

Procedure file

Basic information		
CNS - Consultation procedure Regulation	1995/0061(CNS)	Procedure completed
Cotton: System of aid introduced by Protocol 4 annexed to the Act of Accession of Greece, fifth adjustment		
Subject 3.10.06.05 Textile plants, cotton		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	AGRI Agriculture and Rural Development	PPE FRAGA ESTÉVEZ Carmen	22/03/1995
Council of the European Union	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets	Meeting	Date
	Council configuration	1862	29/06/1995
	Social Affairs		

Key events			
01/02/1995	Additional information		Summary
01/03/1995	Legislative proposal published	COM(1995)0035	Summary
03/04/1995	Committee referral announced in Parliament		
15/05/1995	Vote in committee		Summary
15/05/1995	Committee report tabled for plenary, 1st reading/single reading	A4-0108/1995	
17/05/1995	Debate in Parliament		
19/05/1995	Decision by Parliament	T4-0268/1995	Summary
29/06/1995	Act adopted by Council after consultation of Parliament		
29/06/1995	End of procedure in Parliament		
30/06/1995	Final act published in Official Journal		

Technical information

Procedure reference	1995/0061(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	Treaty of Accession GR H 004-p5/11
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/4/06488

Documentation gateway

Legislative proposal		COM(1995)0035	01/03/1995	EC	Summary
Committee report tabled for plenary, 1st reading/single reading		A4-0108/1995 OJ C 151 19.06.1995, p. 0014	15/05/1995	EP	
Text adopted by Parliament, 1st reading/single reading		T4-0268/1995 OJ C 151 19.06.1995, p. 0359-0383	19/05/1995	EP	Summary
Economic and Social Committee: opinion, report		CES0593/1995 OJ C 236 11.09.1995, p. 0057	31/05/1995	ESC	Summary

Additional information

European Commission	EUR-Lex
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Final act

Regulation 1995/1553 OJ L 148 30.06.1995, p. 0045 Summary
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Cotton: System of aid introduced by Protocol 4 annexed to the Act of Accession of Greece, fifth adjustment

1. CATEGORY OF REFERRAL Proposal for modification of the Community aid scheme for cotton. 2. EXPECTED DATE OF REFERRAL Before the start of the 1996/97 marketing year (1 September 1996) 3. COMMITTEE RESPONSIBLE Committee on Agriculture and Rural Development 4. PREVIOUS COMMUNITY LEGISLATION Before Greek accession, Community cotton benefited from a system of flat-rate aid per hectare cultivated for the production of cotton seed. Cotton fibre is not included in Annex II of the Treaty of Rome, and for that reason a special legal basis had to be found in order to satisfy the Greek demand for a support scheme for this crop. The scheme could not be in the form of a common organization of the market because Articles 38 et seq. of the EEC Treaty were not applicable. The solution, legally speaking, is Protocol No 4 annexed to the Treaty on Greek Accession (OJ L 291, 19.11.1979, p. 17), most recently adjusted by Regulation (EC) No 2760/94 (OJ L 294, 15.11.1994, p. 1), which recognizes the special nature of cotton as well as its importance for the Greek economy, and established a system of aid for Community producers (seeded cotton), based essentially on the following elements: - Institutional prices: the guide price and the minimum price fixed annually by the Council - Production aid: equal to the difference between the guide price and the world market price. It is fixed monthly and is granted via ginning undertakings, which agree to pay the minimum price to the producer. - Maximum guaranteed quantity: fixed by the Council annually (701.000 t for the 1994/95 marketing year). If it is exceeded, the guide price is reduced by 1% for every 2% by which the maximum guaranteed quantity is exceeded, up to a maximum of 18.5% ('cut-off'). Anything over that limit is carried over to the next marketing year up to a maximum of 7%. - Aid to small producers: established by Regulation (EEC) No 1152/90 (OJ L 116, 8.8.1990, p. 1). In the 1993/94 marketing year the aid is ECU 246.77 per hectare for a maximum area of 73 043 hectares. If that maximum area is exceeded, the amount of the aid is reduced in proportion to the excess amount. There is no system of intervention. There are no customs duties on imports and export refunds are not granted. Financing: In 1993, EAGGF Guarantee Section spending for the cotton sector was ECU 853 million, or 2.4% of the Fund's total expenditure. In 1992 aid for cotton represented 24.4% of EAGGF Guarantee Section payments in Greece and 5.5% in Spain. The cost for the consumer is less than ECU 2.5 per year. 5. POSITION OF EUROPEAN PARLIAMENT When consulted on the Commission proposal to limit the cut-off to 18.5% in the 1994/95 marketing year, Parliament was in agreement and supported the Commission, stressing the socio-economic role of cotton cultivation in certain areas of Greece and Spain. 6. SITUATION IN THE WORLD AND THE COMMUNITY In the world: in 1992 cotton was grown on 26.5 million hectares and cotton fibre production was 18.4 million tonnes. World trade gave rise to production of 3million tonnes based on imports (16% of world production). Consumption currently exceeds production, which has contributed to a reduction in stocks and a certain recovery in world prices. In the Community: the area under cotton is concentrated in certain regions of Greece and Spain where it plays an important socio-economic role. In 1993, the Community area under cotton was 383 338 hectares - 1.5% of the world total - of which 90.5% was in Greece and 9.5% in Spain. Almost half of the area under cotton in the Community is in the hands of small producers, with an average holding of 1.87 hectares. In 1993/94

