

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 658 final

Brussels, 22 November 1978

Proposal for a  
COUNCIL REGULATION (EEC)  
of  
on the impact of the European monetary system on the  
common agricultural policy

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(Submitted by the Commission to the Council)

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EXPLANATORY MEMORANDUM

1. In the new european monetary system the EMUA (= the unit of account in the snake) will be replaced by the ECU. This is equal to the EUA (the basket unit of account) and thus its value is less than that of the EMUA by about 21%. Moreover, all references to gold disappear from the monetary system.

2. In the MCA system amounts are calculated by using the central rates of the currencies in the snake which are based on the EMUA at present. The dropping of the EMUA and its replacement by the EUA raises the matter of the legal implications with regard to the calculation of the MCAs.

Regulation (EEC) No 974/71 (introducing the MCAs) could continue in theory to be applied under the new conditions.

Since the value of the ECU is lower than that of the EMUA the distribution of the MCAs will be considerably affected as can be seen from the following example for 6 November 1978

Country	Actual difference on 6.11.1978	Difference applied (*) as from 6.11.1978	New difference
Germany	+ 10.8	+ 10.8	+ 25.7
BLEU	+ 3.3	+ 3.3	+ 19.6
Netherlands	+ 3.3	+ 3.3	+ 19.7
Denmark	0	0	+ 18.5
United Kingdom	- 28.2	- 30.8	- 6.0
Ireland	- 3.3	- 5.1	+ 14.5
Italy	- 17.2	- 18.2	+ 3.1
France	- 7.5	- 6.5	+ 11.1

(\*) Taking into account a reduction of 1.5 points.

3. Apart from any legal reservations concerning such an automatic system the Commission considers that this disruption is unacceptable. It is of the opinion that if it is impossible henceforth to have a system of reference other than the ECU for the common agricultural policy this change should not automatically give rise to an alteration in the current level of prices both in national currencies and at Community level or a change in the distribution of the MCAs.

The prices and all the data expressed in u.a. for the purposes of the common agricultural policy should therefore be given in ECU by using a coefficient corresponding to the difference between the ECU and the EMUA (or about 1.2).

At the same time the green rates used for the common agricultural policy should be adjusted by applying a coefficient corresponding to the first.

(1 : 1.2 or about 0.833).

4. In addition Regulation (EEC) No 974/71 provides for a reduction of 1.5 points in the difference when calculating the MCAs in respect of currencies which are floating down. This reduction should be maintained for currencies which are now floating down and which would be included among the currencies linked to each other by the 2.25% difference so as not to alter the existing situation.

It does not appear necessary to amend Regulation (EEC) No 974/71 for the moment. MCAs in respect of currencies having a difference wider than 2.25% could continue to be calculated in the same way as those for floating currencies are calculated at present. Experience will show what changes will be necessary.

5. In the longer term it will be necessary to review the existing agri-monetary provisions, for example, those relating to the definition of the u.a. and any amendments which may be required. But given the purely theoretical character of this definition at present no amendments are called for in the immediate future.

6. The introduction of the ECU for the purposes of the common agricultural policy still leaves intact the problem of the differences of the level of the agricultural prices now created by the green rates and the resultant MCAs. Nevertheless, it is obvious that this problem must be solved and the Commission will put forward the relevant proposals in due course.

PROPOSAL FOR A  
COUNCIL REGULATION (EEC) No /78

of  
on the impact of the European monetary system on the  
common agricultural policy

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

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

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Monetary Committee,

Whereas Regulations (EEC) No /78 (3) and No /78 (4) introduced a unit  
of account called the ECU as the basis of the new European monetary system;  
whereas this unit of account should also be applied for the purposes of the  
common agricultural policy; whereas under the existing provisions the ECU will be  
used for calculating the monetary compensatory amounts and will thereby determine  
the level of the common price;

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(1) OJ No 106, 30.10.1962, p. 2553/62

(2) OJ No L 263, 19.9.1973, p. 1

(3)

(4)

Whereas the value of the ECU does not correspond to the value of the unit of account used so far; whereas in order to maintain the common level of prices the amounts fixed in u.a. must be multiplied by the appropriate coefficient; whereas in order to prevent changes in the level of the prices and other amounts in national currencies the representative rates must therefore be adjusted by using the reciprocal coefficient of the first; whereas the representative rates applicable at present were fixed by Council Regulation (EEC) No 878/77 of 26 April 1977 (5) as last amended by Regulation (EEC) No 2580/78 (6);

Whereas article 2 of Council Regulation (EEC) No 974/71 of 12 May 1971 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States (7) as last amended by Regulation (EEC) No 557/76 (8) provides that the monetary compensatory amounts for Member States with floating currencies are calculated on the basis of a difference between the representative rate and the actual rate minus 1.50 points if the currency has depreciated; whereas in order to ensure continuity in calculating the monetary compensatory amounts this rule should also be applied where a Member State with a depreciated currency which had been floating joins the Member States the currencies of which are maintained within a maximum difference of 2.25% at any given moment.

Whereas the changeover to the new system could present unforeseen difficulties which would require immediate action; whereas therefore the Commission should be authorized to adopt the necessary measures in accordance with the Management Committee procedure and, where appropriate, by way of derogation from the existing provisions,

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- (5) OJ No L 106, 29.4.1977, p. 27
  - (6) OJ No L 309, 1.11.1978, p. 13
  - (7) OJ No L 106, 12.5.1971, p. 1
  - (8) OJ No L 67, 15.3.1976, p. 1

HAS ADOPTED THIS REGULATION:

Article 1

The amounts fixed in u.a. for the purposes of the common agricultural policy or special trade arrangements for goods resulting from the processing of agricultural products shall be expressed in ECU at the rate of 1 u.a. = 1.21 ECU.

Article 2

Regulation (EEC) No 878/77 is hereby amended as follows:

1. In Articles 1 and 2a the concept "unit(s) of account" is replaced by "ECU".
2. In Article 2a the exchange values in the currencies indicated therein shall be replaced by the amounts resulting from the application of a coefficient of  $\frac{1}{1.21}$  to the amounts applicable at present.

Article 3

Regulation (EEC) No 794/71 is hereby amended as follows:

1. The last sentence of Article 2(1)(b) is deleted.
2. The third paragraph is supplemented as follows:  
"The percentage referred to in (a) and the average of the percentages referred to in (b) shall be reduced by 1.50 points in the case of Member States with depreciated currencies".

Article 4

The necessary rules for the application of this Regulation in particular the transitional provisions to facilitate the changeover to the new monetary system shall be adopted in accordance with the procedure laid down in Article 26 of Council Regulation (EEC) No 2727/75 of 29 October 1975 on the common organization of the market in cereals (9) as last amended by Regulation (EEC) No 1254/78 (10) or, if appropriate, the corresponding Article of the other agricultural regulations establishing similar procedures or where necessary by way of derogation from the existing rules to the extent and for the duration strictly necessary to take account of this Regulation.

(9) OJ No L 281, 1.11.1975, p. 1

(10) OJ No L 156, 14.6.1978, p. 1

Article 5

This Regulation shall enter into force on 1 January 1979.

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

Done At Brussels;

For the Council