. This review should not ignore progress already made in the convergence of the economic policies on the one hand, and, on the other hand, the need to adapt certain Community systems in order to achieve control of the problem of the agricultural surpluses, and the need to strengthen the economic and social cohesion of the Community, as advocated by the Single Act.

IV. THE MONETARY COMPENSATION SYSTEMS IN AGRICULTURE

1. Principles

10. The prices and other amounts fixed under the common agricultural policy have always been expressed in an agricultural unit of account. This therefore had to be defined and rules relating to its conversion into the national currencies of the Member States had to be agreed; this was done in 1962 by Regulation No 129 (OJ No L 106, 30.10.1962, p. 2553/62). Additional rules were adopted in 1968 (Regulation (EEC) No 653/68, OJ No L 123, 31.5.1968, p. 4, and Regulation (EEC) No 1134/68, OJ No L 188, 1.8.1968, p. 1.; these three Regulations were repealed by Regulation (EEC) No 1676/85), which were based on the idea that any currency realignment should lead to immediate adaptation in the national currencies of the prices and other amounts expressed in units of account, so as to restore equilibrium between price levels in the various Member States.

But it became clear, during the period of exchange-rate strain in 1969, that this rigidity in the system was not in line with the Member States' economic needs: both increases and reductions in prices when expressed in national currency as a result of exchange-rate changes could, either because of their impact on farm incomes or because of their impact on inflation, cause major political difficulties. In the circumstances, exceptions to the arrangements in force at the time had to be made. Intended as temporary, they have become permanent.

The underlying reason for this change lies in the fact that exchange-rate changes have effects on agriculture which are very different from those in other sectors of the economy. In the other industries, the impact of a currency realignment lies essentially in changes in the prices of imported inputs. As there are no "institutionalized" prices, the market price for a product is the reflection in economic reality of the effect of the currency readjustments, normally to the extent by which it is influenced by the new prices of imported inputs after the realignment. Consequently, market prices reflect neither fully nor immediately the consequences of the currency realignment, and in any case these consequences tend to fade over time. The opposite applies for agriculture. The guaranteed prices, which influence and guide the market prices, are normally - without green rates - immediately affected, and for the entirety of the impact of the currency realignment. But in fact this impact is largely theoretical; without the market organization system, it would never be wholly reflected in market prices.

Hence the desire to cushion the impact and to defer it by the creation of green rates. However, this is an approach which does not solve the problem but merely defers it, and the monetary "gap" thus created persists at a time when market developments should already have eliminated it. As a result, the problem is, if anything, made more serious and entails a need to find rules for dismantling the monetary gaps which have built up. The approach, as to principle, was and remains the adaptation of the green rates. However, because of the impact on prices, the present procedures for calculating the MCAs have been devised in such a way that their dismantlement through the adaptation of the green rates is easier than it once was.

2. The present arrangements

(a) The conventional system

11. The provisions in force for the calculation of the MCAs and of the differential amounts comprise the "conventional" system - which does not apply for the time being - and the "green ECU" system, which is now being operated for a period running out at the end of the 1986/87 marketing year.

Both systems have the same price differences as between the Member States, due to the green rates. According to products, the price gaps between two Member States

- either are not offset at all (this is the case for most agricultural products subject to market organization),
- or, for the main items, are offset by MCAs (these covering, at the present time, cereals, beef/veal, pigmeat, poultrymeat, milk, sugar, wine and "non-Annex II" products),
- or, for oilseeds, are offset by differential amounts.

What distinguishes the two compensation systems (MCAs and differential amounts) is the fact that the MCAs apply in trade and the differential amounts to the payment of the premium due on the crushing of seed or on export. Fundamentally, the two systems are largely comparable, having a part calculated on the price and a coefficient affecting the levy "premium" (the premium is, in a deficiency payment system, the equivalent of the levy) and the export refunds. Because of this similarity, in the present report the two systems are regarded as equivalent and the same approach is used for both.

The bases of calculation for the MCAs and the differential amounts have always been identical. They are:

- the monetary gap, and
- the institutional price.

The (agri-) monetary component, properly so called, is the "monetary gap". It normally expresses the difference between the green rate and the real value of a currency expressed in agricultural units of account.

12. Before considering in more detail how this approach has been implemented in the green ECU system, it may be useful to consider briefly the conventional system (defined in Article 5 of Regulation (EEC) No 1677/85), which is, in the presentation of the provisions now in force, still the main and basic system.

The provisions define the monetary gap as the difference, expressed as a percentage, between the green rate (fixed in the annexes to Regulation (EEC) No 1677/85) and the real value of a currency expressed in agricultural units of account, which is normally the ECU (Article 1 of Regulation (EEC) No 1676/85). But, to determine this real value, Article 5 of Regulation (EEC) No 1677/85 does not use the rate fixed on a day-to-day basis by reference to quotations on the exchanges, for each of the Community currencies, in terms of the ECU, but uses

- for the currencies complying with the narrow fluctuation margin, the central rates, and
- for each of the other Community currencies, an average of the rates recorded on the exchanges expressed in the currencies complying with the narrow fluctuation margin.

One of the reasons for this choice was, it is true, the historical development of the calculation rules, but it was also dictated in part by the need to have a relatively stable basis of reference. This is represented by the central rates of the currencies of the Member States complying with a narrow margin of fluctuation. The logic of the system requires a single reference basis, and it therefore seems appropriate to use this basis in all cases.

This short review of the conventional system shows that the calculation of the MCAs is not in fact based on the ECU but on a value which is close to it (and which, for simplicity's sake, will nonetheless be called the "real ECU"). It is important to note that this value represents the agricultural unit of account: since the green rates are fixed in terms of the agricultural unit of account (whatever its denomination), the real value with which they are compared can only be that of the agricultural unit of account. Thus it is the method of calculation of the MCAs which in fact determines the value of the agricultural unit of account. The latter has been changed on several occasions since 1971: originally, MCAs were calculated with reference to the dollar; in 1973 the dollar gave way to an average of the central rates of the currencies of the Member States in the "snake"; this average, in its turn was superseded in 1979 by that of the central rates of the currencies in the ECU complying with the narrow fluctuation margin.

Since, by definition, there can only be a single unit of account for agriculture, the method of calculation of the MCAs has repercussions on all of the CAP, even for the products not subject to the MCAs and for markets for which there is no EEC organization.

(b) The green ECU system

13. The present system of calculation of the MCAs is defined in Article 6 of Regulation (EEC) No 1677/85. Since the agricultural unit of account is determined by the manner of calculating the MCAs, the green ECU system is nothing other than a new definition of this unit of account; instead of the ECU - or of the central rates which take its place - a "green ECU" is used which corresponds to the "real ECU" (in the sense defined at point 12) multiplied by a "correcting factor". This factor may be interpreted as an expression of the gap which separates the real ECU from the "green ECU".

This system is described in detail in an annex, from the angles of its implementation, its practical application and the way it has developed.

At a strictly technical level, experience gained in the use of the green ECU system has not revealed weaknesses; the system is just as valid as any other. However, it is not really transparent. The conventional system of calculation was already somewhat difficult to grasp; the system now in force has involved a further degree of complication through the creation of the green ECU.

14. As regards economic consequences, the following differences as compared with the preceding system are to be noted.

As the green ECU system does not affect the green rates, the levels of national prices normally remain unchanged. However, the gaps between the price levels of two Member States are distributed differently, since new positive MCAs are no longer created, a currency realignment entailing the creation only of negative MCAs. In other words: the sum of the MCAs applied in trade between two Member States is the same in the conventional system and the present system; however, the latter is intended to reduce the share of the positive MCAs to zero.

When this stage is reached, the way the "neutral margins" operate will be modified: these are added to each other when positive and negative MCAs apply at the same time. Assuming that there are only negative MCAs, the impact of the neutral margins is:

- reduced to 1.5 in trade between a negative MCA Member State and a Member State without MCAs,
- neutralized in trade between two negative MCA Member States (which is also the case under the conventional system).

This consequence has not so far been achieved.

15. The main point on which the two systems diverge is the level of the common price they lead to. Total dismantlement of the MCAs by the adaptation of the green rates leads:

- in the conventional system, to a price level determined by the counter-value of the real ECU in the currency of the Member States,
- in the green ECU system, to a price level determined by the counter value of the green ECU in the currency of the Member States. But the green ECU represents a price level higher than that of the real ECU.

In both hypotheses, since the MCAs will have been dismantled, the price level reached will be a single one throughout the Community - this will thus be a reversion to the "common price" - but the level will be higher on an alignment on the green ECU. This has led some observers to assert that the green ECU system is inflationary by definition, at any time, because the change in the correcting factor is an automatic and immediate consequence, the subsequent adaptation of the green rates expressing in national currency, completely clearly, only an event that has already occurred in a concealed way when the correcting factor was increased.

There is no denying that through the application of a correcting factor, the value in which the common price and the other amounts fixed under the CAP are expressed is increased. However, any unduly hasty conclusion should be avoided: under the preceding system, the calculation of the MCAs followed the conventional method and the positive MCAs were dismantled in compliance with the 1979 gentleman's agreement. But experience shows that under this system positive MCAs could be demobilized only if the reduction in prices expressed in national currencies which would have resulted from the revaluation of the green rates of the currencies concerned was offset by an at least equivalent increase in the prices in ECU. As the price level set in ECU is the same throughout the Community, this system therefore also entails an increase in the common prices at least equal to that resulting from the green ECU system if all the newly created positive MCAs are dismantled.

16. However, the conventional system does not involve any automatic mechanism such as the alteration of the correcting factor. The increase in the common price is, under the conventional system, the result of a Council decision adopted on the basis, and in the context of, a set of political guidelines given annually through the price review. Under the green ECU system, this discretionary component of a political decision has disappeared.

However, this is only a theoretical view of the situation: while the increase in the common price is undeniable, it has its effects only through an alteration of the green rates. But here there is no automatic mechanism. The decision is taken by the Council, on a proposal from the Commission, and the alterations in the green rates adopted during the period under review show that the authorities have moved cautiously. The result has been negative monetary gaps, sometimes very large, which have not been demobilized; however, the widest gaps (Greece and the United Kingdom) are not due to the green ECU system but to the performances of the relevant currencies.

17. The budgetary aspects of the problem do not lead to any other conclusion: it is fair to contend that the green ECU system has not entailed heavier expenditure than would have been entailed under the conventional system. This claim is based on a hypothetical comparison made by supposing that the positive MCAs created under the conventional system would have been dismantled on their creation by an alteration of the green rates, the effects of this being offset by a corresponding increase in the level of the common prices expressed in ECU, which has been the practice in the past.

18. A judgement as to the maintenance or elimination of the present system must, however, allow for new facts: the objective of the green ECU system - clearly expressed in the recitals of Regulation (EEC) No 855/84 - has been the conversion into negative MCAs of the positive monetary gaps in the expectation of an easier dismantlement of the negative MCAs leading to an increase in prices expressed in national currencies.

However, the mounting surpluses in the Community and the difficulties hampering their disposal, combined with budgetary restraints, entail the greatest prudence in this area; the judgement as to easier dismantlement of the negative MCAs is based on the supposition - which has not really been clearly shown - of some degree of monetary stability, thus of a relatively modest level of MCAs. The recent past shows that this hypothesis is not correct. The performance of the dollar has implications for the EMS currencies, the end result of which is more frequent adaptations of the central rates of the Community currencies.

