

COUNCIL REGULATION (EEC) No 1677/85

of 11 June 1985

on monetary compensatory amounts in agriculture

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission ⁽¹⁾,

Having regard to the opinion of the European Parliament ⁽²⁾,

Having regard to the opinion of the Economic and Social Committee ⁽³⁾,

Having regard to the opinion of the Court of Auditors,

Having regard to the opinion of the Monetary Committee,

Whereas for several years the common agricultural policy has required the use, for the conversion into national currencies of amounts fixed at Community level in units of account or in ECU, of special conversion rates which differ appreciably from the market exchange rates; whereas, when most currencies were being allowed to float, the fixing of such agricultural conversion rates was the only way of maintaining the common agricultural policy and its price system in being;

Whereas, if in a Member State the market rate deviates from the agricultural conversion rate by more than a specified margin, the functioning of the common agricultural policy may be seriously impeded; whereas, since trade to which the market rate applies may then be effected at a price, in national currency, different from the intervention price resulting from the use of agricultural conversion rates; whereas, moreover, the amounts to be granted or charged in trade with non-member countries will differ from one Member State to another;

Whereas such effects might jeopardize the proper functioning of the market organization in general and its intervention system in particular; whereas, furthermore, abnormal changes in prices and artificial movements in trade flows might occur;

Whereas it is justifiable to forestall these difficulties by providing for the application in trade of a system of monetary compensatory amounts bridging the gap between the market rate and the agricultural conversion rate; whereas these amounts were introduced by Council Regulation (EEC) No 974/71 of 12 May 1971 on certain measures of conjunctural policy to be taken in agriculture following the temporary

widening of the margins of fluctuation for the currencies of certain Member States ⁽⁴⁾, as amended on several occasions and as last amended by Regulation (EEC) No 855/84 ⁽⁵⁾; whereas that Regulation has been amended several times; whereas, in the interests of clarity and administrative efficiency, it should be consolidated and republished in its entirety;

Whereas, by virtue of Council Regulation (EEC) No 652/79 of 29 March 1979 on the impact of the European Monetary System on the common agricultural policy ⁽⁶⁾, as last amended by Regulation (EEC) No 3657/84 ⁽⁷⁾, the ECU is applied for the purposes of the common agricultural policy; whereas, for the currencies of the Member States which are taking part in the exchange rate system of the European Monetary System, central rates have been fixed against the ECU;

Whereas, in cases where the Member States maintain a maximum spread at any given time of 2,25 % between their currencies, the central rates *vis-à-vis* the ECU can be used as market rates; whereas it is desirable, in order to ensure a measure of stability in monetary compensatory amounts, to calculate the amounts for the Member States concerned by reference to the central rates instead of the actual market rates;

Whereas for the other Member States it is appropriate to take the relationship between their currencies and the currencies of the Member States referred to above as the basis for calculating the monetary compensatory amounts;

Whereas experience has shown that the re-incorporation of the agricultural sector into the economic context by alignment of the agricultural conversion rates on the central rates is a difficult undertaking, particularly for the Member States applying positive monetary compensatory amounts, the dismantlement of which entails reductions in prices when expressed in the national currencies;

Whereas for this reason, price differences due to the agricultural conversion rates tend to be permanent; whereas, if market unity is to be restored, these differences must be narrowed down in the future; whereas rules on the dismantlement of the monetary compensatory amounts are therefore needed;

Whereas these rules must cover both the methods of calculation of the monetary compensatory amounts and the agricultural conversion rates; whereas, for the monetary

⁽¹⁾ OJ No C 21, 23. 1. 1985, p. 15.

⁽²⁾ OJ No C 97, 21. 4. 1980, p. 44.

⁽³⁾ OJ No C 182, 21. 7. 1980, p. 41.

⁽⁴⁾ OJ No L 106, 12. 5. 1971, p. 1.

⁽⁵⁾ OJ No L 90, 1. 4. 1984, p. 1.

⁽⁶⁾ OJ No L 84, 4. 4. 1979, p. 1.

