



# Procedure file

| Basic information  |   |
|--|---|
| CNS - Consultation procedure<br>Regulation   | <a href="#">2007/0242(CNS)</a><br>Procedure completed |
| Common agricultural policy (CAP): support schemes, national restructuring programmes for the cotton sector |   |
| Amending Regulation (EC) No 1782/2003 <a href="#">2003/0006(CNS)</a>                                       |   |
| Amended by <a href="#">2009/0008(CNS)</a>  |   |
| Repealed by <a href="#">2011/0280(COD)</a>   |   |
| Subject  |   |
| 3.10.06.05 Textile plants, cotton  |   |
| 3.10.14 Support for producers and premiums   |   |

| Key players                   |  |   |            |
|-------------------------------|--|---|------------|
| European Parliament           | Committee responsible  | Rapporteur                                    | Appointed  |
|                               | <b>AGRI</b> Agriculture and Rural Development                      |   | 21/11/2007 |
|                               | Committee for opinion  | PPE-DE <a href="#">GKLAVAKIS Ioannis</a>      |            |
|                               | <b>BUDG</b> Budgets  | Rapporteur for opinion                        | Appointed  |
|                               |  | The committee decided not to give an opinion. |            |
| Council of the European Union | Council configuration  | Meeting                                       | Date       |
|                               | <a href="#">Agriculture and Fisheries</a>                          | <a href="#">2881</a>                          | 23/06/2008 |
|                               | <a href="#">Agriculture and Fisheries</a>                          | <a href="#">2834</a>                          | 26/11/2007 |
| European Commission           | Commission DG<br><a href="#">Agriculture and Rural Development</a> | Commissioner<br>FISCHER BOEL Mariann          |            |

| Key events |   |   |         |
|------------|---|---|---------|
| 09/11/2007 | Legislative proposal published                                  | <a href="#">COM(2007)0701</a>   | Summary |
| 26/11/2007 | Debate in Council   | <a href="#">2834</a>  |         |
| 10/12/2007 | Committee referral announced in Parliament                      |   |         |
| 17/04/2008 | Vote in committee   |   | Summary |
| 22/04/2008 | Committee report tabled for plenary, 1st reading/single reading | <a href="#">A6-0166/2008</a>  |         |
| 07/05/2008 | Debate in Parliament  |  |         |
| 08/05/2008 | Results of vote in Parliament                                   |  |         |
| 08/05/2008 | Decision by Parliament  | <a href="#">T6-0191/2008</a>  | Summary |
| 23/06/2008 | Act adopted by Council after consultation of Parliament         |   |         |
| 23/06/2008 | End of procedure in Parliament                                  |   |         |
| 05/07/2008 | Final act published in Official Journal                         |   |         |

| Technical information      |   |
|----------------------------|---|
| Procedure reference        | 2007/0242(CNS)  |
| Procedure type             | CNS - Consultation procedure  |
| Procedure subtype          | Legislation   |
| Legislative instrument     | Regulation  |
|                            | Amending Regulation (EC) No 1782/2003 <a href="#">2003/0006(CNS)</a><br>Amended by <a href="#">2009/0008(CNS)</a><br>Repealed by <a href="#">2011/0280(COD)</a> |
| Legal basis                | EC Treaty (after Amsterdam) EC 037-p2   |
| Stage reached in procedure | Procedure completed   |
| Committee dossier          | AGRI/6/56001  |

| Documentation gateway   |  |                               |            |     |         |
|---|--|-------------------------------|------------|-----|---------|
| Legislative proposal  |  | <a href="#">COM(2007)0701</a> | 09/11/2007 | EC  | Summary |
| Document attached to the procedure                              |  | <a href="#">SEC(2007)1481</a> | 09/11/2007 | EC  |         |
| Document attached to the procedure                              |  | <a href="#">SEC(2007)1482</a> | 09/11/2007 | EC  |         |
| Economic and Social Committee: opinion, report                  |  | <a href="#">CES0274/2008</a>  | 13/02/2008 | ESC |         |
| Committee draft report  |  | <a href="#">PE402.793</a>     | 06/03/2008 | EP  |         |
| Amendments tabled in committee                                  |  | <a href="#">PE404.533</a>     | 03/04/2008 | EP  |         |
| Committee report tabled for plenary, 1st reading/single reading |  | <a href="#">A6-0166/2008</a>  | 22/04/2008 | EP  |         |
| Text adopted by Parliament, 1st reading/single reading          |  | <a href="#">T6-0191/2008</a>  | 08/05/2008 | EP  | Summary |
| Commission response to text adopted in plenary                  |  | SP(2008)3593/2                | 12/06/2008 | EC  |         |

| Additional information |                         |
|------------------------|-------------------------|
| National parliaments   | <a href="#">IPEX</a>    |
| European Commission    | <a href="#">EUR-Lex</a> |

| Final act   |
|---|
| <a href="#">Regulation 2008/637</a><br><a href="#">OJ L 178 05.07.2008, p. 0001</a> Summary |

## Common agricultural policy (CAP): support schemes, national restructuring programmes for the cotton sector

PURPOSE: to amend payment provisions establishing common rules for direct support schemes under the common agricultural policy.