The inevitable consequence under the present system is a permanent increase in the negative MCAs, the dismantlement of which becomes more and more uncertain: at Community level, it runs counter to a policy on prices which needs to be relatively rigid, avoiding price increases which would underpin and even stimulate the growth of the surpluses. This consequence is to be feared from an increase in the prices in ECU, or in national currencies following the dismantlement of the negative MCAs through changes in the green rates. The present system of calculation of the MCAs from this angle, specifically in the present situation, entails an undeniable risk, since it leads to artificially high negative MCAs, higher in any case than inflation in the Member States concerned could justify. It is true that alteration of the green rates is not automatic. However, in so far as the negative MCAs increase and are kept at a high level over long periods, the need for their dismantlement increases.

The political pressure along these lines is also, in terms of principles, justified by the need to ensure in a single market freedom of trade and freedom from distortions of competition, which are requirements which are all the more difficult to comply with the higher the MCAs.

These points seem to make a case for discontinuing the present system and reverting to the conventional system. However, the latter is closely tied up with the "gentleman agreement" of 1979, which, with a view to the dismantlement of the positive MCAs, entails an increase in the prices in ECU. This effect is just as unacceptable as the unconditional dismantlement of the negative MCAs under the present arrangement, the economic consequences being to all intents and purposes identical. This means that an arrangement somewhere between the two systems is needed. It should entail maintenance of the present system ("switch-over"), while avoiding an increase in prices in national currencies following the dismantlement of the negative MCAs.

(c) Conclusions and outlook

19. the present system, under which farmers in the Member States with relatively less strong currencies bear the burden, where introduced, of the MCAs due to revaluations of other currencies, can therefore not be retained in its present form. The solution to be adopted should be based on two considerations:

- the impact of a current realignment on the market tends to work itself out over time,
- it stands to reason that following a currency realignment not only the consumers but also the farmers in the Member States concerned should bear the consequences.

A more "economic" approach therefore leads to a search for solutions which are more equitable and which also tend to dovetail agriculture more closely into the general economic environment. This is an approach in harmony with the thinking which gives greater weight, for the prices as well, to the laws of the market.

Accordingly, it would be right:

- (a) to maintain the green ECU system;
- (b) to introduce the principle that the negative MCAs resulting from a "switch-over" should be dismantled in two equal stages, at the same time as a corresponding reduction in these prices in ECU is carried out; these measures should be taken by the Commission according to the management committee procedure and would enter into force at the beginning of the marketing years following the introduction of the relevant MCAs;

(c) the specific green rate system should be abandoned, with the compensation of the price difference entailed by these rates, from 1992/93 marketing year onwards. From that year, the real ECU should be effectively the agricultural unit of account and the green rates should coincide with the central rates of Member States' currencies. The abandonment of the system is partly justified by developments in the implementation of the Single European Act, and in particular the increased convergence of the economies of the Member States which they will bring with them.

3. The extension of the system to other sectors

20. The decision concerning the system of calculation of the MCAs does not affect and certainly does not solve the agrimonetary problems arising in very different contexts and which will be considered in more detail below. These are questions relating to:

- the extension of the system of monetary compensation to other sectors,
- more flexible implementation of the system of calculating the monetary gap, and
- the procedures for calculation of the MCAs for certain sectors.

21. Since the MCA system restricts the freedom of trade between Member States, its use can be contemplated only when it must be feared that without such a system there would be disturbances in trade (cf. Article 3 of Regulation (EEC) No 1677/85).

Developments in the present situation (depreciation of sterling and the drachma) have shown that while all monetary compensation can be dispensed with in certain sectors having relatively flexible intervention mechanisms, problems arise where monetary gaps are too wide.

(a) Olive oil

The market situation has not been affected substantially in the past since, for higher quality olive oils, there was, in Greece, an export ban, infringing Community law.

In the 1983/84 and 1984/85 marketing years, Greek exports of olive oil to the other Member States (in particular Italy) and to non-member countries increased and at the same time the quantities sent to intervention in Italy also increased.

Normally, Greek production should be disposed of on the Italian market, which is the only deficit market in the Community. However, because of the monetary gap for the drachma which enables a much higher price to be obtained in Italy, the quantities offered may be so large that Italian production tends to be sent to intervention and Spanish production, because of its price, fails to find buyers.

What complicates the problem is the fact that deflection of trade in commerce with non-member countries has also been noted: imports have been made into Greece, where the levy as expressed in national currency is the lowest, and, in the absence of monetary compensation, the merchandise has then been re-exported for disposal on the market of another Member State.

A remedy for all these problems is the introduction of MCAs.

(b) Other sectors

Like the drachma, sterling is now also showing wide monetary gaps. For agricultural products not attracting MCAs, the scope for exports for British producers has therefore considerably improved. And the sheepmeat market in France has suffered accordingly; ad hoc measures taken have served to deal with the problem for the time being. For other products, however, the same difficulties are occurring. This is the case, for example, for certain processed products for which the processing costs account for a good deal of the price. However, where the monetary gaps for the basic agricultural products get too wide, the absence of MCAs entails a serious risk of market disturbance even for these highly processed products.

In these cases, too, MCAs should be introduced; for certain products, their application could be confined to intra-Community trade, if, in trade with non-member countries, there is no danger of market disturbance because of the special situation of the market.

(c) Peas and field beans and sweet lupins

The monetary gap for sterling is also causing difficulties for growers of peas and field beans and sweet lupins in other Member States, because British production can be offered at prices lower than those of the other Member States.

The basic regulation for these products (Regulation (EEC) No 1431/82) contains a legal basis which allows of the application of a system of monetary adjustment for the relevant products. The system could be set up now; in view of the market organization arrangements in this sector, the system could be aligned on that of the differential amounts payable for oilseeds.

In all the cases mentioned above, it is, however, important to bear in mind that it has been possible to avoid any monetary compensation so far without major difficulties, as long as the monetary gaps have not got too wide. This should mean that relatively high "neutral margins" can be included in the calculation methods.

4. Alterations to be made to the present system

(a) The "neutral margins" and related matters

22. This conclusion leads on to a more detailed examination of the arrangement for neutral margins.

At the present time, the MCA neutral margins are:

- 1 point for the positive MCAs,
- 1.5 points for the negative MCAs,
- 5 points for the positive and negative MCAs for wine.

The aim of the neutral margins is to reduce the impact of the MCAs, in order to avoid any over-compensation. The calculation of the exact economic impact of the currency variations and of the neutral margins is difficult, if not actually impossible. This is why the system as a whole is devised on a flat-rate basis.

Also, in its present rigidity, the neutral margins system does not make sufficient allowance for the specific features of the various markets and products.

In fact, distinctions must be made between three categories of product:

- basic products for which there are rigid intervention arrangements,

- basic products for which there are weak intervention arrangements,
- processed products.

In a rigid intervention system, an increase in the neutral margin could well engender problems: it would lead to pressure on prices in the Member State having the highest level and would bring the danger of very heavy intervention in that State; if intervention were confined to the production of that State only, the risk of replacement of national products by imported products to supply the national market would be great.

However, the situation is different assuming relaxation of the intervention arrangements for certain products.

As the fundamental reason for the MCAs is the existence of a price guarantee system, the weaker that system the less the need for the MCAs; all depends on the nature and the effectiveness of the price guarantee mechanisms and on the features of the market for the products. More flexible price guarantee mechanisms, very substantially weakening their impact on the markets, would thus make it possible to contemplate an increase in the neutral margin without need to fear the dangers mentioned above. The decision with regard to the size of the neutral margin should be taken on the basis of the impact which the intervention system has on the market, which would mean increasing now the neutral margins for certain products such as beef/veal.

23. For processed products, different cases must be distinguished:
- (a) for processed products in sectors where there is rigid intervention, in economic terms, it would seem that the neutral margins can be wider than for the basic products, since processing costs account for a substantial share of overall costs. This approach requires an alteration in the rules for deriving the MCAs for processed products;
 - (b) for eggs, poultry and albumin, the MCA system at present applicable includes a special waiver for France and the United Kingdom.

Now, the reasons for this waiver constitute a case for its extension to all the Member States: the products coming under the poultry sectors are (like pigmeat products) regarded as products derived from cereals. However, in the cost of the final product, cereals represent only about an average of 40%. Accordingly, in view of the large value added and the lack of an intervention system, it would seem reasonable, for products coming under poultryfarming, to reduce the monetary compensatory amounts through by increasing the neutral margin.

The Commission has in the recent past already made proposals along these lines, which have not been accepted by the Council. A review of the situation has not yielded any other result. This is why, in an overall, general approach to the problem, this idea should now once again be considered.

- (c) Under Article 5(5) of Regulation (EEC) No 1677/85 (introduced by Regulation (EEC) No 2062/86, OJ No L 176, 1.7.1986, p. 15), for pigmeat, the MCAs are fixed on the basis of a price equal to 30% of the basic price. However, for the Member States applying positive MCAs and the currencies of which have a narrow margin of fluctuation, it would seem that a waiver applies, since their MCAs, since 1 July 1986, have been equal to those applicable on 30 June 1986, but adapted on the basis of the prices valid from 1 July 1986 onwards subject to an alteration in the agricultural conversion rates. The recitals of Regulation (EEC) No 2062/86 do, however, state that this is a system economically equivalent to the general system.

This system as a whole will operate only as long as the green ECU system applies, that is until 31 October 1987 (Article 6(1), third subparagraph, of Regulation (EEC) No 1677/85).

Regulation (EEC) No 2062/86 makes clear the reasons which have led to the present situation: normally, pigmeat, like poultry products, is to be regarded as a product derived from cereals and an identical approach to both product groups seems to be a logical imperative. However, this approach, while corresponding to the fundamental idea of the market organization for the relevant product group, had engendered, because of its inherent rigidity, substantial problems.

It had proved impossible to dismantle the MCAs for pigmeat without altering those for cereals; but a change in the green rate for cereals would have had an undesirable impact on prices and output. For this reason, a calculation of the specific MCAs, based on a percentage of the basic price, seemed to have advantages for a specific demobilization of the monetary gap. This was the method of calculation applied until 1984, but which was based on a relatively high percentage of the basic price (70,2%).

But experience gained since 1984 had shown that the low MCAs did not entail disturbance of trade. In the interest of freedom of trade, it still seems desirable to keep these amounts as low as possible, and, for this reason, the authorities took, for the calculation, only the percentage of the basic price reflecting the share of the cost represented by cereals for the production of a pig carcase. This approach would seem to be still the right one and the arrangement can therefore be retained as it is. However, for the sake of simplification and harmonization, the calculation methods should be confined to a single formula, that of the percentage of the basic price.

- (d) For products not coming under Annex II of the Treaty, the MCA system now applicable provides for a minimum threshold of the incidence of the MCAs in terms of the value of the products concerned. Recent problems in implementing this system mean that it must be reviewed.

The price of merchandise coming under Regulation (EEC) No 3033/80 is determined not only by the value of the basic agricultural products but also, to a considerable extent, by processing and marketing costs. It follows that the economic importance of the MCA in the final price of these products is considerably weakened. For this reason, and for the sake of administrative simplification, a special system has been introduced (Article 5 of Regulation (EEC) No 3153/85, OJ No L 310, 21.11.1985, p. 4) stipulating that MCAs are not applied where:

- the incidence of the highest MCA on the value of the merchandise concerned is less than 2,5%,
- the countervalue of the MCA falls short of 1 ECU per 100 kg of merchandise.

The incidence must be calculated every six months, in June and in December.

Also, for the calculation of the MCAs for this merchandise, the MCAs calculated for the basic products concerned are reduced by a flat 10%.