Community production reached 1 074 156 tonnes of unginned cotton and 345 434 tonnes of cotton fibre. Community consumption of cotton fibre is 1.25 million tonnes and it is less than 30% self-sufficient. The European Union is the world's leading importer of cotton fibre with 937 000 tonnes, which is almost one third of world imports. Greece is the only exporting Member State, with exports of 44 000 tonnes, i.e. 20% of its cotton fibre production. More than half of Community imports come from the countries of the former Soviet Union. 7. CONTENT OF THE LEGISLATION Pursuant to Article 5 of Council Regulation (EEC) No 2052/92 (OJ L 215, 30.7.1992, p. 10), the Commission will submit to the Council, prior to the 1996/97 marketing year, a report on the operation of the system of production aid, possibly accompanied by a proposal for its modification. The system of aid for small producers expires in the 1995/96 marketing year (Article 2 of Council Regulation (EEC) No 1152/90, OJ L 116, 8.5.1990, p. 1). 8. LEGAL BASIS ENVISAGED Protocol No 4 annexed to the Treaty of Greek accession. 9. DOCUMENTATION AND SOURCES Documents of the European institutions - CCE/Recueil des Actes Agricoles, Vol. VIII/2 'Coton'. - EEC/ The Agricultural Situation in the Community, 1993 Report - CCE/Situation du marché dans le secteur du coton, 10.12.1994, Directorate-General VI. Others - FAO Yearbooks: Production and Trade, 1992, Vol. 46. - Dicopac. Dictionnaire de la Politique Agricole commune. Le guide de la nouvelle Europe Verte, Agra-Europe. 10. FORTHCOMING SUPPLEMENTARY PUBLICATIONS A detailed working document by the Directorate-General for Research will be available in the near future. ?

Cotton: System of aid introduced by Protocol 4 annexed to the Act of Accession of Greece, fifth adjustment

The proposal for a regulation seeks to ensure an equitable management of the cotton sector, considering the divergent trends in cotton production in Greece and Spain. The measures proposed sought: - to increase the maximum guaranteed quantity: the MGQ is fixed at 947,000 tonnes of unginned cotton (Spain: 249,000 tonnes and Greece: 698,000 tonnes); - to reduce the guide price in proportion to the increase in the MGQ and to remove any limit on the reduction of aid in the event of the MGQ being exceeded; - to remove any carryover of the reduction in aid; - to ensure that when the MGQ is exceeded by up to 10% the reduction in aid would apply equally in all producer Member States and that, where the excess is greater than 10%, the Member States responsible would be liable for an additional reduction; - to dispense with the annual fixing of the target price and the minimum price to be paid to producers, in order to guarantee them the benefit of aid; - to provide for a procedure which would allow the Council to make adjustments to these arrangements. ?