PROPOSED ACT: Council Regulation.

BACKGROUND: internationally, the EU is a minor player on the world cotton market, contributing only about 2% to the world's total production of cotton. The main producing countries are China, the USA and India. The cotton sector, despite being of limited significance to the EU as a whole (contributing only 0.15% of the final agricultural output) has strong regional importance in the two main producing Member States namely Greece and Spain. Around 76% of the EU's total output is grown in Greece. A small amount of cotton is also grown in Bulgaria.

Most farmers growing cotton are small in size (Greece 4.5 ha and Spain 11.0 ha). In Greece there are 79 700 farmers growing cotton and in Spain 9 500.

From an environmental point of view growing cotton has a number of negative side-effects. Dependent on irrigation and fertilisers, cotton is widely associated with low biodiversity and soil impoverishment. It is reliant on phytosanitary products, especially insecticides and leaf defoliants. At the processing level, a mixture of private enterprises and co-operatives convert the raw cotton into its useable state through the ginning process, which separates cotton fibres from the seed. The capacity of Spain's 29 ginning plants, nearly half of which are co-operatives, far exceeds its production. In Greece the ginning capacity is more in balance with production and a lower proportion of plants are run by co-operatives.

In recent years the CAP has undergone a fundamental reform aimed at increasing competitiveness, stabilising farm incomes, integrating environmental concerns into agricultural policy and simplifying and strengthening decentralisation. Alongside the general reform of the CAP, the Community adopted in 2003 Council Regulation (EC) No 1782/2003 (see [CNS/2003/0006](#)) establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers. This sets out, amongst others, rules for the specific payment for cotton (Chapter 10a of Title 4). However, in 2006, these provisions were annulled by the European Court of Justice (case C-310/04). The Court concluded that the proportionality principle had been infringed because the EC had failed :

- to carry out an impact assessment ;
- to consider direct labour costs in the evaluation and decision process ; and
- to take account of the new regime's impact on the ginning industry which, although not included in the Protocol, is directly linked to the business of cotton production.

As a result payment provisions have been suspended until the adoption of a new Regulation.

CONTENT: on the basis of the above, the Commission is presenting an amending Regulation to Council Regulation (EC) No 1782/2003, which takes account of the ECJ's judgement. Prior to adopting this proposal the Commission held a round of consultation with all interested parties and commissioned an impact assessment, which was carried out in 2007.

In summary, the new cotton regime would seek:

- to continue agricultural cotton activity in the EU's cotton-producing regions;
- to offer support for cotton producers that is compatible with the principles applying to the reformed CAP;
- to offer support to cotton producers that is compatible with the EU's WTO commitments;
- to stabilise and control the EU budget;
- to maintain the EU's market orientation vis-à-vis the cotton sector;
- to reduce the impact of cotton production on the environment; and
- to simplify the management of the support regime for cotton producers.

To realise the above the Commission recommends that 65% of resources devoted to supporting the cotton sector before the 2004 reform should continue in the Single Payment Scheme. This will offer cotton growers stable incomes, while leaving them free to adopt to market developments. The remaining 35% will continue to be linked to cotton production, as an area payment. These coupled payments are designed to ensure the continuity of cotton growing at a level sufficient to safeguard the ginning industry in those regions where it represents an important economic activity.

Based on the results of questionnaires sent out, as well as on the conclusions of the impact assessment, the Commission proposes that, in the medium term, a coupled rate of support of about 35% would favour the continuation of cotton production. This option not only respects the Cotton Protocol in the Acts of Accession of Greece, Spain and Portugal, it also adheres to the principles of the CAP reform. Further, from an administrative point of view, any upwards modification of the coupling rate would imply a reduction of the decoupling rate and, consequently, the recalculation of all the payment entitlements allocated in 2006 to the historical producers of cotton in the Member States concerned. By contrast, maintaining the 35% coupling rate would not entail any further administrative burden.

If a decoupling rate higher than 65% were to be set, it would risk the extensive disruption of the cotton sector. The Commission has, therefore, come to the conclusion that, in order to meet set objectives, the current balance between coupled and decoupled support should be continued with some additional, though minor, modification to the regime. Thus, the Commission suggests that: the maximum area should remain unchanged at 450 597 ha:

- 370 000 ha in Greece;
- 70 000 ha in Spain;
- 360 ha in Portugal; and
- 10 237 ha in Bulgaria.