Experience suggests that the rule that MCAs are not applied where their incidence in the value of the products is not more than 2,5% has not interfered with trade. From the economic point of view, the present system has therefore achieved its objective. However, half-yearly reviews have engendered certain difficulties, including:

- alteration of the MCAs not based on exchange-rate changes

Because the exceeding of the threshold is determined only on the basis of changes in a single currency, there is the risk of alteration of the other MCAs although currency exchange relations have not changed. Also, because the activation of the threshold is determined by a single currency having MCAs, a feature of the system is its great instability with regard to the application or the non-application of the MCAs. Finally, such an alteration of the MCAs can be triggered by a Member State for which the economic importance of the trade in these products is very small. The major disadvantage of the present principle is therefore that it introduces a system of neutral margins rising and falling sharply and quite frequently.

- interpretation of the present text

Article 5(2) of Regulation (EEC) No 3153/85 allows of review in the interval between two normal half-yearly reviews in "exceptional cases", without defining such cases. The lack of a clear definition led to problems of interpretation on the occasion of the sharp increase in the Greek MCAs in the second half of 1985.

It is hard to see how the present criteria can be made more explicit with a view to solving the problems mentioned above: an objective criterion, generally applicable to provide a response to the first problem, is practically inexistent, since the various products coming under Regulation (EEC) No 3033/80 differ in economic importance from country to country.

The same difficulty, namely the definition of the economic importance of a given situation, arises in any effort to determine "exceptional cases". It follows that a solution for the problems mentioned would require replacement of the present system by a system laying down more objective and more specific criteria.

Instead of the old system, it would be appropriate to take the principle of an appreciable increase in the neutral margin for this class of product. Such a solution is also fairly closely in line with the arrangements implemented so far.

24. The above considerations suggest that it would be right:

- to contemplate in general a widening of the neutral margins on the basis of the market situation, the rigidity of intervention rules and the extent of processing of the relevant products. The possibility available to the Commission to choose the rate of the neutral margin up to a maximum, and in particular to act where purely speculative movements of merchandise entailing massive intervention were discovered, would restore to the MCA mechanism its role as a safeguard clause to be applied only in cases of serious danger of interference with the mechanisms of the common agricultural policy. Also, the application of the MCAs beyond the neutral margin would provide the necessary certainty in cases of unduly wide monetary gaps;
- to generalize and make definitive, for pigmeat, the system of calculation based on 35% of the basic price.

(b) The monetary coefficient

25. However, widening the neutral margins would raise another question which already is posed at the present time for wine, and under the special system for France and the United Kingdom for poultry products.

In trade with non-member countries, the levies and the refunds, and in intra-Community trade, the accession compensatory amounts, fixed in ECU, attract a "monetary coefficient". This coefficient is derived from the percentage used in the calculation of the MCAs and is fixed by the Commission together with the MCAs (Article 6 of Regulation (EEC) No 3153/85).

So far, it has been considered that this coefficient is a component of the MCA applicable in trade with the new Member States and with non-member countries. For this reason, it is only another expression of the applied monetary gap (except for France and the United Kingdom for poultry, where, following agreement in the Council, another arrangement has been temporarily applied).

However, the coefficient can also be justified by an economic approach according to which levy and refund and ACA offset the difference between the real values of the world market price or of the markets of the joining Member States, on the one hand, and of the common price, on the other; consequently, they must also be converted into national currency on the basis of the real value of the currency of the Member State applying them, any corrections vis-à-vis the levels of the national prices determined by the green rates being effected by the MCAs. The effect of this reasoning is to base, from now on, the monetary coefficient on the real monetary gap (within the meaning of Article 5 of Regulation (EEC) No 1677/85) instead of the applied monetary gap (= real monetary gap minus the neutral margin).

This new approach is all the more necessary the wider the neutral margin, as the economic effect of the problem is identical with that of the neutral margin, expressed as a percentage, on the levy, refund or ACA. It is in the logic of this approach that the monetary coefficient be applied also in the case in which an MCA for the relevant product does not exist, while, in the present arrangement, without MCA, there is no monetary coefficient. The consequence of the new concept would be the identity in all the Member States of the real value of the charge on import and of the refund on export, e.g. for non-Annex II products for which the threshold of application was not reached.

V. CONVERSION RATES

1. Products not subject to monetary compensation

26. With the above conclusion, the present review reaches the question of the conversion rates. The application of the monetary coefficients (with or without the neutral margins) amounts in effect to applying a conversion rate other than the green rate.

This is still a rate closer to the real value of the agricultural unit of account (green ECU); where the monetary coefficient no longer contains the incidence of the neutral margin, it has the effect of making the conversion rate coincide with real economic circumstances (which correspond to the central rate in the conventional MCA system and to the green central rate in the green ECU system).

The same approach can be adopted in respect of product groups not subject to monetary compensation. Although the products under the compensation system account for the bulk of agricultural production, the number of "uncompensated" sectors is greater than that of the "compensated" sectors. Now, these sectors have not been brought under a compensation system since their market organization arrangements do not include strict intervention. Consequently, the price differences resulting from the green rates do not require offsetting, as there is no danger of disturbance of the market.

But, in these conditions, the converse reasoning must also be correct: identity of the amounts converted into national currencies should not disturb the market.

27. One can therefore apply in trade*, for all the product groups for which there are no MCAs, a green rate corresponding to real economic circumstances. If it were necessary to maintain different prices (or aids) in national currencies, this objective could be achieved by using the green rate as such for prices and intervention measures, but applying the monetary coefficient to it only for trade; through this method, since the green rate is reduced to the level of the real value of a currency, the level of import charges/export subsidies/ACAs will be identical in all the Member States. As compared with the present system, this solution entails for the Member States with a positive monetary gap a reduction, and for the Member States with a negative monetary gap, an increase, in the relevant amounts in national currency. This consequence should have very little effect on price levels, since, at the present time, the price differences are not compensated either, and still there is no disturbance.

(*) Mainly trade with non-member countries, attracting levies and refunds expressed in ECU. To a lesser extent, intra-Community trade with the new Member States is concerned, in so far as amounts expressed in ECU apply (accession compensatory amounts (ACAs), and, in relations with Portugal during the first stage, comparable systems).

Also, already at the present time, a partial solution is used for certain product groups, with the use, for trade with non-member countries, of conversion rates which are more realistic than the green rate. The most recent case is that of rice, for which, because of trade deflection, the import charges and the export refunds are converted on the basis of the "real" rates (but stabilized for a short period). For other product groups, comparable systems exist, e.g. for imported dried grapes and liqueur wines.

With a view to the gradual reversion to an economically consistent system, the extension of this practice to other product groups is desirable. Thus, monetary gaps for the maintenance of which there is no economic need can be eliminated. It would be wise, however, to proceed with prudence, product group by product group, allowing for particular circumstances and the special conditions for each sector. The operation should be completed at the same time as the MCAs disappear for good: in 1992.

28. An extension to other systems (intervention systems in particular, which, in the relevant sectors, are generally confined to the granting of aids) seems feasible. The difficulty arising is that of a possible reduction in national currencies in those Member States having positive monetary gaps. However, questions must arise as to the economic scope of such a reduction if, so far, it has been considered that the existing gaps did not require compensation.

2. Products subject to monetary compensation

29. For products subject to MCAs or differential amounts, the approach cannot be fundamentally different. However, in view of their greater economic sensitivity, the alignment towards real economic conditions should be carried out with greater care, having due regard to the situation with regard to production, farm incomes and the development of the economic and monetary situation in the Community.

To establish proper discipline in this area, certain compulsory rules could be laid down, especially for the period beginning with the 1990/91 marketing year. Already in the past, the Commission has made a number of proposals, none of which has succeeded in the Council :

- in 1976, a proposal to pass on to the green rates the actual changes in a currency during an 18-month reference period (the green rates would have had to be fixed at the level of the average of the market rates for the reference period),

- in 1977, a proposal for the automatic dismantlement over seven years of existing MCAs and an annual dismantlement of the new MCAs,
- in 1979, a proposal for a reduction over two years of the new MCAs and a reduction of the existing MCAs according to a more pragmatic procedure under the price review arrangements,
- in 1983, a proposal for a two-stage reduction in the existing MCAs and a three-stage reduction in new MCAs.

In all these cases, the main source of opposition to these proposals was the fact that prices are adapted automatically, especially where this meant price reductions. However, in any MCA system, rules for the elimination of the MCAs are indispensable, if there is to be any prospect of reverting to a system without such amounts. Accordingly, the Commission is submitting a proposal for the negative MCAs created by the "switch-over"; it may also, as appropriate, submit a proposal for the elimination of the other MCAs, in particular those resulting from changes in market rates.

3. Entry into force of the green rates

30. Pending the adoption of regulations on the fixing of the green rates, certain principles should be complied with at once. The main concern is with two factors which, in the more recent legislation, have been increasingly neglected:

- in a given Member State there should only be one green rate for all the product groups; differing times of entry into force at the beginning of the various marketing years are not objectionable. The present situation, under which practically every product group of any size has its own green rate, is unsound. It abandons the price hierarchy (the only factor which is still a Community factor in a system of differing prices because of the green rates), it creates distortions between the product groups, and it helps to favour the renationalization of the CAP;
- a new green rate should enter into force, normally, at the beginning of the marketing year, exceptionally during the marketing year, but then simultaneously for all product groups. However, flexibility could be allowed in certain cases, for example where a currency adjustment occurs after prices have been set and after the marketing year for certain products has started. In this case, it should be possible to apply the new rate immediately for the products for which the marketing year has already begun and at the beginning of the next marketing year for the others. Also, if the decision is taken in the autumn, at a time at which the marketing year has already begun for most products, it should be possible to provide for entry into force on the date of the beginning of the marketing year immediately following the decision, to avoid delays in entry into force exceeding one year. Lastly, it should be possible to take account of exceptional situations which are duly justified.

VI. CONCLUSION

31. The agri-monetary system, while heavily dependent on "monetary events", is essentially an agricultural system. Over the years, it has undergone changes which, even if the fundamental features have remained the same, have increasingly robbed it of all transparency. To accommodate particular requirements, solutions have been agreed following divergent, and sometimes conflicting, guidelines.

The agri-monetary system has thus become a system of exceptional complexity. In particular, the difficulty of dismantling the positive MCAs and the need to accommodate the special needs of certain Member States have resulted in a system with a wide range of details, some aspects of which are mutually inconsistent. The use of the green rates to determine national prices has introduced a factor of renationalization and an element of the arbitrary.

Thus the time is now ripe for a review of principles. This must allow for the Community's political objectives, in particular the completion of the internal market and economic and social cohesion.

The conclusions to be drawn are the following:

- (a) The Community must revert to an agri-monetary system which is consistent with the general monetary system. This objective cannot be achieved immediately, and work towards it should be by stages:
 - retention of the green ECU system, which has operated satisfactorily; but compliance with a system for the dismantlement of the negative MCAs created by a "switch-over", and with a corresponding system for prices;
 - abandonment of the principle of specific green rates, diverging from real economic circumstances, in 1992; elimination, on that date, of the MCAs and of the differential amounts.
- (b) In the meanwhile, the existing provisions can be amended, in order to improve the operation of the scheme or to limit undesirable consequences:

- introduction of a wider maximum neutral margin than the present neutral margins within which the Commission would fix the level applicable by product group, according to certain criteria (market situation, rigidity of the intervention system, degree of processing). The neutral margin would no longer be referred to for the calculation of the monetary coefficient,
- for pigmeat, maintenance of the calculation of the MCAs based on a percentage of the basic price.

(c) A system of differential amounts with a "neutral margin" will be introduced for peas and field beans and sweet lupins.

(d) As regards the agricultural conversion rates:

- arrangements for the adaptation of the green rates will be established for products attracting MCAs,
- for products not attracting MCAs, more rapid reversion to more realistic rates, at least in trade, seems feasible.

