




# 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<br>3.10.06.05 Textile plants, cotton   |                |                     |

| Key players                   |   |  |            |
|-------------------------------|---|--|------------|
| European Parliament           | Committee responsible   | Rapporteur                               | Appointed  |
|                               |  Agriculture and Rural Development |  | 22/03/1995 |
|                               |   | PPE <a href="#">FRAGA ESTÉVEZ Carmen</a> |            |
|                               | Committee for opinion   | Rapporteur for opinion                   | Appointed  |
|                               |  Budgets                          |  |            |
| Council of the European Union | Council configuration   | Meeting                                  | Date       |
|                               | Social Affairs  | <a href="#">1862</a>                     | 29/06/1995 |

| 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 | <a href="#">A4-0108/1995</a>  |         |
| 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 |  |
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|----------------------------|------------------------------------|
| 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 |  | <a href="#">A4-0108/1995</a><br><a href="#">OJ C 151 19.06.1995, p. 0014</a> | 15/05/1995 | EP  |         |
| Text adopted by Parliament, 1st reading/single reading          |  | T4-0268/1995<br><a href="#">OJ C 151 19.06.1995, p. 0359-0383</a>            | 19/05/1995 | EP  | Summary |
| Economic and Social Committee: opinion, report                  |  | <a href="#">CES0593/1995</a><br><a href="#">OJ C 236 11.09.1995, p. 0057</a> | 31/05/1995 | ESC | Summary |

## Additional information

|                     |                         |
|---------------------|-------------------------|
| European Commission | <a href="#">EUR-Lex</a> |
|---------------------|-------------------------|

## Final act

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| <a href="#">Regulation 1995/1553</a><br><a href="#">OJ L 148 30.06.1995, p. 0045</a> 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

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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

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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 Member 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.

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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. ?