⁽⁷⁾ OJ No L 340, 28. 12. 1984, p. 9.

compensatory amounts, the creation of new positive monetary compensatory amounts can be avoided by changing the way these amounts are calculated so as to base the method on the strongest Community currency complying with the 2,25 % fluctuation margin under the European Monetary System; whereas the calculation method can be changed by multiplying the central rates of the currencies complying with the 2,25 % margin by a coefficient expressing the revaluation of that central rate which, on the occasion of a realignment, is revalued most *vis-à-vis* the ECU; whereas this entails a corresponding increase in the negative monetary compensatory amounts;

Whereas, by its very nature, this calculation method will lead to the creation of more negative monetary compensatory amounts; whereas it should therefore be introduced only on a provisional basis for a limited period at the end of which it should be reviewed in the light of experience; whereas, should the Council not have adopted before the beginning of the 1987/88 milk marketing year decisions either to extend the system in force or to introduce a different system, the arrangements applicable since the introduction of the ECU into the common agricultural policy will be re-introduced with effect from the beginning of the 1987/88 marketing year for each of the relevant products;

Whereas this system of calculation is also used for the dismantling of existing positive monetary compensatory amounts, by reducing the highest by 3 points; whereas, for this purpose, the central rates of the currencies complying with the 2,25 % fluctuation margin must be multiplied by a coefficient of 1,033651, hereinafter referred to as the 'correcting factor';

Whereas the monetary compensatory amounts must be paid or charged only where their absence would endanger distortions in the intervention system and/or in trade;

Whereas the monetary compensatory amounts must also be kept down to the levels strictly needed to offset the impact of the gap between the agricultural conversion rate and the market rate on the prices of basic products for which intervention measures have been laid down;

Whereas, to simplify administrative procedures, the principle should be laid down that each Member State should grant or charge the monetary compensatory amounts which correspond to the difference between the market rate of its currency and the agricultural conversion rate of its currency; whereas for the same reason, in trade with non-member countries, the monetary compensatory amounts granted on imports should be deducted from the import duties while those charged on exports should be deducted from the refunds; whereas in certain cases this system may, however, create difficulties due to the administrative structure of the Member State concerned; whereas application of other administrative and accounting methods should therefore be authorized;

Whereas, in view of the special situation in the beef and veal sector and the wine sector, derogations from the rules of

calculation normally applicable may be provided for where such derogations result in a reduction in the monetary compensatory amounts;

Whereas, in certain cases, the monetary compensatory amounts may cover only part of the monetary gap without this causing difficulties in trade; whereas, having regard to price relationships, it must also be possible to limit negative monetary compensatory amounts, where necessary, to the duties on imports from non-member countries;

Whereas, by reason of their purpose, monetary compensatory amounts are an element of the common organization of agricultural markets; whereas the monetary compensatory amounts charged on trade with non-member countries correspond to the concept of agricultural levies within the meaning of Article 2 (a) of Decision 70/243/EEC, Euratom of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources ⁽¹⁾, or, for goods which are subject to special trade arrangements, to the concept of customs duties within the meaning of Article 2 (b) of that Decision; whereas steps should be taken to ensure that the other monetary compensatory amounts are taken into account in connection with the financing of the common agricultural policy,

HAS ADOPTED THIS REGULATION:

Article 1

1. If, for the currency of a Member State, there is a difference between the agricultural conversion rate and the central rate or, where applicable, the market rate, that Member State shall apply, in intra-Community trade and trade with non-member countries, monetary compensatory amounts as provided in this Regulation.

2. For the currencies of Member States which, within the European Monetary System, maintain a maximum spread at any given time of 2,25 %, the rate referred to shall be the central rate.

Article 2

1. If the central rate, or, where applicable, the market rate expresses a value for a Member State's currency in ECU higher than the agricultural conversion rate, that Member State shall charge monetary compensatory amounts on imports and grant them on exports.

These amounts shall be called 'positive monetary compensatory amounts'.

2. If the central rate or, where applicable, the market rate expresses a value for a Member State's currency in ECU lower than the agricultural conversion rate, that Member State shall charge monetary compensatory amounts on exports and grant them on imports.

⁽¹⁾ OJ No L 94, 28. 4. 1970, p. 19.

These amounts shall be called 'negative monetary compensatory amounts'.

Article 3

Article 1 shall apply only where the difference referred to in that Article between the agricultural conversion rate and the central rate or, where applicable, the market rate, would cause disturbances in trade in agricultural products.

