

Monetary compensatory amounts

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Inflation in France heated up in the wake of the political events of May 1968. Speculation against the French franc increased when President de Gaulle stepped down in April 1969. Accordingly, when he became President two months later, Georges Pompidou decided to devalue the French franc. On 10 August 1969, the franc was devalued by 11.22 %. The new parity with the German mark adversely affected German farmers, since French produce suddenly became cheaper in Germany. The Council nevertheless decided to maintain the value of the unit of account used in the common agricultural policy (CAP), but at the same time it decided to create a new system of compensatory levies.

In the absence of a single currency in Europe, the CAP was based on prices quoted in units of account that had been set during a period of monetary stability. However, the successive currency crises in 1968–1969 jeopardised the unity of the common agricultural market. In practice, upward currency adjustments generally lead to a fall in farm prices, while devaluations lead to price rises. German Farmers' Unions demanded financial compensation for their losses. The Agriculture Ministers of the six Member States agreed and, on 10 August 1969, decided to introduce monetary compensatory amounts (MCA), the aim of which was to avoid sudden changes in farm prices caused by abrupt adjustments in exchange rates. French farm produce was hit by an export tax equal to the fall in price on German markets, and exports of German agricultural products to France were subsidised.

The MCAs were negative for farmers in countries with a weak currency. Accordingly, levies had to be paid to offset the gains accruing from currency devaluation. Other countries were allocated positive MCAs and had to be compensated, in the form of subsidies, for their losses. Despite its complexity, this agri-monetary system helped to ensure the free movement of agricultural products established by the CAP.