The level of area payment will remain unchanged and will be reduced, proportionally, in the event of payment claims exceeding the maximum area of a Member State. Both the decoupled and crop-specific area payment will continue to be subject to cross-border criteria, which will lead to more environmentally friendly cotton production in an income-neutral manner. The crop specific payment will be granted per eligible hectare of cotton, on condition that the area is maintained at least until harvest, with no obligation to deliver or sell cotton. The cotton would have to meet minimum requirements of being 'sound and fair' and of marketable quality.

From a budgetary point of view, for the period 2007 -2013, an additional EUR 154 million will be made available as additional Community support for measures in cotton producing regions. The national base area and the amount of aid per eligible hectare will remain unchanged compared with the current situation. However, with the decrease of the couple payment for farmers who are members of an approved inter-branch organisation from EUR 10/ha to EUR 3/ha, the amount granted to these farmers is reduced from EUR 4.4 million to EUR 1.4 million, which would offset any additional expenditure on information and promotion.

On a final point, and in response to stakeholder's requests, the Commission is also proposing the creation of a 'label of origin' to support and promote the use of EU cotton.

**Common agricultural policy (CAP): support schemes, national restructuring programmes for the**

## cotton sector

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The Committee on Agriculture and Rural Development adopted a report drafted by Ioannis GKLAVAKIS (EPP-ED, GR) and amended the proposal for a Council regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, as regards the support scheme for cotton.

The amendments relate to the following:

-the Committee wishes to maintain the financial neutrality of the proposal with regard to coupled support, which means the decommitment of EUR 202.2 million for Greece and EUR 72.73 million for Spain. Given the likely reduction in the size of land used for cotton growing, the base area should be reduced from 370 000 ha to 270 000 ha for Greece, with the amount of coupled support at EUR 750 a hectare. In Spain, the base area should also be reduced accordingly (from 70 000 ha to 50 000 ha), which would mean coupled support of EUR 1 450 a hectare;

-the total available aid per hectare per Member State should be set in line with the Member State's wishes and at no lower than 35% of the national share of the aid that went indirectly to the producers, in line with subsidiarity;

-if the Member States take the view that the sector's viability depends upon the percentage of de-coupled aid, they should be able to select some other percentage different from the single payment, which may not exceed 65% or be less than 20% ;

-national support programmes shall be established for the purpose of improving competitiveness. The Community shall determine and shall finance the eligible actions. The Member States shall select whatever package of measures they consider effective and which are best suited to their regional particularities. That package could include a restructuring fund for the ginning industry. The national support programmes shall be financed by means of a minimum basic rate of 1% of the overall amount of coupled support. Appropriations unused under coupled support because of the reduction in growing areas to less than the size of the base area of each Member State shall be added to this amount;

-the national support programmes shall include the sum earmarked for the restructuring of cotton-producing regions, which comes to EUR 22 000 000 (i.e. 2.74% of aid) and which had been transferred to the second pillar;

-at the Member States' discretion, measures may be financed under the national support programmes that aim to offset the effects of a possible fall in production and to restructure varieties, along with measures to modernise production in order to improve the competitiveness of the product. Support shall be granted for environmentally friendly growing methods in order to ensure a more rational use of water resources and to minimise the use of plant-health products, research aimed at creating improved-quality varieties shall be encouraged and restructuring and the modernisation of ginning plants shall be promoted. Member States may grant a quality premium to farmers who develop a product of exceptional quality, on the basis of specific criteria laid down by the Member States;

-policies may be funded under the national support programmes to forecast, mitigate and combat the effects of climate change on cotton-producing regions.

-the Committee proposed that the coupled aid should be increased if the guaranteed area is not reached. It provided that where the admissible cotton area in a given Member State is smaller than the base area, the aid for that Member State shall be increased in proportion to the base area which has not been covered, up to a ceiling established by means of the management procedure. Any saving brought about by a fall in production shall be allocated to the national support programmes.

-by 31 December 2009 at the latest the Commission shall submit a report to the Council on the implementation of this Regulation with regard to olive oil, table olives and olive groves, tobacco and hops, accompanied, if necessary, by appropriate proposals.

-the provisions concerning cotton should remain in force until 2013, not 2010 as stated under Regulation No 1782/2003.

## Common agricultural policy (CAP): support schemes, national restructuring programmes for the cotton sector

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The European Parliament adopted, by 395 votes to 161 and 64 abstentions, a legislative resolution making some amendments to the proposal for a Council regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, as regards the support scheme for cotton. The report was tabled for consideration in plenary by Ioannis KLAVAKIS (EPP-ED, EL), on behalf of the Committee on Agriculture and Rural Development.