All these factors are intended to bring the system closer to economic reality, to eliminate some inconsistencies, and, at least as time goes on, make it more transparent. Total abandonment of the present system and reversion to the original concept of the CAP, under which currency exchange adjustments must impact on agriculture as on the industrial sectors, will admittedly engender difficulties. These can be the most easily overcome through even greater convergence of the economies of the Member States and the creation of a European currency.

APPLICATION OF THE SWITCH-OVER SYSTEM FOR 1984/85 TO 1986/87

I. CORRECTING FACTOR

1. Principles

(a) Definition

The technical consequence of the decision of March 1984 to introduce a system for calculating the MCAs which avoids creating positive MCAs is that the ECU applied within the agri-monetary system is linked to the strongest currency. Consequently, in the event of a currency realignment, the revaluation of the strongest currency must be reflected in the value of the ECU, so that it is revalued by the same percentage. The correcting factor is thus the expression, in the form of a coefficient, of the percentage revaluation of the strongest currency against the real ECU. Since the ECU is a "basket" currency and is, as it were, defined, for agricultural purposes, by the central rates of the member currencies, the revaluation of the green ECU is expressed by the corresponding devaluation of these central rates, to which the correcting factor is applied. Since this operation is confined to agriculture, it has become known as the creation of a "green ECU" and of "green central rates".

(b) Effects

Since, through the application of the correcting factor, the ECU is revalued, and since prices are defined in ECU, the introduction of this factor and its increase as a result of subsequent currency realignments have effectively increased the common level of agricultural prices.

This is, incidentally, the reason why the green ECU applies not only to those agricultural products attracting the MCAs but to all agricultural products. The increase does not affect prices expressed in national currency, the level of which continues to be determined by unchanged green rates. However, since the gap between price levels in two Member States is divided into positive and negative MCAs by the common price, which represents the demarcation line, any change in this price is initially expressed by a reduction in the positive MCAs and a corresponding increase in the negative MCAs.

This also entails adjusting the levies and refunds in line with the revaluation of the green ECU (see attached figure): when calculating the levies and refunds, the rate to be used for converting world market data into ECU is multiplied by (the reciprocal of) the correcting factor, thus increasing the difference between the common price and the world market price.

The impact of the alteration of the correcting factor on the common price in relation to the world market price - i.e. on the levies and refunds - depends on the revaluation of the green ECU in relation to the currencies in which market prices are expressed. There are several possibilities in this connection. Assuming the market price is expressed in US dollars,

- the dollar may appreciate by the same percentage as the green ECU, in which case the levies/refunds remain unaltered;
- the dollar may remain unchanged, in which case the increase in the correcting factor is reflected in the increase in levies and refunds. However, a discretionary margin is, in any case, available to the Commission for purposes of fixing refunds;
- the dollar may appreciate by a percentage greater or lower than the revaluation of the ECU, in which case both levies and refunds (allowing for the discretionary margin for refunds) are respectively reduced or increased.

Allowance for the real change in value of the dollar is made automatically: world market prices are converted into ECU using the real rate for the ECU times the correcting factor. The possibility of a divergent shift in the value of the dollar in relation to the various Community currencies is thus allowed for.

2. Implementation

(a) Creation

In March 1984, the Council decided to dismantle by three points the positive MCAs, converting them to negative MCAs. This decision meant altering one of the bases of calculation of the MCAs: the ECU. The latter had to be revalued - for agricultural purposes only - so as to reduce the monetary gap for currencies with positive MCAs and to increase the monetary gap for currencies with negative MCAs.

The new "green central rate" for the DM - for which the phase-point dismantlement had been decided - was calculated according to the following formula:

$$\text{real monetary gap} = \left(1 - \frac{\text{central rate}}{\text{green rate}} \right) 100$$

at 1 ECU = DM 2,31728. The green central rate for the DM was devalued by 3,3651% in relation to its real central rate. Consequently, the central rates for all the other currencies had to be devalued by the same percentage, by applying to them a correcting factor of 1,033651.

Since the purpose of the system is to avoid creating positive MCAs, the green central rate for the DM will remain unaltered as long as this currency is the strongest.

Since the MCAs for currencies with variable MCAs are calculated on the basis of the central rates for currencies complying with narrow fluctuation margins, the correcting factor is implicitly applied in the calculation of their MCAs. It should be noted that these currencies cannot, even if one of them were the most revalued currency, be used as the basis for the correcting factor (Article 6(3) of Regulation (EEC) No 1677/85), since this would result in variable MCAs for all Member States, which is considered undesirable.

Details of the impact which the creation of the correcting factor has had on the MCAs are given in Table I. The conversion into negative MCAs of three positive MCA points for Germany at the start of the 1984/85 marketing year led to the creation of negative MCAs ranging from 3,3 points (Denmark) to 3,8 points (Greece), the different effects being accounted for by the originally different monetary gaps for the countries concerned.

In each sector of agriculture, the amounts referring to the world market (world market prices, levies, refunds, reference prices) were adjusted according to the revaluation of the green ECU, i.e. allowing for the increase in Community prices resulting from the introduction of the correcting factor. In certain sectors, the MCAs, levies and refunds fixed in advance were also adjusted as required.

Because the new system took effect at the start of the 1984/85 marketing year and therefore at dates which differed from one product group to another, the transition from the old system of calculating MCAs to the switch-over system created problems for certain products, which were resolved by transitional measures adopted under Article 7 of Regulation (EEC) No 855/84.

In particular, the application of the new system at different dates made it difficult to adjust and fix levies for processed products since the new system was to be applied to one or two basic products whereas the old system of calculation was to remain in force for the others. However, such a distinction cannot be made when calculating the levies. The same problem arose as regards applying the monetary coefficient to the levies for those products.

The blanket solution adopted was, as regards import charges, to fix special uniform monetary coefficients based on the smallest monetary gap in the case of Member States whose currency had been revalued. For export refunds the monetary coefficient was fixed in respect of the relevant basic products.

(b) Alteration

The correcting factor was altered for the first time on 24 July 1985 as a result of the devaluation of the Italian lira on 20 July, which meant that the highest percentage revaluation was 0,154% and the correcting factor was increased from 1,033651 to 1,035239 (1). When allowance is made for the impact of the devaluation of the lira on the MCAs for Italy, the increase in the correcting factor had no effect on the MCAs for that country in excess of that percentage. The combined effect of the 7,7% devaluation, the impact of switch-over and the change in the market exchange rate for the lira was to increase the MCAs for Italy by 3,7 points. Since the revaluation of the green ECU was the same for all the other currencies, the alteration of the correcting factor had no impact on the MCAs for the other Member States: there was no change in the ratios between the monetary gaps of the various currencies, always leaving aside the changes in the exchange rates for the floating currencies (see Table V).

A second increase in the correcting factor was entailed by the realignment of 6 April 1986. The 4,679% revaluation of the green ECU led to an increase in the correcting factor from 1,035239 to 1,083682 and to the creation of negative MCAs ranging from 4,6 to 6,3 points (see Table VI).

Although the revaluation of the green ECU was substantial, it had little impact on the difference between the common price and the world market price expressed in green ECU.

(1) In fact, there was no change in the value of the green ECU and the real ECU was devalued. Within the agri-monetary system, the effect on price levels is the same.

This was due, in particular, to the fact that the dollar had also gained in value, at least in the first few days after the realignment.

On 6 August 1986, there was a third alteration of the correcting factor as a result of the devaluation of the Irish punt on 2 August. This realignment was of the same nature as the July 1986 realignment, i.e. the 1,304% revaluation of the green ECU in relation to the real ECU was equal for all currencies other than the Irish punt. In other words, there was no change in the monetary and agri-monetary relationships between currencies other than the Irish punt, leaving aside changes in the market exchange rates for the floating currencies. The increase in the correcting factor from 1,083682 to 1,097805 altered the MCAs for Ireland by 1,4 points (see Table VIII).

The correcting factor was altered for the fourth time on 15 January 1987 as a result of the currency realignment of 12 January 1987, which involved the revaluation of the DM, the HFL (+ 3%) and the BFR/LFR (+ 2%) and the alteration of the central rates for sterling (- 7,75%) and the drachma (- 8,71%). In view of the revaluation of the DM and the HFL in relation to the ECU (2,54%), the correcting factor increased from 1,097805 to 1,125691. The impact on the negative MCAs ranged from 3,0 to 3,2 according to product, which meant that not only were existing MCAs increased but that, in certain cases, MCAs were reintroduced, in particular for all products in Denmark (- 2,0 for crop products, 1,5 for all other products). In view of the revaluation of the BFR/LFR, the negative monetary gaps normally created for those Member States remained within the neutral margin so that MCAs were avoided (for details see Annex XI).

II. DISMANTLEMENT OF MCAs AND IMPACT ON PRICES

1. The conversion of the 3 points of positive MCAs for Germany at the start of the 1984/85 marketing year was accompanied by a simultaneous dismantlement of the negative MCAs which had been created as a result of the switch-over. The impact of this dismantlement was an increase of between 3,4% and 3,6% in agricultural prices in all Member States except Germany, the Netherlands and the United Kingdom. In the case of France, Italy and Greece, a further dismantlement was decided on at the time for the MCAs applicable only to the currencies of those countries (see Table II). In the case of the United Kingdom, switch-over reduced the positive MCAs to such an extent that the monetary applied gap, including the "non-cumulation" rule, became zero.

The measures which entered into force on 1 January 1985 should also be mentioned although they are not connected with the switch-over system. Some of the MCAs for Germany, 5 points in all, were dismantled and the loss of farm income resulting from the fall in prices caused by the dismantlement was compensated through the German VAT scheme. On the same date, the MCAs for the Netherlands were reduced by 0,6 points for milk and milk products, by 0,7 points for cereals and by 0,8 points for other products. The loss of farm income in this case was offset by structural measures (see Table III).

2. As part of its decisions on agricultural prices for 1985/86, the Council later dismantled the MCAs for France, Italy and Greece. However, this dismantlement did not relate to the MCAs created by switch-over but either to the stock of MCAs which existed before the start of the 1984/85 marketing year (France) or to the MCAs resulting from the changes in the exchange rates since that date (Italy, Greece). Details of these decisions are given in Table IV.
3. The negative MCAs created by the increase in the correcting factor as a result of the currency realignment of 6 April 1986 were partially dismantled - for certain countries - in the context of the decisions on agricultural prices for 1986/87. Given the move towards a rigid policy on agricultural prices, the dismantlement was, in principle, limited to 3 points for livestock products and 1,5 points for crop products.