Cotton: System of aid introduced by Protocol 4 annexed to the Act of Accession of Greece, fifth adjustment

The Committee unanimously adopted a report by Mrs Carmen FRAGA ESTEVEZ (EPP, SP) on the system of aid for cotton introduced by Protocol 4 annexed to the Act of Accession of Greece (fifth adjustment). Members generally supported the Commission's proposals of retaining the current basic structure of the aid system for cotton based on a maximum guaranteed quantity (MGQ), adapted to present conditions, but felt in particular that given the great shortage of cotton fibre in the Community, it would be inappropriate to reduce the level of support. At present cotton is produced only in Greece, where output was 1 050 000t in 1994-95 and in Spain, where the corresponding figure was 120 070. However, while production has been growing in Greece over recent years, drought and water shortages have resulted in a significant decrease in Spain. Under present rules, this has produced an unfair situation, whereby expanding production in one Member State, leading to the MGQ being exceeded, has led to aid reductions for all Community producers. Aware of the problem, the Council in December 1993 "noted that the Commission intended to reflect on the specific problems of the cotton sector in the spirit of fair management." In its amendments to the Commission's proposals, there was a clear indication of the Committee's belief that the Commission's response to this situation was inadequate. A compromise proposal by Mr Willi GÖRLACH (PES, GER) was accepted to raise the MGQ to 1 000 000t for Greece and to 300 000t for Spain, compared to the Commission's proposals of 698 000t and 249 000t respectively. It was agreed moreover that instead of reducing the guide price in proportion to the increase in the MGQ as put forward by the Commission, the reduction should be confined to 5% and a limit should continue to be placed annually on the reduction of aid in the event of the MGQ being exceeded. When this occurs, the Commission had suggested that, where the MGQ is exceeded by no more than 10%, the reduction in aid should apply equally in all producer Member States, with additional penalties for the Members States responsible, where the excess is greater than 10%. Members felt however that in both cases, the reduction should only apply in the Member States in which production has exceeded the MGQ. Furthermore, an amendment was adopted to the effect that any savings made as a result of the fact that the MGQ has not been exceeded or because of changes in the world price, may be used to reduce penalties in succeeding years. The Committee also felt that the guide price should continue to be fixed annually and for specific support programmes to be introduced for small producers. ?

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In adopting the Fraga Estévez report, the European Parliament approved the Commission proposal. ?

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The ESC regretted that it had not been invited to deliver an Opinion on the overall modification of the COM in cotton, and that it had had to restrict its Opinion to the proposal concerning the distribution of the maximum guaranteed quantity of cotton between the two producer countries (Greece and Spain). It welcomed the Commission's proposal to maintain the current system for aid for cotton production, which was a significant part of the agricultural sector in these regions. It felt, however, that the considerable shortfall of cotton in the EU, the probable expansion of cotton production in other EU countries, its socio-economic importance in certain EU regions, its non-food nature and the increased demand for cotton on world markets demanded a higher MGQ of cotton in the EU. Cotton production in the southern EU countries needed to be encouraged and this could be achieved with a system that strengthened current production or at least kept it close to present

levels. In the ESC's view, the total MGQ for each marketing year should be increased to 1 338 500 tonnes of unginned cotton. It considered that the MGQ should be equitably divided between the Member States in the form of national guaranteed quantities based on normal production levels: 987 000 tonnes for Greece; 347 000 tonnes for Spain; 3 000 tonnes for Italy; and 1 500 tonnes for Portugal.

Cotton: System of aid introduced by Protocol 4 annexed to the Act of Accession of Greece, fifth adjustment

Cotton - Prices and related measures for 1995/96. Council Regulation (EC) No 1553/95 amended the system of aid for cotton introduced by Protocol 4 annexed to the Act of Accession of Greece. Substance: - maximum guaranteed quantity fixed at 1 031 000 tonnes (including 782 000 tonnes for Greece and 249 000 tonnes for Spain), although this could be increased to a maximum of 1 120 000 tonnes (850 000 tonnes for Greece, 270 000 tonnes for Spain), as long as this increase did not have any effect on the budget (ECU 770 million) for the marketing year, where the world market price exceeded the reference price (ECU 30.2 per 100 kg); - guide price of ECU 106.32 per 100 kg of unginned cotton; - decrease in aid at national level where the MGQ was exceeded; - possibility of providing operators with an advance of a maximum of 40% of the guide price; - submission of a report by the Commission to the Council, no later than the beginning of the 1999/2000 marketing year, on the operation of the system of aid for cotton. ?