



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06.05.1998
COM(1998) 283 final

Proposal for a

COUNCIL REGULATION (EC)

amending Council Regulation (EC) No 1554/95 laying down the general rules for the system of aid for cotton and repealing Regulation (EEC) No 2169/81

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. INTRODUCTION

1.1. In response to the Council's invitation in June 1997, the Commission's report on Greek requests in the cotton sector (COM(98) 10 final) examined the following four specific requests, leaving all other aspects of the current aid scheme unchanged:

- payment of the aid directly to producers;
- a regionalised system of penalties;
- increasing the production estimate by 7.5%;
- creating a legal framework for reviewing the production estimate during the marketing year.

1.2. The requested amendments were examined keeping in mind the objective of maintaining or, where possible, strengthening the effectiveness of the existing control arrangements. The Court of Auditors has repeatedly shown in its annual reports¹ that the market organisation for cotton has serious inspection problems.

2. PROPOSED MEASURES

Now that the Council has examined the report, the Commission proposes:

2.1. to encourage contract ginning by private or associated ginners on behalf of producer groups and to specify how the minimum price will be paid to members in such circumstances;

2.2. to improve the production forecasts, which are currently made before 1 October so that advance aid payments can be paid from 16 October. It is proposed to review the production estimate at a date by which a good deal of the unginning cotton has usually been placed in supervised storage, or during the second half of the month of November. The percentage increase applied to the reviewed production estimate when the advances are calculated would be lower than 15% to take account of the improved reliability of the forecast.

¹ OJ C 309, 16.11.1993, p. 1
OJ C 340, 17.11.1996, p.1.

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amending Council Regulation (EC) No 1554/95 laying down the general rules for the system of aid for cotton and repealing Regulation (EEC) No 2169/81

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Act of Accession of Greece, and in particular paragraph 9 of Protocol 4 on cotton, as last amended by Regulation (EC) No 1553/95¹,

Having regard to the proposal from the Commission,

Whereas paragraph 3 of Protocol 4 provides for production aid to be granted through cotton ginning undertakings; whereas when such undertakings buy unginned cotton they pass the aid on to producers by paying a price at least equal to the minimum price referred to in paragraph 8a of Protocol 4; whereas these undertakings may also gin cotton for third parties;

Whereas Article 7(1)(b) of Council Regulation (EC) No 1554/95², as amended by Regulation (EC) No 1584/96³, provides that where a ginning undertaking gins cotton on behalf of an individual producer or a producer associated with that undertaking, a statement must be submitted giving details of how the aid is passed on to the producers; whereas the notion of associated producers should be replaced by that of producer groups, and the conditions to be met by groups in such cases should be laid down to ensure that the aid is passed on, particularly through payment of the minimum price to its members;

Whereas Article 8 of Regulation (EC) No 1554/95 provides for the estimated production of unginned cotton to be fixed before 1 October for the purpose of calculating the amount of the advance; whereas in order to improve initial harvest forecasts and ensure that the amount paid in advance is as close as possible to the final amount of aid due, the

¹ OJ L 148, 30.06.95, p. 45.

² OJ L 148, 30.06.95, p. 48.

³ OJ L 206, 16.08.96, p. 16.

Whereas Article 8 of Regulation (EC) No 1554/95 provides for the estimated production of unginning cotton to be fixed before 1 October for the purpose of calculating the amount of the advance; whereas in order to improve initial harvest forecasts and ensure that the amount paid in advance is as close as possible to the final amount of aid due, the production estimate should be revised at a date by which a large proportion of the unginning cotton harvest has already been placed in supervised storage; whereas the increased reliability of such a revised estimate would require application of a percentage increase of less than 15% when calculating the resulting advance, without this causing any risks for the budget; whereas the advances paid prior to the revised estimate should be adjusted, taking account of the administrative costs of applying the new mechanism,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1554/95 is amended as follows:

1. Article 5(3) is replaced by the following:

"3. Entitlement to the aid shall be acquired when the cotton is ginned. However, aid may be paid in advance from 16 October following the start of the marketing year when the unginning cotton enters the cotton ginning undertaking, provided that an adequate security has been lodged. The amount of the advance shall be calculated in accordance with paragraph 3a.

Any aid balance outstanding shall be paid once the actual quantity produced has been determined and any adjustment to the aid referred to in Article 2 of Regulation (EEC) No 1964/87⁸ has been made. It shall be paid before the end of the marketing year, at the latest."

2. The following paragraph is inserted:

"3a. The level of the advance per 100 kg of unginning cotton shall be equal to the guide price minus the world price and reduced further by an amount calculated using the

⁷ JO n° L 184 du 3.07.87, p.14.