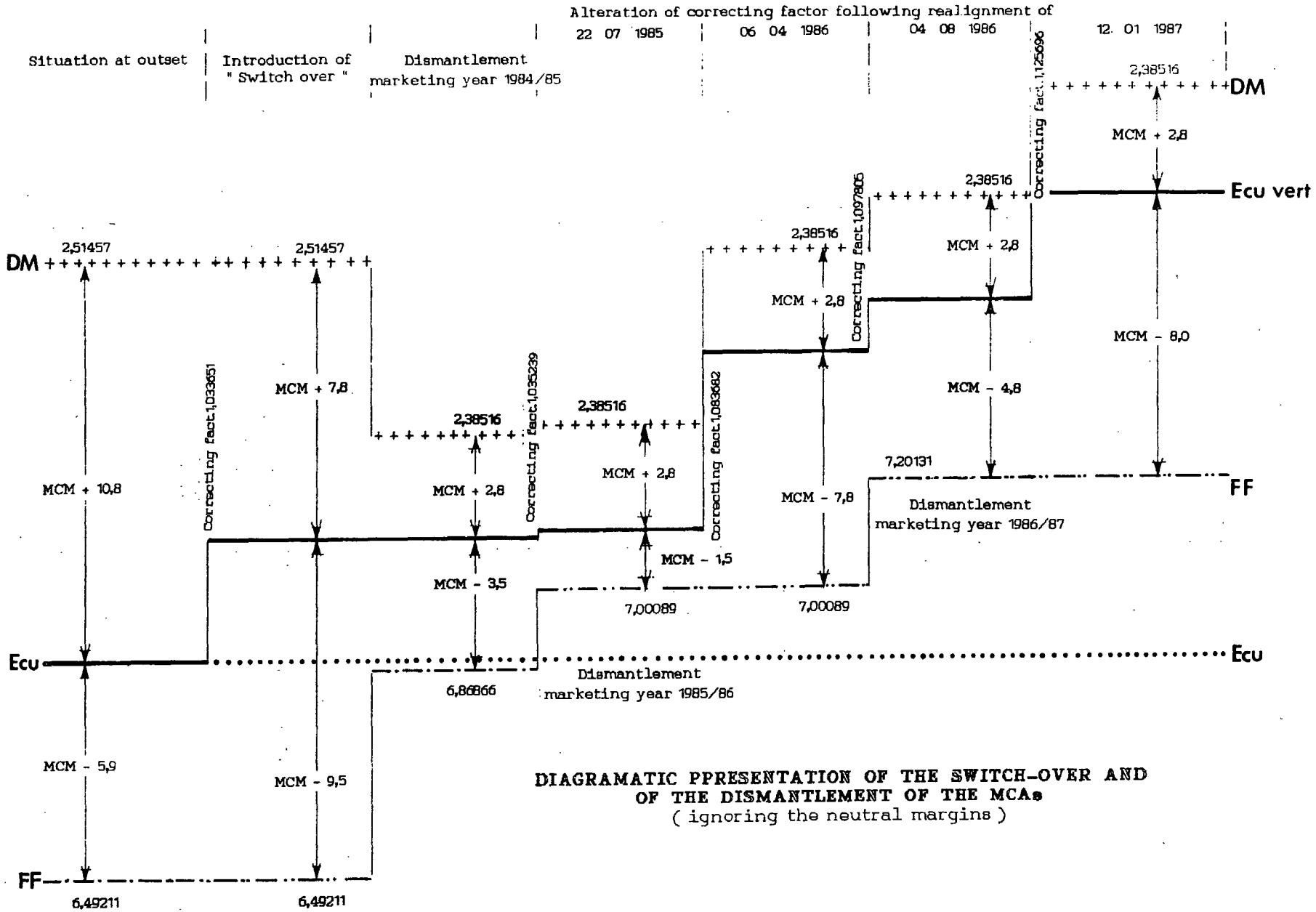
Since, in the case of BLEU, Denmark, Ireland and Portugal, the MCAs created by the switch-over had been partially offset by an alignment of their own currencies, the abovementioned dismantlement completely cancelled the monetary gap for those countries in respect of livestock products: in the case of crop products, however, the dismantlement of 1,5 points left a small real monetary gap. In the case of the other countries, the dismantlement of the MCAs by 3 and 2,5 points respectively did not completely eliminate the MCAs created by the switch-over. They were, however, completely eliminated in the case of Greece and Italy, except for cereals and oilseeds (see Table VII).

In summary, the increase in the common level of agricultural prices, made possible by the switch-over system as a result of the realignment of 6 April 1986, has been only partially realized.

4. The MCAs for Ireland (1,4 points) created by the switch-over due to the realignment of 4 August 1986 were completely dismantled as from 22 September 1986. Moreover, on that date, the MCAs created by the devaluation of the Irish punt itself were partially dismantled (see Table IX).

5. The negative MCAs created by the currency realignment of 12 January 1987 have not yet been dismantled. However, some measure of agreement was reached on this subject at the Council meeting of 19-20 January.

6. The negative MCAs created by the currency realignment of 12 January have not yet been dismantled. However, at the Council meeting held on 19-20 January 1987, there was a degree of agreement on this question.



DIAGRAMATIC PPRESENTATION OF THE SWITCH-OVER AND OF THE DISMANTLEMENT OF THE MCA_s
(ignoring the neutral margins)

34

TABLE I

**SUBJECT : ALTERATION OF THE METHOD FOR CALCULATING MCAs
INTRODUCTION OF THE GREEN ECU ("SWITCH-OVER")**

MONETARY ADJUSTMENTS

DECISION OF : 31.3.1984

ENTRY INTO FORCE : BEGINNING OF THE 1984/85 MARKETING YEAR

Country	Central rate	Sector	Previous situation			New situation				Change in the monetary gap as a result of "switch-over"	
			Green rate	Monetary gap		Green central rate (1)	Green rate	Monetary gap		real	applied
				real	applied			real	applied (5)		
D	2,24184	Milk	2,54273	+ 11,833	+ 10,8	2,31728	U	+ 8,866	+ 7,9	- 2,967	- 2,9
		Cereals	2,52875	+ 11,346	+ 10,3			+ 8,363	+ 7,4	- 2,983	- 2,9
		Other	2,51457	+ 10,846	+ 9,8			+ 7,846	+ 6,8	- 3,000	- 3,0
NL	2,52595	Milk	2,73327	+ 7,585	+ 6,6	2,61095	N	+ 4,475	+ 3,5	- 3,110	- 3,1
		Cereals	2,72149	+ 7,185	+ 6,2			+ 4,062	+ 3,1	- 3,123	- 3,1
		Other	2,70981	+ 6,785	+ 5,8			+ 3,648	+ 2,6	- 3,137	- 3,2
BLEU	44,9008	All	44,9008	0,0	0	46,4118	A	- 3,365	- 1,9	+ 3,365	+ 1,9
F	6,87456	Milk	6,55400	- 4,891	- 3,4	7,10590		N	- 8,421	- 6,9	+ 3,530	+ 3,5
		Pigmeat/Wine	6,77297	- 1,500	0			- 4,915	- 3,4	+ 3,415	+ 3,4
		Other	6,49211	- 5,891	- 4,4		G	- 9,454	- 8,0	+ 3,563	+ 3,6
DK	8,14104	All	8,23400	+ 1,129	+ 1,0	8,41499	E	- 2,198	- 1,0	+ 3,327	+ 2,0
IRL	0,725690	All	0,725690	0,0	0	0,750110	D	- 3,365	- 1,9	+ 3,365	+ 1,9
UK	0,587080	All	0,618655	+ 4,658	+ 3,7	0,609652(2)		+ 1,450	0 (4)	- 3,208	- 3,7
I	1403,49	All	1341,00	- 3,337	- 1,8	1432,30(3)		- 6,814	- 5,3	+ 3,477	+ 3,5
GR	-	All	77,2479	- 13,382	- 11,9	90,5281(2)		- 17,198	- 15,7	+ 3,816	+ 3,8

(1) Green central rate = central rate x 1,033651; reciprocal = 0,967445.

(2) Reference period : from 7. 3.1984 to 13. 3.1984.

(3) Reference period : from 29. 2.1984 to 6. 3.1984.

(4) Applying the new non-cumulation rule.

(5) The negative MCAs resulting from switch-over are dismantled immediately (see Table II), so that the negative gaps have only a theoretical significance.

TABLE II

SUBJECT : ALTERATION OF GREEN RATES (1)
IN CONNECTION WITH 1984/85 PRICE REVIEW

MONETARY ADJUSTMENTS

DECISION OF : 31.3.1984

ENTRY INTO FORCE : START OF THE 1984/85 MARKETING YEAR

Country	Central rate	Green central rate c=1,033651	Sector	Green rate	Monetary gaps resulting from "switch-over"		New situation			Dis-mantle-ment (points)	Re.-/De-val. of green rate (%)	Impact on prices (%)
					real	appl.(5)	Green rate	Monetary gap				
							real	applied				
D	2,24184	2,31728	Milk	2,54273	+ 8,866	+ 7,9						
			Cereals	2,52875	+ 8,363	+ 7,4						
			Other	2,51457	+ 7,846	+ 6,8						
NL	2,52595	2,61095	Milk	2,73327	+ 4,475	+ 3,5						
			Cereals	2,72149	+ 4,062	+ 3,1						
			Other	2,70981	+ 3,648	+ 2,6						
BLEU	44,9008	46,4118	All	44,9008	- 3,365	- 1,9	46,4118	0	0	3,365	- 3,255	+ 3,365
F	6,87456	7,10590	Milk	6,55400	- 8,421	- 6,9	6,93793	- 2,421	- 1,0	6,0	- 5,534	+ 5,858
			Pigm./Wine(6)	6,77297	- 4,915	- 3,4	7,10590	0	0	4,915	- 4,685	+ 4,916
			Other	6,49211	- 9,454	- 8,0	6,86866	- 3,454	- 2,0	6,0	- 5,482	+ 5,800
DK	8,14104	8,41499	All	8,23400	- 2,198	- 1,0	8,41499	0	0	2,198	- 2,151	+ 2,198
IRL	0,725690	0,750110	All	0,725690	- 3,365	- 1,9	0,750110	0	0	3,365	- 3,255	+ 3,365
UK	0,587087	0,609652(2)	All	0,618655	+ 1,450	0 (4)		0	0 (4)		-	-
I	1403,49	1432,30(3)	All	1341,00	- 6,814	- 5,3	1432,00	0	0	6,8	- 6,355	+ 6,786
GR	-	90,5281(2)	All	77,2479	- 17,198	- 15,7	90,5281	0	0	17,1	- 14,670	+ 17,192

(1) Devaluation of green rates as a result of switch-over + dismantlement of negative MCAs F + I + GR.

(2) Reference period : from 7. 3.1984 to 13. 3.1984.

(3) Reference period : from 29. 2.1984 to 6. 3.1984.

(4) Applying the new "non-cumulation" rule.

(5) The negative MCAs stated have only a theoretical significance.

(6) Valid from 1. 9.1984 in the case of wine.

" " 1.11.1984 in the case of pigmeat.

TABLE III

SUBJECT: ALTERATION OF GREEN D AND NL RATES
UNDER THE 1984/85 PRICE DECISIONS (1)

CURRENCY ADJUSTMENTS
DECISION OF: 31.3.1984
ENTRY INTO FORCE: 1.1.1985

Country	Central rate	Green central rate c=1,033651	Product group	Former situation			New situation			Dismantle- ment (points)	Re.-/De- valuation of green rate (%)	Impact on prices (%)
				Green rate	Monetary gap		Green rate	Monetary gap				
					real	applied		real	applied			
D	2,24184	2,31728	Milk	2,54273	+ 8,866	+ 7,9	2,41047	+ 3,866	+ 2,9	5,0	+ 5,487	- 5,202
			Cereals	2,52875	+ 8,363	+ 7,4	2,39792	+ 3,363	+ 2,4	5,0	+ 5,456	- 5,174
			Other	2,51457	+ 7,846	+ 6,8	2,38516	+ 2,846	+ 1,8	5,0	+ 5,426	- 5,146
NL	2,52595	2,61095	Milk	2,73327	+ 4,475	+ 3,5	2,71620	+ 3,875	+ 2,9	0,6	+ 0,628	- 0,625
			Cereals	2,72149	+ 4,062	+ 3,1	2,70178	+ 3,362	+ 2,4	0,7	+ 0,730	- 0,724
			Other	2,70981	+ 3,648	+ 2,6	2,68749	+ 2,848	+ 1,8	0,8	+ 0,831	- 0,824
BLEU	44,9008	46,4118	All	46,4118	0	0						
F	6,87456	7,10590	Milk	6,93793	- 2,421	- 1,0						
			Pigmeat/ Wine	7,10590	0	0						
			Other	6,86866	- 3,454	- 2,0						
DK	8,14104	8,41499	All	8,41499	0	0						
IRL	0,725690	0,750110	All	0,750110	0	0						
UK	0,587087	0,609652(2)	All	0,618655	variable							
I	1403,49	1432,30(3)	All	1432,00	variable							
GR	-	90,5281(2)	All	90,5281	variable							

(1) Dismantlement accompanied by compensatory measures.