Article 4

1. Monetary compensatory amounts shall apply to:

- (a) products covered by intervention arrangements under the common organization of agricultural markets, hereinafter referred to as 'basic products';
- (b) products the price of which depends on that of the basic products and which are governed by the common organization of the market or are the subject of special trade arrangements, hereinafter referred to as 'derived products'.

2. For the purposes of this Regulation, pigmeat shall rank as a product derived from cereals. This rule shall apply for as long as the arrangements provided for in Article 6 remain in force.

Article 5

1. For basic products, the monetary compensatory amounts shall be equal to the amounts obtained by applying to the prices a percentage, hereinafter referred to as the 'monetary gap'.

The monetary gap shall be calculated in accordance with paragraphs 2 and 3.

For derived products the monetary compensatory amounts shall be equal to the effect, on the price of the product concerned, of the application of the monetary compensatory amount to the price of the basic product or products on which it depends.

2. The monetary gap shall be equal to the real monetary gap minus the neutral margin as defined in paragraph 3.

The real monetary gap shall be equal:

- (a) in respect of those Member States whose currencies are maintained as between themselves within a spread at any given time of a maximum of 2,25 %, to the percentage representing for the currency of the Member States concerned the difference between:
 - the agricultural conversion rate,
 - and
 - the central rate;

(b) in respect of Member States other than those referred to in (a), to the average of the percentage differences between:

- the rate resulting from the relationship between the agricultural conversion rate for the currency of the Member State concerned and the central rates of each of the currencies of the Member States referred to in (a),

and

- the rate corresponding to the average spot exchange rate for the currency of the Member State concerned in terms of each of the currencies of the Member States referred to in (a), recorded over a period to be determined according to the procedure in Article 12.

3. The **neutral margin** for the purposes of the calculation of the monetary compensatory amounts shall be:

- 1,50 percentage points for the Member States applying negative monetary compensatory amounts,
- 1,00 percentage point for the Member States applying positive monetary compensatory amounts.

However,

(a) a percentage of:

- 0 shall be applied for as long as, after deduction of the neutral margin, the result obtained is equal to or less than 0,50 but exceeds 0,
- 1 shall be applied for as long as, after deduction of the neutral margin, the result obtained is equal to or less than 1 but not more than 0,50;

(b) in accordance with the procedure provided for in Article 12, the neutral margin may, for the monetary compensatory amounts applicable to wine, be fixed at a higher level, but this may not exceed 5 percentage points.

4. Should the market price for adult bovine animals remain below the intervention price for a relatively long period, the monetary compensatory amounts applicable in the beef and veal sector may be altered accordingly, following the procedure provided for in Article 12.

Article 6

1. Notwithstanding Articles 1, 2, 3 and 5, the arrangement laid down in this Article shall apply for the periods for each of the relevant products until the end of the 1986/87 marketing year.

The marketing years for the egg and poultry sectors shall be considered as identical with that for the cereals sector, not including durum wheat.

For pigmeat, the arrangements shall apply until 31 October 1987.

2. For the purposes of applying Articles 1, 2, 3 and 5, the central rates shall be multiplied by a coefficient, which shall be called a 'correcting factor'.

The market rates shall be established allowing for the correcting factor applied to the central rates.

3. The correcting factor shall be 1,033651.

The correcting factor shall be altered whenever parities are realigned within the European Monetary System, on the basis of the revaluation of the central rate of that currency among the currencies maintained among themselves within a maximum spread at any given time of 2,25 %, the revaluation of which *vis-à-vis* the ECU is the highest. The procedure used shall be that laid down in Article 12.

4. By 31 December 1986, the Commission shall send to the Council a report on the application of this Article. Where appropriate, it shall make proposals in the light of the economic and monetary situation of the Community, developments with regard to agricultural incomes and experience gained.

Should the Council not have adopted before the beginning of the 1987/88 milk year decisions which, in the light of the report referred to in the first subparagraph, either extend the system in force or set up another system, the arrangements applicable before the 1984/85 marketing year shall be restored.

Article 7

The Council, acting by a qualified majority on a proposal from the Commission, may decide that negative monetary compensatory amounts for one or more products may not exceed the duties on imports from non-member countries.

Article 8

No monetary compensatory amount shall be fixed for products in respect of which this amount, calculated in accordance with Article 5, would be very small in terms of their average value.