⁸ OJ L 184, 3.7.87, p.14.

method provided for in Article 6, but replacing actual production by the estimated production of unginning cotton fixed in accordance with Article 8(1) plus 15 %.

From 16 December following the start of the marketing year, the amount of the aid referred to in the first subparagraph shall be replaced by a revised amount calculated using the same method but based on the revised production estimate for unginning cotton fixed in accordance with Article 8(2), plus at least 7.5%. Advances paid between 16 October and 15 December shall be increased accordingly, except where the difference between the two amounts is less than ECU 1/100 kg."

3. Article 7 is replaced by the following:

„Article 7

1. Without prejudice to paragraph 2, aid shall be granted only to those cotton ginning undertakings which apply for it and which:
 - (a) have submitted a contract stipulating payment to the producer of a price at least equal to the minimum price referred to in Article 8a of Protocol 4 and containing a clause specifying that:
 - in the event of application of Article 2(3) and/or (4) of Regulation (EEC) No 1964/87, the agreed price shall be adjusted in consequence of the effect of the application of that Article upon the aid,
 - in the event of a difference between the quality of the cotton delivered and the standard quality, as referred to in paragraph 8 of Protocol 4, the price agreed will be adjusted proportionally by common consent between the contracting parties;
 - b) keep stock accounts on ginned and unginning cotton that satisfy requirements to be laid down, so that entitlement to the aid can be checked;
 - c) provide the other supporting documents needed for checking entitlement to the aid;
 - d) furnish proof that the cotton delivered under the contract has been the subject of the declaration of area sown referred to in Article 8.

2. Aid shall be granted only to those cotton ginning undertakings which apply for it and which gin cotton on behalf of an individual producer or a producer group meeting the criteria laid down in the third subparagraph of paragraph 4 of Protocol 4, provided such undertakings:

- a) satisfy the conditions referred to in paragraph 1(b) and (c);
- b) have submitted a statement giving details of the conditions under which the ginning is carried out and how the aid is administered;
- c) undertake to pass on the aid to the individual producers or, where applicable, the producer groups concerned;
- d) furnish proof that the cotton referred to in the statement referred to in point (b) has been the subject of the declaration of area sown referred to in Article 8.
- e) furnish proof that producer groups are obliged to provide for and comply with a clause equivalent to the one in paragraph 1(a) and an undertaking by such groups to keep and produce supporting documents concerning payment of the minimum price.

3. Failure to comply with the clause or undertaking referred to in paragraph 2(e) by a producer group having ginning carried out on its behalf shall be considered a failure to meet the criteria referred to in the third subparagraph of paragraph 4 of Protocol 4."

4. Article 8 is replaced by the following:

"Article 8

"1. Before 1 October, the estimated production of unginned cotton referred to in the first subparagraph of Article 5 (3a) shall be drawn up using the procedure referred to in Article 11(1), account being taken of crop estimates.

In order to draw up these estimates, a system of declarations of the areas sown shall be established.

2. Before 1 December, the revised estimate of production of unginned cotton referred to in the second subparagraph of Article 5 (3a) shall be drawn up using the procedure referred to in Article 11(1), account being taken of the progress of the harvest."

Article 2

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities. It shall apply from 1 September 1998.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the Council



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Financial Statement

1. BUDGET HEADING: **B1-141** APPROPRIATIONS: ECU 757 million

2. TITLE:
 Proposal for a Council Regulation amending Regulation (EC) No 1554/95 laying down the general rules for the system of aid for cotton and repealing Regulation (EEC) No 2169/81

3. LEGAL BASIS: **Article 39 of the Treaty establishing the European Community**

4. AIMS OF PROJECT:
 In response to the Council's invitation in June 1997, the Commission has examined the Greek requests in the cotton sector (COM(98) 10 final). It now proposes:

- to encourage contract ginning on behalf of producer groups.
- to ensure that the advance paid is closer to the final amount of aid due.

5. FINANCIAL IMPLICATIONS	Period of 12 months	CURRENT FINANCIAL YEAR (98)	FOLLOWING FINANCIAL YEAR (99)	
	2000	2001	2002	2003
5.0 EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL ADMINISTRATION - OTHER				
5.1 REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL				
5.0.1 ESTIMATED EXPENDITURE				
5.1.1 ESTIMATED REVENUE				

5.2 METHOD OF CALCULATION:

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET? YES/NO

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET? YES/NO

6.2 IS A SUPPLEMENTARY BUDGET NECESSARY? YES/NO

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY? YES/NO

OBSERVATIONS:

The new provisions proposed are technical amendments without any financial implications. The review of the calculation of advances on the basis of production estimated at a later date and a percentage increase of less than 15% should not cause any risk of wrong payments. The new system for calculating advance payments does not change the total amount of the aid for cotton.

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DOCUMENTS

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