(2) Reference period: from 7.3.1984 to 13.3.1984.

(3) Reference period: from 29.2.1984 to 6.3.1984.

TABLE IV

MONETARY ADJUSTMENTS

SUBJECT : ALTERATION OF GREEN RATE
PURSUANT TO THE PRICE DECISIONS FOR 1985/86

Country	Sectors	Central rate	Green Central rate	Previous situation			Dis-mantlement (points)	New situation (4)			Devaluation %	Impact
				Green rate	Monetary gap			Green rate	Monetary gap			
				real	applied			real	applied			
D	Milk	2,24184	2,31728	2,41047	+ 3,866	+ 2,9	-	) no	+ 3,866	+ 2,9	-	-
	Cereals			2,39792	+ 3,363	+ 2,4	-	) change	+ 3,363	+ 2,4	-	-
	Other			2,38516	+ 2,846	+ 1,8	-	)	+ 2,846	+ 1,8	-	-
NL	Milk	2,52595	2,61095	2,71620	+ 3,875	+ 2,9	-	) no	+ 3,875	+ 2,9	-	-
	Cereals			2,70178	+ 3,362	+ 2,4	-	) change	+ 3,362	+ 2,4	-	-
	Other			2,68749	+ 2,848	+ 1,8	-	)	+ 2,848	+ 1,8	-	-
BLEU	All	44,9008	46,4118	46,4118	0,0	0	-	no change	0,0	0	-	-
F	Wine	6,87456	7,10590	7,10590	0,0	0	-	no change	0,0	0	-	-
	Milk			6,93793	- 2,421	- 1,0	2,421	7,10590	0,0	0	- 2,364	+ 2,421
	Other			6,86866	- 3,454	- 2,0	1,954	7,00089	- 1,500	0	- 1,889	+ 1,925
DK	All	8,14104	8,41499	8,41499	0,0	0	-	no change	0,0	0	-	-
IRL	All	0,725690	0,750110	0,750110	0,0	0	-	no change	0,0	0	-	-
UK(1)	All	0,585992	variable (2)	0,618655	+ 2,520 (3)	+ 1,0	-	no change	+ 3,348 (5)	+ 2,3	-	-
IT	All	1403,49	variable (2)	1432,00	- 3,503 (3)	- 2,3	3,503	1482,00	- 0,248 (5)	0	- 3,374	+ 3,492
GR(1)	All	87,4813	variable (2)	90,5281	- 13,059 (3)	- 11,3	13,059	102,345	- 0,233 (5)	0	- 11,546	+ 13,053

(1) Theoretical central rate.

(2) The green market rates are : 1 ECU = 0,603039 UKL; 1 ECU = 1482,09 LIT; 1 ECU = 102,345 DRA (Reference period : from 8 to 14.5.1985).

(3) Reference period : from 8 to 14 May 1985.

(4) With effect from : 27.5.1985, in respect of the start of the 1985/86 marketing year.

(5) Reference period : from 15 to 21 May 1985.

SUBJECT: ALTERATION OF CENTRAL RATES (9th realignment)

Devaluation : LIT 6,0 %
DRA 11,54 %
Revaluation : DM, HFL, FB/L, DKR, IRL : 2,0 %
UKL 7,47 %

Decision of : 20.7.1985
Entry into force : 22.7.1985

Country	Sectors	Central rate				Re/Devaluation against ECU - %	Green central rate		Impact on real monetary gap	Green rate (1)	Monetary gap (8)					
		Old		New			Previous coeffic.	New coeffic.			Real			Applied		
		1 ECU= currency	Weight %	1 ECU= currency	Weight %		1,033651 0,967445	1,035239 0,965968			Old	New	Change	Old	New	Chan.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
D	Milk	2,24184	32,0	2,23840	32,12	+0,154	2,31728	inchange	-	2,41047	+3,866	) no		+2,9	N
	Cereals								-	2,39792	+3,363	) change		+2,4	O
	Other								-	2,38516	+2,846	)		+1,8	
NL	Milk	2,52595	10,1	2,52208	10,15	+0,153	2,61096	2,61096	0,001	2,71620	+3,875	+3,874	-0,001	+2,9	C	
	Cereals								0,001	2,70178	+3,362	+3,361	-0,001	+2,4	H	
	Other								-	2,68749	+2,848	+2,848	-	+1,8	A	
BLEU	A11	44,9008	8,5	44,8320	8,59	+0,153	46,4118	no change	-	46,4118	0,0	no change		0	N	
F	M/W/P(7)	6,87456	19,0	6,86402	19,09	+0,154	7,10590	no change	-	7,10590	0,0	) no		0	O
	Other								-	7,00089	-1,500	) change		0	C
DK	A11	8,14104	2,7	8,12857	2,69	+0,153	8,41499	8,41501	0,0002	8,41499	0,0	0,0002	id.	0	H	
IRL	A11	0,725690	1,2	0,724578	1,2	+0,153	0,750110	0,750111	0,0001	0,750110	0,0	0,0001	id.	0	A	
UK	A11	0,585992	15,0	0,555312	15,81	+5,5248	0,578092 (2)	0,578323 (3)	.	0,618655	+6,553 (4)	+6,515 (5)	-0,038	+4,9 (6)	+5,5	0,6
IT	A11	1403,60	10,2	1520,60	9,21	-7,702	1502,94 (2)	1558,37 (3)	.	1482,00	-1,418 (4)	-5,158 (5)	+3,740	0	-3,7	3,7
GR	A11	87,4813	1,3	100,719	1,14	-13,143	104,421 (2)	106,210 (3)	.	102,345	-2,034 (4)	-3,782 (5)	+1,748	-1,0	-2,3	1,3

- (1) Valid from the start of the 1985/86 marketing year.
- (2) Green market rate: reference period : 10 to 16.7.1985.
- (3) Green market rate: reference period : 22 and 23.7.1985.
- (4) Reference period : 10 to 16.7.1985.
- (5) Reference period : 22 and 23.7.1985.
- (6) Reference period : 3 to 9.7.1985.
- (7) Sectors : milk, wine, pigmeat.
- (8) Date on which changes take effect : 24.7.1985.

SUBJECT: 15% DEVALUATION OF THE MARKET RATE FOR THE DRACHMA

With effect from : 14.10.1985

Country	Sectors	Central rate				Green central rate		Green rate	Monetary gap				
		Old		New		Previous coeffic. 1,035239 0,965961	New unchanged		Real		Applied		
		1 ECU= currency	Weight	1 ECU= currency	Weight				Old	New	Old	New	Change
		1	2	3	4				5	6	7	8	9	10	11	12
D	Milk	2,23840	32,12	U		2,31728	U	2,41047	+ 3,866	U	+ 2,9	U	
	Cereals							2,39792	+ 3,363		+ 2,4		
	Other			N			N	2,38516	+ 2,846	N	+ 1,8	N	
NL	Milk	2,52208	10,15	C		2,61096	C	2,71620	+ 3,874	C	+ 2,9	C	
	Cereals			H			H	2,70178	+ 3,361	H	+ 2,4	H	
	Other			A			A	2,68749	+ 2,848	A	+ 1,8	A	
BLEU	A11	44,8320	8,59	N		46,4118	N	46,4118	0,0	N	0	N	
F	M/W/P	6,86402	19,09	G		7,10590	G	7,10590	0,0	G	0	G	
	Other							7,00089	- 1,500		0		
DK	A11	8,12857	2,69	E		8,41501	E	8,41499	0,0	E	0	E	
IRL	A11	0,724578	1,2	D		0,750111	D	0,750110	0,0	D	0	D	
UK	A11	0,555312(1)	15,81			0,578323(1)		0,618655	- 0,161 (3)	+ 0,163 (5)	0		
IT	A11	1520,60 (1)	9,21			1558,37		1482,00	- 5,469 (3)	- 5,458 (5)	- 3,7		
GR	A11	100,719	1,14			106,210 (1)		102,345	-		-		
GR(2)		111,527 (3)		131,243(4)		115,457 (3)	135,868(4)	102,345	- 12,815 (3)	- 32,759 (4)	-11,3 (3)	-31,3(4)	

(1) Theoretical rate.

(2) Calculated on basis of the market rate.

(3) Reference period : 2 to 8.10.1985.

(4) Reference period : 14 and 15.10.1985.

(5) Reference period : 9 to 15.10.1985.

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MONETARY ADJUSTMENTS

SUBJECT : ALTERATION OF CENTRAL RATES (10th realignment)

Devaluation : FF 3 %, £ sterling 13.31 %

DRA 26,95 %

Revaluation : DM, HFL 3 %

FB/L, DKR 1 %

Decision of : 6.4.1986

With effect from : 7.4.1986

Country	Sector	Central rate		Re/Devaluation against ECU - %	Green central rate:		Green rate (1)	Monetary gap (8)							
		Old 1 ECU = currency	New 1 ECU = currency		Previous coeffic.: 1,035239; 0,965961	New coeffoc.: 1,083682; 0,922780		Real			Applied				
								Old	New	Change	Old	New	Change		
														Total	Resulting from
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
D		2,23840	2,13834	+ 4,679	2,31728	unchanged									
	Milk						2,41047	+ 3,866	)un-	-	-	-	+ 2,9	U	
	Cereals						2,39792	+ 3,363	)changed	-	-	-	+ 2,4	N	
	Other						2,38516	+ 2,846	)	-	-	-	+ 1,8	C	
NL		2,52208	2,40935	+ 4,679	2,61096	2,61097								A	
	Milk						2,71620	+ 3,875	+ 3,874	0,001	-	-	+ 2,9	N	
	Cereals						2,70178	+ 3,367	+ 3,361	-	-	-	+ 2,4	G	
	Other						2,68749	+ 2,848	+ 2,847	0,001	-	-	+ 1,8	E	
BLEU	All	44,8320	43,6761	+ 2,647	46,4118	47,3310	46,4118	0,0	- 1,981	1,981	- 4,559	+ 2,578	0	D	
F		6,86402	6,96280	- 1,419	7,10590	7,54546									
	Milk						7,10590	0,0	- 6,186	6,186	- 4,747	- 1,439	0	- 4,7	4,7
	Pigmeat(2)						7,00089	- 1,500	- 7,779	6,779	- 4,818	- 1,961*	0	- 6,3	6,3
	Other						7,10590	0,0	- 6,186	6,186	- 4,847	- 1,439	0	- 1,2	1,2
	Wine														
DK	All	8,12857	7,91896	+ 2,647	8,41501	8,58163	8,41499	0,0	- 1,980	1,980	- 4,559	+ 2,579	0	0	
IRL	All	0,724578	0,712956	+ 1,630	0,750111	0,772618	0,750110	0,00001	- 3,001	3,001	- 4,605	+ 1,604	0	- 1,5	1,5
UK	All	0,555312	0,630317	- 11,900	0,668592	0,671975	0,618655	- 8,081	- 8,626	0,545	- 4,856	+ 4,311	- 6,6	- 6,6	0
					(3)	(7)		(3)	(7)						
IT	All	1520,60	1496,210	- 1,630	1563,02	1600,11	1482,00	- 5,476	- 7,977	2,501	- 4,827	+ 2,326	- 4,0	- 6,5	1,5
					(4)	(7)		(4)	(8)						
GR	All	100,719	135,659	- 25,756	142,432	145,274	102,345	- 39,229	- 41,955	2,726	- 6,345	+ 3,619	- 37,7	- 40,5	
					(5)	(7)		(5)	(7)						
ESP	All	-	-	-	144,382	147,859	144,382	0,0	- 2,418	2,418	- 4,578	+ 2,160	0	0	
					(6)	(7)		(6)	(7)					(9)	
PT	Sugar	-	-	-	150,355	152,456	150,355	0,0	- 1,407	1,407	- 4,533	+ 3,126	0	0	
					(6)	(7)		(7)	(7)						

(1) Valid as from the start of the 1985/86 marketing year.

