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

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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 (teased 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.