# COUNCIL REGULATION (EC) No 724/97

## of 22 April 1997

## 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 the proposal from the Commission,

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,

Whereas appreciable revaluations have occurred for the Irish pound, the pound sterling and the Italian lira; whereas it is necessary to take steps at Community level to prevent distortions in the implementation of the common agricultural policy due to monetary causes;

Whereas Article 9 of Regulation (EEC) No 3813/92 provides for the Council to take all necessary measures in the event of an appreciable revaluation, which, primarily to comply with obligations under the GATT Agreement and budgetary discipline, may involve derogations from the provisions of the said Regulation concerning aid and the amount by which the monetary gaps are dismantled, without, however, resulting in the threshold being extended; whereas the measures provided for in Articles 7 and 8 of the said Regulation cannot be applied as they stand;

Whereas compensation for appreciable reductions in the agricultural conversion rates before 1 January 1997 was regulated by Regulations (EC) No 1527/95 [2] and (EC) No 2990/95 [3]; whereas equality of treatment requires that new cases should be dealt with in the same way, while taking account of experience; whereas, on the basis of the information available, it is impossible to know what the situation will be for more than twelve months ahead;

Whereas problems could arise, in particular upon the introduction of the euro, if the agricultural conversion rates applicable to the amounts referred to in Article 7 of Regulation (EEC) No 3813/92 were to be maintained until 1 January 1999, the planned date for the implementation of the third stage of Economic and Monetary Union; whereas the monetary gap for the agricultural conversion rate applicable to the amounts in question should consequently be limited for all the currencies for which it has proved possible to show an appreciable revaluation;

Whereas the rules for granting compensatory aid should be amplified on the basis of experience; whereas the amplification should involve taking account of currency developments in the months following appreciable revaluation, and introducing a threshold below which the grant of aid makes little economic sense;

Whereas the amount of compensatory aid should be established in each case as a function of the latest known economic and financial data; whereas this amount should be determined by the Commission by the management committee procedure, on the basis of the methods devised and applied under Regulations (EC) No 1527/95 and (EC) No 2990/95; whereas these methods lead to calculation, on a flat-rate basis, of a toward estimate of annual income loss related to the appreciable revaluation, with a deduction for budgetary purposes;

Whereas the appreciable revaluation of the Irish pound on 8 November 1996 did not lead to the granting of compensatory aid; whereas aid should be authorized in this case in accordance with the conditions of this Regulation,

HAS ADOPTED THIS REGULATION:

*Article 1*

1. This Regulation shall apply in the event of appreciable revaluations occurring from 1 January 1997 until the end of the twelfth month following that of its publication.

This Regulation shall apply also during the said period in cases where the agricultural conversion rate referred to in the second subparagraph of Article 3 (1) is reduced.

2. For the purposes of this Regulation, an appreciable revaluation shall mean a reduction in the agricultural conversion rate leading to the application of Articles 7 and 8 of Regulation (EEC) No 3813/92, and any other reduction as defined in Article 1 (e) of that Regulation.

[1] OJ No L 387, 31. 12. 1992, p. 1. Regulation as last amended by Regulation (EC) No 150/95 (OJ No L 22, 31. 1. 1995, p. 1).
[2] OJ No L 148, 30. 6. 1995, p. 1.
[3] OJ No L 312, 23. 12. 1995, p. 7. Regulation as amended by Regulation (EC) No 1451/96 (OJ No L 187, 26. 7. 1996, p. 1).

3. The appreciable revaluation shall be deemed to have occurred:

— where applicable, on the date of the appreciable reduction in the agricultural conversion rate, as defined in Article 1 (e) of Regulation (EEC) No 3813/92, or

— in other cases, on the earliest date on which all the conditions for applying Articles 7 or 8 of Regulation (EEC) No 3813/92, with the exception of the request from the Member State concerned, are fulfilled.

*Article 2*

Articles 7 and 8 of Regulation (EEC) No 3813/92 shall not be applicable in cases of revaluation as referred to in Article 1.

*Article 3*

1. The agricultural conversion rate applied to one of the amounts referred to in Article 7 of Regulation (EEC) No 3813/92, on the day preceding that on which the conditions for applying that Article are fulfilled, except for the request from the Member State concerned, shall remain unchanged until 1 January 1999.

However, where the agricultural conversion rate referred to in the first subparagraph or in Article 3 of Regulations (EC) No 1527/95 or (EC) No 2990/95 exceeds by more than 11,5 % the agricultural conversion rate which it replaces, the former of the said rates shall be adjusted so as to be equal to the rate replaced, plus 11,5 %.

2. The agricultural conversion rate referred to in paragraph 1 shall apply to the amount in question and to any additions or changes to the value of that amount decided up to 1 January 1999.

*Article 4*

1. The Member State affected may make compensatory payments to farmers in three successive tranches lasting twelve months each, starting with the month following the appreciable revaluation.

These compensatory payments shall not take the form of aid linked to production, other than production during a stipulated, prior period. They shall not favour any particular type of production or be dependent on production subsequent to the period stipulated.

2. The maximum amount of the first tranche of compensatory aid shall be established, for the Member State concerned as a whole, by multiplying:

— the appreciable part of the revaluation, as a percentage, determined in accordance with Article 5,

by

— the flat-rate income loss for each percentage point of appreciable revaluation, determined in accordance with Article 6.

