

COUNCIL REGULATION (EEC) No 2169/81**of 27 July 1981****laying down the general rules for the system of aid for cotton**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the 1979 Act of Accession, and in particular paragraph 9 of Protocol 4 on cotton, hereinafter referred to as 'the Protocol',

Having regard to the proposal from the Commission,

Whereas, pursuant to paragraph 9 of the Protocol, it is necessary to lay down the rules of procedure and of sound management for its application, the general rules of the system of production aid, the criteria for determining the world market price and the rules concerning the financing of the measures envisaged;

Whereas, in order to facilitate implementation of the production aid system and its sound management, a procedure should be provided for establishing close cooperation between the Member States and the Commission within a Management Committee; whereas it is appropriate that the Management Committee for Flax and Hemp, provided for in Regulation (EEC) No 1308/70⁽¹⁾, as last amended by the 1979 Act of Accession, should perform this function;

Whereas in order to facilitate the management and control of the aid system, the aid should be granted to cotton ginning undertakings; whereas, so that producers may benefit from the system, the grant of aid should be made subject to the condition that they have obtained a price not less than a minimum purchase price to be determined, which should be close to the guide price fixed in accordance with paragraph 8 of the Protocol, or that the aid will be passed on to them;

Whereas, in accordance with paragraph 3 of the Protocol, if Community production exceeds a quantity fixed in advance, the aid is to be multiplied by a coefficient to be determined; whereas the amount of the aid to be granted cannot therefore be known until after the quantity produced has been ascertained; whereas, to reduce the disadvantages for those concerned of any delay in payment of the aid, provision should be made for the advance payment of a proportion of it;

Whereas, pursuant to the third subparagraph of paragraph 3 of the Protocol, the amount of aid is to be based on the difference between a guide price fixed

for unginning cotton and the world market price; whereas, since there is no international trade in unginning cotton, and there are therefore no offers of quotations, provision should be made to enable a world market price for this product to be determined; whereas this price may be determined by taking the value of the products obtained by ginning, and deducting the cost of ginning;

Whereas the value of the products obtained should be determined on the basis, first, of a yield in fibre and in seed to be determined and, secondly, of the world market price for those products; whereas the world market price should be determined on the basis of the most favourable purchasing possibilities on that market;

Whereas the offers and quotations taken into consideration should be those made on the world market and the major international exchanges respectively; whereas, however, offers which cannot be considered representative of the real market trend should be ignored;

Whereas, if there are no representative offers or quotations for cotton seed, the world market price for cotton seed should be determined by taking the value of the products resulting from the processing of this seed; whereas, where the offers or quotations for cotton seed on the world market might prejudice the sale of the Community production of cotton seed, the world market price should be determined by taking the value of the average quantities of oil and oil-cake derived from the processing of cotton seed, less the processing costs;

Whereas, for the aid system to operate correctly, the world market price must be recorded for a Community frontier crossing point; whereas, in fixing this point, account should be taken of the extent to which it is representative for imports of cotton seed; whereas, therefore, the port of Piraeus should be chosen; whereas the offers and quotations adopted will have to be adjusted if they relate to a different frontier crossing point;

Whereas such adjustments should also be made to the offers and quotations adopted, in order to compensate for any variation from the presentation and quality taken as a basis for fixing the guide price;

Whereas the producer Member States should be required to set up the control arrangements necessary to ensure that the aid system operates correctly;

⁽¹⁾ OJ No L 146, 4. 7. 1970, p. 1.

Whereas, in order that the Community expenditure relating to the measure in question may be subjected to appropriate financial and monetary rules and procedures, Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy⁽¹⁾, as last amended by Regulation (EEC) No 3509/80⁽²⁾, as well as the Regulations relating to the value of the unit of account and the exchange rates to be applied in connection with the common agricultural policy, should be applied in this sector by analogy in view of the specifically agricultural nature of cotton;

Whereas the transition from the system in force in the Member States to the system set up by this Regulation must be as smooth as possible; whereas it seems necessary to provide for transitional measures,

HAS ADOPTED THIS REGULATION:

Article 1

For the purposes of this Regulation:

- (a) 'unginned cotton' means the fruit of the cotton plant (*Gossypium*) which has reached maturity and has been harvested, and which contains pod waste, leaves and earthy matter;
- (b) 'ginned cotton' means the cotton fibres (other than linters and waste), neither carded nor combed, from which the seeds and most of the pod waste, leaves and earthy matter have been removed.

Article 2

The guide price for a specified quality of unginced cotton shall remain applicable throughout a given marketing year; the marketing year shall run from 1 August to 31 July.

Article 3

1. The computed world market price for unginced cotton shall be determined periodically on the basis of the world market prices recorded for ginned cotton and cotton seed, taking into account the estimated yield of the Community harvest in cotton seed and in ginned cotton and also the net cost of ginning.
2. If the world market price for unginced cotton cannot be determined in accordance with paragraph 1, this price shall be established on the basis of the most recent price determined.

Article 4

1. The world market prices for ginned cotton and cotton seed shall be determined in the light of the

offers on the world market and the prices quoted on the major international exchanges.

2. The world market prices shall be determined on the basis of the most favourable offers and quotations recorded, excluding offers and quotations which cannot be regarded as representative of the real market trend.

3. As regards ginned cotton, the world market price shall be determined for a product delivered to Piraeus, of grade 5 as defined in Greece and having fibres 28 mm long.