(2) Pigmeat MCAs are calculated on the basis of a - 6,3 monetary gap (cereals).

(3) Green market rate : reference period : 26.3 to 1.4.1986.

(4) Green market rate : reference period : 29.1 to 4.2.1986.

(5) Green market rate : reference period : 26.2 to 4.3.1986.

(6) Reference period : 24 and 25.2.1986.

(7) Reference period : 7 and 8.4.1986.

(8) Applicable from 9.4.86; in Ireland from 14.4.1986.

(9) Frozen at zero by Management Committee decision of 8.4.1986.

MONETARY ADJUSTMENTS - DECISION OF 25.4.1986

ENTRY INTO FORCE : 12.5.1986/START OF MARKETING YEAR *

TABLE VII

SUBJECT : ALTERATION OF GREEN RATES
PURSUANT TO THE 1986/87 PRICE DECISIONS

Country	Sectors	Central rate	Green central rate coeffic. = 1,083682 0,922780	Previous situation			Dis- mantle- ment (points)	New situation			Devaluation: %	Impact on prices %	
				Green rate:	Monetary gap			Green rate	Monetary gap (7)				
					Real	Applied			Real	Applied			
D	Milk	2,13834	unchanged	2,41047	+ 3,866	+ 2,9	-)					
	Cereals			2,39792	+ 3,363	+ 2,4	-	)	unchanged	unchanged	unch.	-	
	Other			2,38516	+ 2,846	+ 1,8	-)					
NL	Milk	2,40935	2,61097(1)	2,71620	+ 3,875	+ 2,9	-	)		3,874	unch.		
	Cereals			2,70178	+ 3,367	+ 2,4	-	)	unchanged	3,361	"		
	Other			2,68749	+ 2,848	+ 1,8	-	)		2,847	"		
BLEU	Livestock products	43,6761	47,3310	)46,4118	- 1,981	0	1,980		47,3310	0,0	0	- 1,942	+ 1,981
	Crop products			)			1,0		46,8712	- 0,981	0	- 0,980	+ 0,990
F	Milk	6,96280	7,54546	)7,10590	- 6,186	- 4,7	3,0		7,31248	- 3,186	- 1,7	- 2,825	+ 2,907
	Pigmeat			)		- 6,3(4)			7,54546	(6)	(6)	- 5,825	+ 6,186
	Other animal prods.			)7,00089	- 7,779	- 6,3	3,0		7,20131	- 4,779	- 3,3	- 2,783	+ 2,863
	Wine			)7,10590	- 6,186	- 1,2	1,5		7,20771	- 4,686	0	- 1,413	+ 1,433
	Other crop prods.			)7,00089	- 7,779	- 6,3	1,5		7,09967	- 6,279	- 4,8	- 1,391	+ 1,411
DK	Livestock products	7,91896	8,58163	)8,41499	- 1,981	0	1,980		8,58163	0,0	0	- 1,942	+ 1,980
	Crop products			)			1,501		8,54064	- 0,480	0	- 1,471	+ 1,493
IRL	Livestock products	0,712956	0,772618	)0,750110	- 3,001	- 1,5	3,001		0,772618	0,0	0	- 2,913	+ 3,001
	Crop products			)			1,501		0,761200	- 1,500	0	- 1,457	+ 1,478
UK	Pigmeat (6)	0,640480(2)	0,694078(2)	)			6,4		0,654044	(6)	(6)	- 5,411	+ 5,720
	Other livest.prods.			)0,618655	- 12,199	- 10,7	3,0		0,635626	- 8,634	- 7,1	- 2,700	+ 2,743
	Crop products			)	(2)	(2)	1,5		0,626994	- 11,615	- 10,7	- 1,330	+ 1,348
IT	Cereals/Oilseeds	1476,55(3)	1600,11(3)	)1482,00	- 7,904(2)	- 6,5(3)	4,0		1539,00	- 7,987	- 6,5	- 3,704	+ 3,846
	Other products			)			5,0		1554,00	- 2,984	- 1,5	- 4,633	+ 4,858
GR	All sectors	135,313(2)	146,637(2)	102,345	- 43,287(2)	- 41,8(2)	17,6		116,673	- 25,568	- 24,1	- 12,280	+ 14,000
ESP	Livestock products	136,441(3)	147,859(3)	)144,382	- 3,369	0 (5)	1,98		147,208	-	-	- 1,920	+ 1,957
	Crop products			)	(2)		1,0		145,796	- 3,781	- 2,2	- 0,970	+ 0,979
PORT	Livestock prods.(9)	140,684(3)	152,457(3))150,355	- 2,654	0 (5)	(1,98)		153,283	- 0,691	0	- 1,910	+ 1,947
	Crop products)	(2)		1,0		151,812	- 2,662	- 1,4	- 0,960	+ 0,969

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Footnotes Table VII

* Regulations 1333/86 and 2063/86.

- (1) Altered as a result of rounding figures.
- (2) Reference period: from 16 to 22.4.1986.
- (3) Reference period: from 7 to 8.4.1986.
- (4) The MCAs are calculated on the basis of cereals.
- (5) As a result of suspending the application of the MCAs (until 5.5.1986).
- (6) The negative MCAs created as a result of the 6.4.1986 realignment are suspended from 1.5.1986 until 30.6.1986. As from 1.7.1986, the MCAs are calculated on the basis of 35% of the basic price. New green rates were fixed for France and the United Kingdom and the date on which all changes in the green rate were to take effect was brought forward to 1 July 1986 (Regulations 2062/86 and 2063/86 - OJ No L 176/86).
- (7) The new variable MCAs are based on the reference period 30.4.1986 to 6.5.1986, allowing for the entry into force of the new green rates for those sectors (milk + beef/veal) for which the marketing year began on 12.5.1986.
- (8) A neutral margin of five points is applied to wine.
- (9) The MCAs apply only to sugar.

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SUBJECT : ALTERATION OF CENTRAL RATES (11th realignment)

Devaluation : £ IRL : 8 %
£ UK : 8,4 %
DRA : 2,29 %

Decision of : 2.8.1986
Entry into force : 4.8.1986

Country	Sector	Central rate		Re/Devaluation against the ECU	Green Central rate (1)		Green rate (2)	Monetary gap (3)							
		Old	New		Previous coeffic.	New coeffic.		Real			Applied				
		1 ECU = currency	1 ECU = currency		1,083682	1,097805		Old	New	Total	Change Resulting from "Switch-over"	Other	Old	New	Change
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
D	Milk	2,13834	2,11083	+ 1,304	2,31728	2,31728	2,41047	+ 3,866	same	-	-	-	+ 2,9	same	-
	Cereals						2,39792	+ 3,363	"	-	-	-	+ 2,4	"	-
	Other						2,38516	+ 2,846	"	-	-	-	+ 1,8	"	-
NL	Milk	2,40935	2,37833	+ 1,304	2,61097	2,61094	2,71620	+ 3,894	"	-	-	-	+ 2,9	"	-
	Cereals						2,70178	+ 3,361	"	-	-	-	+ 2,4	"	-
	Other						2,68749	+ 2,847	"	-	-	-	+ 1,8	"	-
BLEU	Livestock:	43,6761	43,1139	+ 1,304	47,3310	47,3307	47,3310	0,000	"	-	-	-	0	"	-
	prods.														
	Crop prod:						46,8712	- 0,981	"	-	-	-	0	"	-
F	Milk	6,96280	6,87316	+ 1,304	7,54546	7,54539	7,31248	- 3,186	"	-	-	-	- 1,7	"	-
	Pigmeat						7,54546	0,000	"	-	-	-	0	"	-
	Other														
	Livestock:						7,20131	- 4,779	"	-	-	-	- 3,3	"	-
	products														
	Wine						7,20771	- 4,685	"	-	-	-	0	"	-
	Other														
	Livestock:						7,09967	- 6,279	"	-	-	-	- 4,8	"	-
	products														
DK	Livestock:	7,91896	7,81701	+ 1,304	8,58163	8,58155	8,58163	0,000	"	-	-	-	0	"	-
	prods.														
	Crop prod:						8,54064	- 0,480	"	-	-	-	0	"	"
IRL	Livest.p.	0,712956	0,764976	- 6,800	0,772618	0,839794	0,772618	0,000	- 8,695	8,695	- 1,399	7,296	0	- 7,2	7,2
	Crop prod:						0,761200	- 1,500	- 10,325	8,825	- 1,419	7,406	0	- 8,8	8,8
UK	Pigmeat	0,630317	0,679256	- 7,205	0,727749	0,747485	0,654044	- 11,275	- 14,295	3,020	-	3,020	- 9,8	- 12,8	3,0
	Other														
	Livest.p.						0,635626	- 14,499	- 17,606	3,107	-	3,107	- 13,0	- 16,1	3,1
	Crop prod:						0,626994	- 16,075	- 19,226	3,151	-	3,151	- 14,6	- 17,7	3,1
IT	Cereals/:	1496,21	1476,95	+ 1,304	1584,07	1588,67	1539,00	- 2,934	- 3,234	0,300	-	0,300	- 1,4	- 1,7	0,3
	Oilseeds														
	Other						1554,00	- 1,941	- 2,238	0,297	-	0,297	0	- 1,0	1,0
GR	All sect.:	135,659	137,049	- 1,016	148,025	150,033	116,673	- 27,447	- 28,602	1,155	-	1,155	- 25,4	- 27,1	1,7
ESP	Livest.p.	-	-		148,234	149,716	147,208	- 0,393	- 1,712	1,319	-	1,319	0	0	-
	Crop prod:						145,796	- 1,365	- 2,697	1,332	-	1,332	0	- 1,2	1,2
PORT	Livest.p.	-	-		159,652	162,514	153,283	-	-	-	-	-	-	-	-
	Crop prod:						151,812	- 5,648	- 7,061	1,413	-	1,413	- 3,7	- 5,6	1,9

(1) Floating currencies: green market rates.
(2) Green rates applicable for the 1986/87 marketing year.
(3) Variable MCAs, based on the reference period : 23 to 29.7.1986 for previous MCSs.

