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Proposal for a
REGULATION (EEC) of the COUNCIL
on the exchange rates to be applied in agriculture for the
Netherlands florin

(submitted to the Council by the Commission)

EXPLANATORY MEMORANDUM

I

By telex dated 15 September 1973, the Netherlands Government notified the Commission of a 5% revaluation of the central rate for the Netherlands florin. At the same time, the Netherlands Government requested that a special conversion rate be fixed for the Netherlands florin for the purposes of the common agricultural policy, such rate to be 105% of the par value communicated for the Netherlands florin to the International Monetary Fund and recognized by the Fund.

II

1. The Netherlands florin is one of the currencies which are floating jointly. The central rate applicable hitherto was 2.76% above the par value communicated to the International Monetary Fund. Accordingly, "monetary" compensatory amounts based on such percentage were applied in trade in the agricultural products concerned. (Article 2 of Regulation (EEC) No 974/71, amended in this respect by Regulation (EEC) No 1112/73 - OJ No L 114, 30 April 1973, p.5.)

These "monetary" compensatory amounts were applied in trade with non-Member States and in intra-Community trade, with the exception, however, of trade with the Benelux countries. The Belgo-Luxembourg Economic Union and the Netherlands had decided to maintain the same margins of fluctuation between their currencies as obtained prior to 9 May 1971, and not to change the relationships between the effective par values of their currencies.

For that reason, these Member States declared, pursuant to Article 233 of the Treaty, that they did not wish to apply the "monetary" compensatory amounts amongst themselves and they have been treated as a single Member State for purposes of applying the system of "monetary" compensatory amounts.

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2. In theory the increase in the central rate for the florin should bring about a corresponding increase in the "monetary" compensatory amounts applicable in trade between the Netherlands and the other Member States and non-Member States, and, in the case of trade with the other Benelux countries, should result in compensatory amounts being introduced.

If this result is to be avoided, as the Netherlands Government has requested, measures must be taken to ensure that the difference between the rate used for the conversion of agricultural prices and the central rate remains equal to 2.75%, as previously. This can be achieved by fixing a representative rate for the conversion of agricultural prices by revaluing by 5% the par value hitherto used for such conversions.

3. This will result in a corresponding decrease in agricultural prices in the Netherlands of about 5%. This measure will not only have anti-inflationary effects but will also be in accordance with the basic principle of uniformity of prices in the common agricultural market. From the technical point of view, this change in the rate used for converting various amounts pursuant to the common agricultural policy will necessitate a series of consequential changes which must be dealt with as if the par value had changed: the relevant provisions of Regulation No 1134/68 must therefore be made applicable.

III

The fixing of a representative rate is a derogation from Article 2(1) of Regulation No 129/62 (OJ No 106, 30 October 1962, p.2553). It is made possible by the provisions of Article 3(1) of that Regulation.

1. That paragraph, in its present form, provides that derogations may be made by the Council or the Commission, acting under the instruments respectively concerning them and in accordance with the procedures laid down therein. For the fixing of certain prices, however, the procedure laid down by Article 43(2) of the Treaty must be followed. In view of the speed at which measures of thi

kind must usually be taken, which is particularly true of the present case, the Commission, in March 1973, submitted to the Council, as part of a set of general proposals, provisions designed to simplify the procedure involved (doc. R 784/73, AGRI 245, FIN 178, 26 March 1973; Article 10). The European Parliament delivered its Opinion on this proposal on 6 April 1973. The Council agreed with the proposal on two points which were incorporated in Regulations (EEC) Nos 1112/73 and 1225/73, which both amended Regulation (EEC) No 974/71. As regards the other points, particularly Article 10 which provides for the simplification of the procedure laid down by Article 3(1) of Regulation No 129/62, consideration of the proposal has been postponed. The Commission proposes to the Council that the provisions of Article 10 should be adopted as a separate measure.

2. Article 3 of Regulation No 129 requires that the Monetary Committee be consulted. This matter will be submitted to that Committee at their meeting on 17 September 1973.

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the proposal from the Commission;

Having regard to the Opinion of the Monetary Committee;

Whereas the situation referred to in Article 3(1) of Regulation No 129, in which derogations may be made from the principle of using par values for converting one currency into another, now obtains in various Member States;

Whereas, however, it has generally been possible to solve the problems posed by such a situation by applying "monetary" compensatory amounts, enabling exchange rates to be maintained which correspond to the par values of the currencies concerned;

Whereas, by reason of the customs union existing among the Benelux countries, and the fact that these Member States had decided to maintain amongst their currencies the rates ruling before 9 May 1971, the system of "monetary" compensatory amounts does not apply in trade between these countries which, for the purposes of that system, are treated as one Member State;

Whereas on 15 September 1973 the Netherlands Government decided to raise the central rate for the Netherlands florin by 5%; whereas, therefore, the system of "monetary" compensatory amounts should also apply in trade between the Benelux countries, since for these Member States these amounts are calculated on the basis of the difference between the central rate and the par value for each currency, and this difference is no longer the same for these countries;

[1]OJ No 106, 30 October 1962, p. 2553/62.

Whereas, however, this result could be avoided by fixing, pursuant to the said Article 3, a representative exchange rate for the Netherlands florin of 105% of the par value of that currency, so that the difference between the central rate and the representative rate is the same as the difference existing for the Belgian/Luxembourg franc between the central rate and the par value;

Whereas to fix such a representative rate would lead to agricultural prices in the Netherlands being changed once again; whereas this result is consistent with the basic principle of uniformity of prices in the Community; whereas it was on the basis of this principle and its consequences that specific provisions were laid down in Council Regulation (EEC) No 1134/68[1] of 30 July 1968 laying down rules for the implementation of Regulation (EEC) No 653/68 on conditions for alterations to the value of the unit of account used for the common agricultural policy; whereas these provisions only cover the case of a change in the par value of a currency; whereas they should also be applied in this case;

HAS ADOPTED THIS REGULATION:

Article 1

1. Where transactions to be carried out pursuant to instruments concerning the common agricultural policy or special measures taken under Article 235 of the Treaty require sums given in Netherlands florins to be expressed in another currency or in units of account, the exchange rate to be applied shall, by way of derogation from Article 2(1) of Regulation No 129, be that which corresponds to the representative rate for that currency.

2. The representative rate referred to in paragraph 1 shall be:

1 Netherlands florin = 0.2904 units of account.

Article 2

The provisions of Regulation (EEC) No 1134/68, in respect of alterations in the relationship between the par value of the currency of a Member State and the unit of account, shall apply.

Article 3

1. This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities. It shall have effect as from 17 September 1973.

[1] OJ No L 188, 1 August 1968, p. 1.

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2. It shall cease to have effect at such time as the Kingdom of the Netherlands shall declare a new par value to the International Monetary Fund.

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

Done at Brussels, 1973

For the Council
The President