As regards cotton seed, the world market price shall be determined for a product delivered in bulk to Piraeus of sound and fair merchantable quality, containing 2 % impurities and, in a random sample of seeds, 12 % moisture and 17 % oil.

Where the offers and quotations recorded do not satisfy the requirements referred to in the preceding subparagraphs, the necessary adjustments shall be made.

4. If there are no suitable offers or quotations for determining the world market price for cotton seed, this price shall be established on the basis of the value of the products obtained from the processing of those seeds, less the cost of crushing.

5. Where the world market price for cotton seed cannot be determined in accordance with the preceding paragraphs, this price shall be established on the basis of the most recent price determined, adjusted as appropriate to take account of trends in the prices of competing products.

Article 5

1. Without prejudice to Article 7 (2), when the world market price determined in accordance with Article 3 is below the guide price, aid equal to the difference between these two prices shall be granted for unginced cotton harvested in the Community.

2. Without prejudice to Article 8 (1), the amount of aid to be paid shall be the amount applicable on the day when the application for aid is made. Applications for aid in respect of a given marketing year shall be submitted prior to a date to be determined for the marketing year in question.

3. Without prejudice to Article 8 (1), entitlement to the aid shall be acquired at the time when the cotton is ginned.

⁽¹⁾ OJ No L 94, 28. 4. 1970, p. 13.

⁽²⁾ OJ No L 367, 31. 12. 1980, p. 87.

The aid may, however, be paid in advance when the unginning cotton enters the cotton ginning undertaking, provided that an adequate guarantee is provided.

4. The aid shall be paid by the producer Member States on whose territory ginning takes place.

5. The aid shall be paid for the quantity of unginning cotton which enters the cotton ginning undertaking. In order to determine this quantity the cotton shall be weighed and samples taken when it enters the cotton ginning undertaking. The quantity eligible for aid shall be calculated on the basis of the weight, the latter being adjusted for any difference between the percentages of moisture content and of impurities recorded and the percentages in relation to which the guide price is fixed.

Article 6

Aid shall be granted only to cotton ginning undertakings which apply for it and which :

1. have submitted either :
 - (a) a contract stipulating payment to the producer of a price at least equal to the minimum price referred to in Article 9 and containing a clause specifying that in the event of application of Article 7 (2) the agreed price will be reduced by the amount by which the aid is reduced following application of that Article ;
 - (b) where the undertaking gins cotton on behalf of an individual producer or a producer who is a member of that undertaking, a statement giving details of the conditions on which the ginning is carried out and how the aid is passed on to producers ;
2. keep stock accounts, with a view to enabling entitlement to the aid to be checked, which satisfy requirements to be laid down ;
3. provide the other supporting documents needed for checking entitlement to the aid ;
4. furnish proof that the cotton delivered under the contract or under the statement referred to in point 1 (b) has been the subject of the declaration of area sown referred to in Article 8 (1).

Article 7

1. As early as possible and in any event not later than the end of the third month following the final date for lodging aid applications, the quantity actually produced in each marketing year shall be determined

according to the procedure referred to in Article 11 (1), account being taken, in particular, of the quantities in respect of which aid has been requested.

2. If the quantity actually produced exceeds the quantity in respect of which aid is granted in full, the amount of aid to be paid shall be determined using the following formula :

$$A_1 \times \frac{PM}{PE} = A_2$$

where :

- A_1 = amount of aid applicable on the day when the application was made,
- PM = quantity fixed by the Council in respect of the marketing year,
- PE = actual Community production,
- A_2 = aid to be paid.

Article 8

1. Before the beginning of each marketing year, the percentage of aid paid by Member States pursuant to the first subparagraph of Article 5 (3) shall be laid down in accordance with the procedure referred to in Article 11 (1) taking into account crop estimates, until such time as the quantity actually produced is determined.

In order to draw up these estimates, a system for the declaration of area sown shall be established.

2. Any aid outstanding shall be paid after the quantity actually produced has been determined.

Article 9

1. The Council, acting by a qualified majority on a proposal from the Commission, shall each year fix a minimum price for unginning cotton at the same time as the guide price.

2. The minimum price shall be fixed for the quality to which the guide price relates, and shall apply at the farm gate. This price shall be fixed at a level enabling producers to sell at a price as close as possible to the guide price, account being taken of :

- market fluctuations,
- the cost of transporting the unginning cotton from the production areas to the ginning areas.

3. The minimum price shall be adjusted in accordance with the procedure laid down in Article 11 (1), account being taken of any difference in quality in relation to the standard quality.

Article 10

The producer Member States shall set up a system of controls to :

- ascertain the quantity of unginned Community cotton which has entered each cotton ginning undertaking,
- ascertain the quantity of unginned Community cotton which has been ginned,
- ensure that the minimum price is complied with.

Article 11

1. Detailed rules for the application of this Regulation shall be determined in accordance with the procedure laid down in Article 12 of Regulation (EEC) No 1308/70.
2. If it proves necessary to introduce transitional measures in order to facilitate the transition from the

previous system to the system set up by this Regulation, such measures shall be adopted in accordance with the procedure provided for in paragraph 1. They shall apply until the end of the 1981/82 marketing year at the latest.

Article 12

The provisions of the Regulations relating to the value of the unit of account and the exchange rates to be applied in connection with the common agricultural policy, and those of Regulation (EEC) No 729/70 shall apply by analogy to the matters dealt with in this Regulation.

Article 13

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

It shall apply from 1 August 1981.

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

Done at Brussels, 27 July 1981.

For the Council

The President

P. WALKER