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MONETARY ADJUSTMENTS

TABLE IX

SUBJECT : ALTERATION OF GREEN RATES
DEVALUATION OF GREEN RATE FOR IRELAND

Decision of : 16. 9.1986
Entry into force : 22. 9.1986

Country	Sector	Central rate	Green central rate Coeff. = 1,097805 0,910909	Previous situation (1)			Dismantlement (in points)	New situation			Re/De-valuation (as %)	Impact on prices (as %)
				Green rate	Monetary gap			Green rate (2)	Monetary gap			
					Real	Applied			Real	Applied (3)		
D	Milk	2,11083	2,31728	2,41047	+ 3,866	+ 2,9	-					
	Cereals			2,39792	+ 3,363	+ 2,4	-					
	Other			2,38516	+ 2,846	+ 1,8	-					
NL	Milk	2,37833	2,61094	2,71620	+ 3,874	+ 2,9	-					
	Cereals			2,70178	+ 3,361	+ 2,4	-					
	Other			2,68749	+ 2,847	+ 1,8	-					
BLEU	Livestock prod.	43,1139	47,3307	47,3310	0,000	0	-					
	Crop products			46,8712	- 0,981	0	-					
F	Milk	6,87316	7,54539	7,31248	- 3,186	- 1,7	-					
	Pigmeat			7,54546	0,000	0	-					
	Other live-stock products			7,20131	- 4,779	- 3,3	-					
	Wine			7,20771	- 4,685	0	-					
	Other crop products			7,09967	- 6,279	- 4,8	-					
DK	Livestk. prod.	7,81701	8,58155	8,58163	0,000	0	-					
	Crop products			8,54064	- 0,480	0	-					
IRL	Livestock prod.	0,764976	0,839794	0,772618	- 8,695	- 7,2	6	0,817756	- 2,695	- 1,2	- 5,520	+ 5,842
	Crop products			0,761200	- 10,325	- 8,8	3	0,782478	- 7,325	- 5,8	- 2,719	+ 2,795
UK	Pigmeat	0,679256	0,755378	0,654044	- 15,336	- 14,0	-					
	Other live-stock products			0,635626	- 18,677	- 17,3	-					
	Other crop products			0,626994	- 20,311	- 19,0	-					
IT	Cereals/Oilseeds	1476,95	1588,67	1539,00	- 3,061	- 1,7	-					
	Other products			1554,00	- 2,066	- 1,0	-					
GR	All sectors	137,049	151,422	116,673	- 30,079	- 28,3	-					
ESP	Livestock prod.	-	150,149	147,208	- 2,305	- 1,0	-					
	Crop products			145,796	- 3,295	- 1,5	-					
PORT	Livestock prod.	-	164,252	153,283	-	-	-					
	Crop products			151,812	- 8,399	- 6,7	-					

(1) Green market rates and monetary gaps for floating currencies are based on the reference period 10 to 16 September 1986.

(2) Regulation (EEC) No 2897/86; OJ No L 269/86.

(3) Regulation (EEC) No 2896/86; OJ No L 270/86.

MONETARY ADJUSTMENTS

SUBJECT : ALTERATION OF GREEN RATES
DEVALUATION OF GREEN RATES FOR FF, UKL, DRA, PTA, ESC

Decision of : 16.12.1986
Entry into force for : 5. 1.1987
Entry into force for : 29.12.1986

Country	Sector	Central rate	Green central rate Coeffic.= 1,097805 0,910909	Previous situation (1)			Dismantle-ment (in points)	New situation			Re/De-valuation (as %)	Impact on prices (as %)
				Green rate	Monetary gap			Green rate (2)	Monetary gap			
					Real	Applied			Real	Applied (3)		
D	Milk	2,11083	2,31728	2,41047	3,866	2,9						
	Cereals			2,39792	3,363	2,4						
	Wine			2,38516	2,846	0,0						
	Other			2,38516	2,846	1,8						
NL	Milk	2,37833	2,61094	2,71620	3,875	2,9						
	Cereals			2,70178	3,362	2,4						
	Other			2,68749	2,848	1,8						
UEBL	Livestck.prods	43,1139	47,3307	47,3310	0,001	0,0						
	Crop products			46,8712	- 0,980	0,0						
F	Milk	6,87316	7,54539	7,31248	- 3,185	- 1,7						
	Pigmeat			7,54546	0,001	0,0						
	Cattle-(sheep)			7,20131	- 4,778	- 3,3	- 3,3	7,54539	0,000	0,0	- 4,56	4,78
	Eggs & poultry			7,20131	- 4,778	0,0						
	Wine			7,20771	- 4,685	0,0						
	Other crop products			7,09967	- 6,278	- 4,8						
DK	Livestock prod	7,81701	8,58155	8,58163	0,001	0,0						
	Crop products			8,54064	- 0,479	0,0						
IRL	Livestock prod	0,764976	0,839794	0,817756	- 2,695	- 1,2						
	Crop products			0,782478	- 7,325	- 5,8						
UK	Pigmeat	0,679256		0,654044	- 21,610	- 20,1	0,9	0,654044	- 22,497	- 21,0	0,00	0,00
	Beef/veal			0,635626	- 25,134	- 23,6	- 5,2	0,668197	- 19,903	- 18,4	- 4,87	5,12
	sheepmeat			0,635626	-	-	-	0,652575	-	-	- 2,60	2,67
	Milk and milk products			0,635626	- 25,134	- 23,6	0,9	0,635626	- 26,047	- 24,5	0,00	0,00
	Eggs & poultry			0,635626	- 25,134	- 20,9	0,9	0,635626	- 26,047	- 21,8	0,00	0,00
	Crop products			0,626994	- 26,857	- 25,4	0,9	0,626994	- 27,783	- 26,3	0,00	0,00
IT	Cereals	1476,950		1539,00	- 3,234	- 1,7						
	Wine			1554,00	- 2,115	0,0						
	Other products			1554,00	- 2,238	- 1,0						
GR	Wine	150,792		116,673	- 39,065	- 34,1	1,0	116,673	- 40,092	- 35,1	0,00	0,00
	Sheepmeat			116,673	-	-	-	130,674	-	-	- 10,71	12,00
	Other sectors			116,673	- 39,065	- 37,6	-1,0	116,673	- 40,092	- 38,6	0,00	0,00

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Country	Sector	Central rate	Green central rate Coeffic.= 1,097805 0,910909	Previous situation (1)			Dismantle- ment (in points)	New situation			Re/De- valuation (as %)	Impact on prices (as %)
				Green rate	Monetary gap			Green rate (2)	Monetary gap			
					Real	Applied		Real	Applied (3)			
ESP	Sheepmeat			147,208	-	-	-	151,806	-	-	- 3,03	3,12
	Other live- stock products:			147,208	- 5,390	- 3,9						
	Wine			145,796	- 6,411	- 1,4						
	Crop products			145,796	- 6,411	- 4,9						
PORT	Crop products			151,812	- 12,758	- 11,3						
	Livestock prod:			153,283	-	-	-	162,102	-	-	- 5,44	5,75

(1) Green market rates and monetary gaps for floating currencies are based on the reference period 17 to 23 December 1986.

(2) Regulation (EEC) No 3923/86; OJ No L 367/1.

(3) Regulation (EEC) No 3971/86; OJ No L 369/1.

FLOATING CURRENCIES - Previous monetary gaps are those in force on 29.12.1986.
- New monetary gaps are those in force on 5.1.1987.

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TABLE XI
 SUBJECT: ALTERATION OF CENTRAL RATES (12th realignment)
 Revaluation: DM, 3%; HFL, 32%; BFR/LFR, 2%
 Devaluation: UK£, 7,75%; DRA, 8,71%

Decision of: 11.1.1987

Entry into force: 12.1.1987

Country	Product group	Central rate		Re/Devaluation in terms of the ECU	Green central rate: (1)		Green rate (2)	Monetary gap (3)							
		Former	New		Former Coeffic. 1,097805; 0,910909	New Coeffic. 1,125696; 0,888339		Real			Applied				
								Former	New	Total	Alteration Resulting from		Former	New (3)	Alte- ration
		Switch over	Other		10	11					12	13			
1	2	3	4	5	6	7	8	9	10	11	12	13	14		
D	Milk	2,11083	2,05854	+ 2,540	2,31728	2,31728	2,41047	+ 3,866	1d.	-	-	-	+ 2,9	1d.	-
	Cereals						2,39792	+ 3,363	"	-	-	-	+ 2,4	"	-
	Other						2,38516	+ 2,846	"	-	-	-	+ 1,8	"	-
NL	Milk	2,37833	2,31941	+ 2,540	2,61097	2,61094	2,71620	+ 3,894	"	-	-	-	+ 2,9	"	-
	Cereals						2,70178	+ 3,361	"	-	-	-	+ 2,4	"	-
	Other						2,68749	+ 2,847	"	-	-	-	+ 1,8	"	-
BLEU	Livestock products	43,1139	42,4581	+ 1,545	47,3307	47,7947	47,3310	0,001	- 0,980	- 0,981	0,981		0	"	-
	Crop pr.						46,8712	- 0,980	- 1,970	- 0,990	0,990		0	"	-
F	Milk	6,87316	6,90398	- 0,446	7,54539	7,77175	7,31248	- 3,186	- 6,281	- 3,096	3,096		- 1,7	- 4,8	3,1
	Pigmeat						7,54546	+ 0,001	- 2,999	- 3,000	3,000		0	- 1,5	1,5
	Beef						7,54539	0,000	- 3,000	- 3,000	3,000		0	- 1,5	1,5
	Other livestock products						7,20131	- 4,778	- 7,921	- 3,143	3,143		- 0,0	- 3,2	3,2
	Wine						7,20771	- 4,685	- 7,826	- 3,141	3,141		0	- 2,8	2,8
	Other Crop pr.						7,09967	- 6,279	- 9,466	- 3,188	3,188		- 4,8	- 8,0	3,2
DK	Livestock products	7,81701	7,85206	- 0,446	8,58155	8,83899	8,58163	+ 0,001	- 2,999	- 3,000	3,000		0	- 1,5	1,5
	Crop pr.						8,54064	- 0,480	- 3,493	- 3,014	3,014		0	- 2,0	2,0
IRL	Cereals	0,764976	0,768407	- 0,447	0,839794	0,864989	0,782478	7,325	-10,545	- 3,220	- 3,220		- 5,8	- 9,0	3,2
	Other						0,817756	- 2,695	- 5,776	- 3,081	- 3,081		- 1,2	- 4,3	3,1
UK	Pigmeat	0,679256	0,739623	- 8,162	0,802208	0,821768	0,654044	- 22,497	-26,292	- 3,795	- 2,061	- 1,734	-21,0	- 24,8	3,8
	Beef						0,668197	-19,903	-23,617	- 3,714	- 2,017	- 1,697	-18,4	- 22,1	3,7
	Other livestock products						0,635626	- 26,047	- 29,952	- 3,905	- 2,121	- 1,784	- 24,5	- 28,5	4,0
	Crop pr.						0,626994	- 27,783	- 31,741	- 3,958	- 2,149	- 1,809	- 26,3	- 30,2	3,9
IT	Cer/Oils	1476,95	1483,58	- 0,447	1593,85	1648,37	1539,00	- 3,572	- 6,974	- 3,402	- 1,713	- 1,689	- 2,1	- 5,5	3,4
	Wine						1554,00	- 2,572	- 5,941	- 3,369	- 1,696	- 1,673	0	- 1,0	1,0
	Other						1554,00	- 2,572	- 5,941	- 3,369	- 1,696	- 1,673	- 1,1	- 4,4	3,3
GR	Sheepmeat						130,674	--	--	--	--		--	--	--
	Other	137,049	150,798	- 9,118	164,125	167,542	116,673	- 40,092	-43,795	- 3,703	- 2,318	- 1,385	- 38,6	- 42,3	3,7
ESP	Sheepmeat						151,806	--	--	--	--		--	--	--
	Other														
	Livestock products				172,641	177,209	147,208	- 5,390	- 8,239	- 2,849	- 1,747	- 1,102	- 3,9	- 6,7	2,8
PORT	Crop pr.						145,796	- 6,411	- 9,287	- 2,876	- 1,763	- 1,113	- 4,9	- 7,8	2,9
	Livestock products				155,690	159,925	162,102	-	-	-	-		-	-	-
	Crop pr.						151,812	-12,758	-16,587	- 3,829	- 1,869	- 1,960	-11,3	-15,1	3,8

(1) Floating currencies: green market rates.

(2) Green rates applicable for the 1986/87 marketing year.

(3) Variable MCAs based on the reference period from 31.12.1986 to 6.1.1987.

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