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(Acts whose publication is obligatory)

COUNCIL REGULATION (EC) No 942/98
of 20 April 1998
amending Regulation (EC) No 724/97 determining measures and compensation
relating to appreciable revaluations that affect farm incomes

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3813/92 of 28 December 1992 on the unit of account and the conversion rates to be applied for the purposes of the common agricultural policy ⁽¹⁾, and in particular Article 9 thereof,

Having regard to the proposal from the Commission,

Whereas Regulation (EC) No 724/97 ⁽²⁾ determines measures and compensation relating to appreciable revaluations of the agricultural conversion rate that affect farm incomes; whereas that Regulation does not apply to appreciable revaluations that may occur after 30 April 1998; whereas it should therefore be amended to cover any revaluations which may occur in the period up to the introduction of the single currency;

Whereas Article 4(3) of Regulation (EC) No 724/97 provides that the maximum amount of aid shall be reduced or cancelled if necessary as a function of the effect on income of the development of agricultural conversion rates recorded during a certain observation period; whereas, in order to avoid compensation which is excessive in relation to the loss of income actually incurred, it is also necessary to take account of the market situation;

Whereas the introduction of the single currency on 1 January 1999 will put an end to fluctuations in agricultural conversion rates for the Member States participating in the euro; whereas it is therefore appropriate to end the observation period for those Member States on 31 December 1998;

Whereas the observation period for the other Member States may extend beyond 31 December 1998; whereas, since the market situation is to be taken into account, it is

helpful to extend the observation period to nine months instead of six, and to provide for a further extension if a subsequent appreciable revaluation occurs during the observation period for the preceding appreciable revaluation;

Whereas application of Article 4 of Regulation (EEC) No 3813/92 means that the agricultural conversion rate may not decline by less than 2,56 %; whereas, to limit the risk of excessive compensation in cases of small appreciable revaluations, aid should not be granted for the amount corresponding to an appreciable part of less than 2,6 %;

Whereas decisions to reduce or cancel the second and third tranches should also be taken in the light of the market situation;

Whereas the method of taking the market situation into account should be defined; whereas this method may involve, on the one hand, comparing the development of market prices in the Member State whose currency has been appreciably revalued with that in the Member States whose currencies have not been appreciably revalued during the observation period and, on the other, considering how far operative events in the various sectors have already occurred on the date of the appreciable revaluation,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 724/97 is hereby amended as follows:

1. the first subparagraph of Article 1(1) shall be replaced by the following:

‘1. This Regulation shall apply in the event of appreciable revaluations occurring from 1 January 1997 and before 1 January 1999.’;

⁽¹⁾ OJ L 387, 31. 12. 1992, p. 1. Regulation as last amended by Regulation (EC) No 150/95 (OJ L 22, 31. 1. 1995, p. 1).

⁽²⁾ OJ L 108, 25. 4. 1997, p. 9.

2. Article 4 shall be amended as follows:

(a) paragraph 3 shall be replaced by the following:

‘3. The maximum amount referred to in paragraph 2 shall be reduced or cancelled if necessary as a function of the effect on income of the development of agricultural conversion rates recorded during a certain observation period and taking account, in the amount calculated in accordance with the first subparagraph of paragraph 2, of the market situation during that period.

For the currencies of the Member States which adopt the single currency pursuant to the Treaty, the observation period shall expire on 31 December 1998. For the other currencies, it shall expire at the end of the ninth month following that of the appreciable revaluation. However, where an appreciable revaluation occurs in the course of the observation period for an earlier appreciable revaluation, the entire observation period shall not expire until the end of the third month following that of the last revaluation.

However, no aid shall be granted for that portion of the amount calculated in accordance with the first subparagraph of paragraph 2 and the first subparagraph of this paragraph equal to not more than 2,6 % in total of the appreciable revaluation occurring between 1 May 1998 and 31 December 1998.’;

(b) paragraph 4 shall be replaced by the following:

‘4. The amounts paid out under the second and third tranches shall each be reduced, *vis-à-vis* the level of the previous tranche, by at least a third of the amount paid out in the first tranche. However, in cases where the amount of the first tranche of aid is calculated by applying paragraph 4a, second subparagraph, section (b), the reduction of at least one third shall be calculated on the basis of the amount of the first tranche which would have been granted had paragraph 4a, second subparagraph, section (b), not been applied.

The amounts paid out under the second and third tranches of compensatory aid shall be reduced or cancelled as a function of the effect on incomes of the development of agricultural conversion rates

recorded until the beginning of the month preceding the first month of the relevant tranche and, in the case of appreciable revaluation occurring from 1 May 1998, taking account, in the amount calculated in accordance with the first subparagraph of paragraph 2, of the market situation during that period.’;

(c) the following paragraph shall be inserted:

‘4a. In the case of appreciable revaluation occurring from 1 May 1998, the market situation shall be taken into account pursuant to the first subparagraph of paragraph 3 and the second subparagraph of paragraph 4 in accordance with the following method.

The amount of one or more tranches in one or more sectors may be reduced when it has been observed that:

(a) over the observation period referred to in paragraph 3 or over the period between the beginning of the preceding tranche and the beginning of the month preceding the first month of the tranche concerned, the market price for the Member State concerned was on average equal to, or higher than, the average market prices in the Member States whose currencies had not been appreciably revalued during the same period. Market prices shall be compared using an index of base 100 for market prices in national currency on the date of the appreciable revaluation;

or

(b) the relation between the dates of operative events in the sector concerned and the date of the appreciable revaluation is such that there is no justification for concluding that the revaluation had an impact throughout the period considered.’.

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Communities*.

It shall apply to appreciable revaluations occurring from 1 May 1998.

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

Done at Luxembourg, 20 April 1998.

For the Council

The President

J. CUNNINGHAM