The main amendments adopted in the framework of the consultation procedure are as follows :

-Parliament proposes to maintain the financial neutrality of the proposal with regard to coupled support, which means the decommitment of EUR 202.2 million for Greece and EUR 72.73 million for Spain. Given the likely reduction in the size of land used for cotton growing, the base area should be reduced from 370 000 ha to 270 000 ha for Greece, with the amount of coupled support at EUR 750 a hectare. In Spain, the base area should also be reduced accordingly (from 70 000 ha to 50 000 ha), which would mean coupled support of EUR 1 450 a hectare;

-the total available aid per hectare per Member State should be set in line with the Member State's wishes and at no lower than 35% of the national share of the aid that went indirectly to the producers, in line with subsidiarity;

-if the Member States take the view that the sector's viability depends upon the percentage of de-coupled aid, they should be able to select some other percentage different from the single payment, which may not exceed 65% or be less than 20% ;

- it is proposed that the coupled aid should be increased if the guaranteed area is not reached. The amount of aid would, however, be limited by the Management Committee. Any saving brought about by a fall in production shall be allocated to the national support programmes;

-national support programmes shall be established for the purpose of improving competitiveness. The Community shall determine and shall finance the eligible actions. The Member States shall select whatever package of measures they consider effective and which are best suited to their regional particularities. That package could include a restructuring fund for the ginning industry. The national support programmes shall be financed by means of a minimum basic rate of 1% of the overall amount of coupled support. Appropriations unused under coupled support because of the reduction in growing areas to less than the size of the base area of each Member State shall be added to this amount;

-the national support programmes shall include the sum earmarked for the restructuring of cotton-producing regions, which comes to EUR 22 000 000 (i.e. 2.74% of aid) and which had been transferred to the second pillar;

-at the Member States' discretion, measures may be financed under the national support programmes that aim to offset the effects of a possible fall in production and to restructure varieties, along with measures to modernise production in order to improve the competitiveness of the product. Support shall be granted for environmentally friendly growing methods in order to ensure a more rational use of water resources and to minimise the use of plant-health products, research aimed at creating improved-quality varieties shall be encouraged and restructuring and the modernisation of ginning plants shall be promoted. Member States may grant a quality premium to farmers who develop a product of exceptional quality, on the basis of specific criteria laid down by the Member States;

-policies may be funded under the national support programmes to forecast, mitigate and combat the effects of climate change on cotton-producing regions;

-by 31 December 2009 at the latest the Commission shall submit a report to the Council on the implementation of this Regulation with regard to olive oil, table olives and olive groves, tobacco and hops, accompanied, if necessary, by appropriate proposals.

-the provisions concerning cotton should remain in force until 2013, not 2010 as stated under Regulation No 1782/2003.

## Common agricultural policy (CAP): support schemes, national restructuring programmes for the cotton sector

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**PURPOSE:** to amend provisions relating to the cotton sector under the common agricultural policy.

**LEGISLATIVE ACT:** Council Regulation (EC) No 637/2008 amending Regulation (EC) No 1782/2003 and establishing national restructuring programmes for the cotton sector.

**CONTENT:** the Council adopted a Regulation reforming the support scheme in the cotton sector. The Regulation amends Regulation 1782/2003 on common rules for direct agricultural support schemes as regards cotton and establishes a scheme for restructuring the cotton sector.

The main measures in the Regulation are:

- decoupling of 65% of the total aid, while maintaining 35% still linked to production (same ratio as in the 2004 reform);
- eligibility for coupled aid for land approved by the Member State and authorised seed varieties;
- coupled aid to be determined on the basis of fixed yields per hectare, reference amounts per eligible hectare and limited national base areas for each Member State concerned;
- national restructuring programmes for the sector, financed by the Community, introducing market orientation measures in support of quality schemes and promotion activities and ensuring a more viable ginning industry.

In the new Regulation, the national base areas are hereby established as follows:

- Bulgaria: 3342 ha,
- Greece: 250000 ha,
- Spain: 48000 ha,
- Portugal: 360 ha.

The amount of the aid per eligible hectare is established by multiplying the yields laid down in paragraph 2 with the following reference amounts:

- Bulgaria: EUR 671.33,
- Greece: EUR 251.75,
- Spain: EUR 400.00,
- Portugal: EUR 252.73.

The Regulation responds to a judgment by the Court of Justice of 7 September 2006 (Case C-310/04) which annulled the cotton reform Regulation adopted in 2004. It is based on an impact assessment and on a consultation of stakeholders. It is also in line with the objectives set out in the Protocol No 4 to the Act of Accession of Greece, concerning cotton production in Community regions where it is important for the agricultural economy. Equivalent Protocols were annexed to the Accession Treaties of Spain and Portugal.

**ENTRY INTO FORCE:** 12/07/2008.

**APPLICATION:** from 01/01/2009.