The sum resulting from the calculation referred to in the first subparagraph shall be increased by the part of the aid referred to in Article 7 of Regulation (EEC) No 3813/92 for which the agricultural conversion rate has been reduced in accordance with Article 3 of this Regulation.

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.

The observation period shall expire at the end of the sixth month following that of appreciable revaluation. However, where revaluation occurs in the course of the observation period for an earlier appreciable revaluation, the entire observation period shall expire at the end of the third month following that of the last revaluation.

However, no aid shall be granted when the amount calculated in accordance with paragraph 2 and the first subparagraph of this paragraph corresponds to less than 0,5 % of appreciable revaluation.

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.

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.

5. The Community contribution to financing the compensatory aid shall be 50 % of the amounts that may be paid out.

For the purposes of the financing of the common agricultural policy, this contribution shall be considered to form part of the assistance designed to stabilize agricultural markets. The Member State may withdraw from national participation in financing the aid.

*Article 5*

1. The appreciable part of the revaluation, expressed as a percentage, referred to in the first indent of Article 4 (2) shall:

(a) in cases of appreciable reduction of the agricultural conversion rate within the meaning of Article 1 (e) of Regulation (EEC) No 3813/92, be equal to the difference between, on the one hand, the threshold beyond which a reduction becomes appreciable and, on the other, the new agricultural conversion rate, expressed as a percentage of that threshold;

(b) in other cases, be equal to the highest, over the six months following that of the appreciable reduction, of the reductions in average agricultural conversion rates below the thresholds triggering the possible application of Article 8 of Regulation (EEC) No 3813/92,

such reductions shall be established on the first day of each month concerned and expressed as a percentage of the said thresholds; for the calculation of the reductions in question, the rates applicable at the time of the appreciable revaluation shall also apply to the following months.

2. Where several successive appreciable revaluations occur, the reductions in the agricultural conversion rates taken into account for determining the appreciable part leading to the grant of aid may not be taken into account more than once.

*Article 6*

1. The flat-rate income loss referred to in the second indent of Article 4 (2) shall be equal to:

(a) the sum of 1 %:

— of final agricultural production of cereals including rice, sugar beet, milk and milk products and beef and veal,

and

— of the value of the quantities of products supplied under a contract imposing, in accordance with Community rules, a minimum price to the producer, for products not referred to in the first indent,

and

— of aid or premiums paid to farmers, with the exception of those referred to in Article 7 of Regulation (EEC) No 3813/92;

(b) after subtraction of:

— 0,5 % of the value of intermediate consumption in the form of animal feed,

and

— the impact on tax of the reduction in gross value added at market prices resulting from the operations concerning point (a) and the preceding indent,

and

— a deduction corresponding to 1 % of forecast EAGGF expenditure on the following items:

— the full amount of flat-rate per hectare aid,

— half the amount of structural or environmental aid, and

— 130 % of sheepmeat and goatmeat premiums.

2. The amounts referred to in the second and third indents of paragraph 1 (a) shall not be taken into account when their sum is less than 0,01 % of the final agricultural production of the relevant Member State in the product sector concerned.

For the purposes of this Regulation, the product sectors shall be those set out in the Annex.

3. The flat-rate income loss shall be determined on the basis of information relating to:

(a) economic accounts for agriculture available from Eurostat for the last calendar year ending before the date of appreciable revaluation, for the first indent of paragraph 1 (a) and the first and second indents of paragraph 1 (b);

(b) the budget outturn, or, failing that, the budgets or draft budgets or preliminary draft budgets relating to:

— income for the year referred to in (a), for the second and third indents of paragraph 1 (a),

— the budget year beginning during the marketing year for cereals in which the appreciable revaluation occurred, for the third indent of paragraph 1 (b).

For the purposes of applying paragraph 2 in marginal cases, consideration of the information referred to in point (a) above shall take account of the relevant figures for the preceding two years also.

The increase referred to in the second subparagraph of Article 4 (2) shall be calculated as a function of the data referred to in the first indent of point (b) above.

*Article 7*

The Commission shall, in accordance with the procedure laid down in Article 12 of Regulation (EEC) No 3813/92, adopt detailed rules for applying this Regulation, and in particular the amounts of the aid tranches referred to in Article 4 and the factors for calculating them referred to in Articles 5 and 6.

*Article 8*

Before the end of the third period during which the compensatory aid is granted, the Commission shall examine the effects on income of the appreciable revaluation concerned.

Where it is found that income losses are likely to continue, the Commission may, in accordance with the procedure laid down in Article 12 of Regulation (EEC) No 3813/92, extend the possibility of granting compensatory aid as provided for in Article 4 of this Regulation by a maximum of two additional 12-month tranches, the maximum amount per tranche being equal to that granted in the third tranche.

*Article 9*

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

Articles 4 to 8 shall apply to the reduction in the agricultural conversion rate of the Irish pound that occurred on 8 November 1996.

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

Done at Luxembourg, 22 April 1997.

*For the Council*
*The President*
J. VAN AARTSEN

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*ANNEX*

The production sectors correspond to the statistical aggregates identified in the economic accounts for agriculture, drawn up by Eurostat, or to their groups of aggregates, as listed below:

1. Cereals and rice
2. Sugar beet
3. Milk and milk products
4. Beef and veal
5. Oilseeds and olive oil
6. Fresh fruit and vegetables
7. Potatoes
8. Wines and musts
9. Flowers and nursery plants
10. Pigmeat
11. Sheepmeat and goatmeat
12. Eggs and poultry
13. Other