Article 9

1. The monetary compensatory amounts shall be fixed in accordance with the procedure provided for in Article 12.

2. However, for the Member States referred to in Article 5 (2), second subparagraph at (b), and subject to Article 5 (3), second subparagraph:

- if the percentage referred to in Article 5 (2), second subparagraph at (b), deviates by at least 1 percentage point from that referred to when the amounts were last fixed, the monetary compensatory amounts shall be altered by the Commission on the basis of the change in this gap,
- if the percentage referred to in Article 5 (2), second subparagraph at (b), deviates by less than 1 point from the percentage referred to when the amount was last fixed, the monetary compensatory amounts shall not be

altered except in exceptional cases, in accordance with the procedure laid down in Article 12.

Article 10

1. Where a product exported from one Member State has been imported into a Member State which has to grant a monetary compensatory amount upon importation, the exporting Member State may, by agreement with the importing Member State, pay the monetary compensatory amount which should be granted by the said importing Member State.

In this case, no monetary compensatory amount shall be granted by the importing Member State for products originating in the Member State concerned.

The monetary compensatory amount shall be converted on the basis of the average spot market rate of the relevant currencies as recorded over a period to be determined according to the procedure in Article 12 or, as appropriate, using the central rates.

2. Exporting Member States which exercise the option referred to in paragraph 1 shall inform the Commission accordingly.

Article 11

1. In trade with non-member countries, monetary compensatory amounts:

- (a) granted on imports shall be deducted from the import duties;
- (b) charged on exports shall be deducted from the export refunds.

2. However, the Member States concerned may decide not to apply paragraph 1 (b).

Member States availing themselves of the option referred to in the first subparagraph shall, by an aggregate method to be agreed, determine the total amount of the monetary compensatory amounts which, pursuant to paragraph 1, ought to have been deducted from the refunds. For accounting purposes within the context of the general budget of the European Communities:

- this total amount shall be deemed to have been deducted from the refunds,
- any excess over the sum of the refunds shall be deemed to be a monetary compensatory amount charged on exports.

Detailed rules for the application of the second subparagraph shall be adopted in accordance with the procedure laid down in Article 13 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy⁽¹⁾, as last amended by Regulation (EEC) No 870/85⁽²⁾.

⁽¹⁾ OJ No L 94, 28. 4. 1970, p. 13.

⁽²⁾ OJ No L 95, 2. 4. 1985, p. 1.

Article 12

Detailed rules for the application of this Regulation, which may include other derogations from the Regulations relating to the common agricultural policy, 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 ⁽¹⁾, as last amended by Regulation (EEC) No 1018/84 ⁽²⁾, or, if appropriate, the corresponding Articles of the other Regulations on the common organization of agricultural markets.

Article 13

1. For the purposes of the financing of the common agricultural policy, the monetary compensatory amounts granted in trade with non-member countries shall be treated as part of the expenditure on refunds granted on exports to non-member countries.

2. For the purposes of the financing of the common agricultural policy, the monetary compensatory amounts charged or granted in trade between Member States shall be treated as part of the expenditure on intervention intended to stabilize agricultural markets.

3. Where necessary, detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

Article 14

Regulation (EEC) No 974/71 is hereby repealed.

All references to that Regulation shall be construed as references to this Regulation.

The citations and references concerning the Articles of that Regulation are to be taken according to the table of equivalence given in the Annex.

Article 15

This Regulation shall enter into force on 1 January 1986.

However, the repeal of Article 4 (1) of Regulation (EEC) No 974/71 shall apply as from the date on which this Regulation is published in the *Official Journal of the European Communities*.

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

Done at Luxembourg, 11 June 1985.

For the Council

The President

F. M. PANDOLFI

ANNEX

TABLE OF EQUIVALENCE

Regulation (EEC) No 974/71	This Regulation
Article 1 (1) and (1a)	Article 1
Article 1 (1)	Article 2
Article 1 (3)	Article 3
Article 1 (2)	Article 4
Article 2	Article 5
Article 2b	Article 6
Article 4a (2)	Article 7
Article 4	Article 8
Article 6 (2)	Article 9 (1)
Article 3	Article 9 (2)
Article 2a	Article 10
Article 4a (1)	Article 11
Article 6 (1)	Article 12
Article 7	Article 13

⁽¹⁾ OJ No L 281, 1. 11. 1975, p. 1.

⁽²⁾ OJ No L 107, 19. 4. 1984, p. 1.