Unit of account and the conversion rates to be applied for the purposes of the CAP

1994/0265(CNS) - 16/11/1994 - Legislative proposal

Regulation (EEC) No 3813/92, amended by Regulation (EEC) No 3528/93, which governs the current agrimonetary arrangements, contains different elements which become null and void on 31 December 1994, namely the switch-over mechanism and the current system for adjusting the agricultural conversion rates, which seeks to prevent any monetary difference greater than 5 points. The Commission's proposals on the system which will come into force on 1 January 1995 involve modifications in three areas: 1) the switch-over system, that is to say the factor of 1.207509 which reflects the difference between the green ecu (in which agricultural prices are fixed) and the commercial ecu, which has been designed to guarantee agricultural revenues in any Member State which undertakes a re-evaluation, while allowing farmers in other Member States to obtain higher amounts. The Commission proposes: - to abandon this mechanism at the end of 1994 and to set agricultural prices in commercial ecus as from 1 January 1995; prices shall continue to be converted into national currencies at "green rates", but the latter shall be fixed in relation to the commercial ecu and not to the agricultural ecu; - to remove the current possibility of reintroducing the switch-over system, pointing out that this mechanism is incompatible with the reform of the CAP, the agreements which have been concluded under the GATT agreement and the medium-term financial discipline. 2) the system for adjusting agricultural conversion rates, which has until now not been symmetrical but rather based on a ratio of +3/-2, may be extended to +5/0 in order to avoid any re-evaluation of the agricultural rates. The Commission proposes introducing a symmetrical allowance and limiting the mobility of this allowance in order to avoid any unnecessary expenditure and reduce the frequency of the devaluations caused by certain overprotective measures designed to offset falls in the agricultural conversion rate (ACR). The agricultural rates may in principle be adjusted if the monetary gap exceeds 4.5 points. In the event of strong currency levels (positive monetary gap) the value shall be reduced by one half when the monetary gap is greater than 4.5 points during two successive reference periods. In the case of weak currency rates the monetary gap is reduced by half if it is greater than 4.5 points during one reference period. In addition, if the difference between the gap for a weak currency and that for another currency (otherwise known as the bilateral gap) is greater than 5 points, the gap for the first of these shall be reduced by half. 3) the revision of compensation mechanisms which may be implemented in the event of re-evaluation. Before any reduction in the agricultural conversion rates, it is proposed that there will be a short period during which monetary trends are confirmed. There will also be a suspensive period for ACR reductions in the event of an "appreciable" re-evaluation (that is to say, one which exceeds the previous devaluations, taking into consideration the intervening period). In addition, the possibilities for triggering compensation measures shall be limited to instances involving "appreciable" re-evaluation, and the principle of the graduated and transitional aid mechanism shall be extended to aid per hectare or per animal, whereby the possibility for introducing short-term measures is also provided for. According to the proposed system, a Member State may grant compensation to farmers for a period of three years when the agricultural rate which applies to aid for stabilization is appreciably re-evalued. The aid is only granted to farmers who have been the victim of a reduction, and it shall be withdrawn or reduced in the event of a subsequent devaluation. The European Community contribution to the financing of the compensatory aid scheme shall amount to 75% for regions covered by Objective I (Guarantee section) and 50% in other cases.