

Opinion of the Economic and Social Committee on:

- the 'Proposal for a Council Regulation adjusting, for the sixth time, the system of aid for cotton introduced by Protocol 4 annexed to the Act of Accession of Greece', and
- the 'Proposal for a Council Regulation on production aid for cotton'

(2000/C 140/09)

On 24 January 2000 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposals.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on the 14 March 2000. The rapporteur was Mr Fakas.

At its 371st plenary session (meeting of 29 March 2000), the Economic and Social Committee adopted the following opinion by 21 votes to five with two abstentions.

1. General comments

1.1. The ESC applauds the Commission's intention to simplify the current scheme, bringing together in a single Council Regulation the general principles of Protocol 4 annexed to the Act of Accession of Greece and provisions in support of cotton production. All the rules of the market will be encapsulated in the same regulation so that, in legal terms, cotton will be treated in the same way as other CAP commodities, having its own Common Market Organization. This simplification must not, however, entail the removal of important provisions aimed at achieving the objectives of Protocol 4.

1.2. The Committee welcomes the Commission's intention to maintain the current system of aid for cotton production, which plays a major role in the agricultural sector in some regions of the EU (Greece and Spain).

1.2.1. In the ESC's view, any move away from a system of aid based on deficiency payments (the difference between the guide price and the world price) would — in view of haphazard fluctuations in world prices — be disastrous for cotton production in the EU and for the incomes of cotton producers, and would lead to a decline in the quality of cotton.

1.3. Cotton is the most important textile fibre of plant origin, which should progressively gain ground over synthetic fibres. The cotton produced is of good quality, although there is room for further improvement, as European textile manufacturers require cotton of the highest quality to be able to compete internationally. The ESC would like to see proposals from the European Commission as soon as possible

aimed at improving quality further by means of specific additional incentives.

1.3.1. The ESC feels that a positive contribution towards improving quality would be for the Commission to introduce a legal provision under these regulations imposing the use of a table to determine variations in the prices of teased cotton according to the quality. Something of this kind is needed both to improve quality and to make sure that the minimum price is paid to the producer.

1.4. The ESC believes that the supplementary environmental programmes which may be implemented by Member States in addition to compulsory horizontal provisions on environmental protection with the aim of limiting eligibility for aid in certain sensitive areas will be of benefit in the effort to monitor production as well as helping to protect the environment. When designating the surface areas eligible for aid, account should be taken of the socio-economic characteristics of producers in addition to the other criteria.

1.5. Cotton is grown on irrigated land, and has in recent years replaced other similar irrigated crops, such as maize, sugar beet, tobacco and industrially-produced tomatoes, of which there is a surplus in the EU, thereby reducing production of these. Cotton cultivation methods, using fertilizers and plant health products, generate fewer environmental problems than other comparable intensive crops. Moreover, the increasing use of new and advanced irrigation technology has cut water consumption. Indeed, cotton offers an environmental benefit, in that it is the main textile fibre of plant origin competing with synthetic fibres.

1.5.1. However, in order to minimise the environmental problems of cotton cultivation, the ESC considers that biological production should be encouraged and supported, even though this is more labour intensive than traditional methods. The EU should provide further incentives through special financial support to those producers who switch to biological production.

2. Specific comments

2.1. Under Protocols 4 and 14 on cotton, annexed to the Acts of Accession of Greece and Spain respectively, a system was established with the aim of:

- supporting the production of cotton in areas where it is an important element in the agricultural economy;
- ensuring a fair income for producers;
- stabilising the market by improving supply and disposal structures for the product.

2.2. The cotton sector is of considerable socio-economic importance in certain EU regions. It provides employment for some 300 000 families in the primary sector and for more than 100 000 individuals in the secondary sector. Cotton's share of final agricultural production in Greece was, in 1998, of the order of 10 %. The proportion is up to 4 % in some areas of Spain (Andalusia).

2.3. There is a major shortage of cotton in the EU. The annual demand for teased cotton in the EU is 4,5 million tonnes, which corresponds to 1,5 million tonnes of ginned cotton. Most of this demand (around 2/3) is met by imports from third countries.

2.4. In the ESC's view, the enormous shortfall in EU cotton production, its major socio-economic importance to certain regions, the fact that the product is not a foodstuff, as well as increasing demand for cotton on world markets, necessitate bringing EU cotton production into line with current production criteria, with a parallel adjustment in budgetary expenditure. The Committee feels that the total maximum guaranteed quantity per marketing year should be

1 550 000 tonnes of unginned cotton, distributed as a guaranteed national quantity (GNQ) of 1 200 000 tonnes for Greece, 350 000 tonnes for Spain and 1 500 tonnes for each of the other Member States, the latter quantity, if not produced, being redistributed proportionately between Greece and Spain.

2.5. Bearing in mind all the factors mentioned above which point to the need to adapt cotton production in the EU, the ESC feels that the Commission proposal to increase the level of co-responsibility by 20 % (from 0,5 % to 0,6 %) cannot be accepted as it aims to discourage production and control expenditure. Furthermore, it is well known that the increase in budgetary expenditure is a cyclical phenomenon and does not justify an increase in co-responsibility. The increased expenditure is due to the fall in world prices which, from an average of EUR 35,498/100 kilos in 1995-1996, fell to EUR 19,7/100 kilos in 1999-2000. Recently, world prices have started to rise again, especially since China exhausted its stocks. In any event, the ESC feels it is unthinkable that EU cotton producers should be penalised because of the trade policy of third countries, just as it is unthinkable that the EU should propose a structural reform to tackle a cyclical blip.

2.5.1. By proposing an increase in co-responsibility, the Commission is seeking to shift the impact of this short-term external factor onto cotton producers, even though the system of deficit payments was set up to protect producers from such short-term occurrences. Once the world market has recovered, the increased co-responsibility proposed by the Commission will continue to restrict the incomes of cotton producers.

2.6. The ESC welcomes the Commission's intention that aid be paid in full to the beneficiaries.

2.7. The ESC feels that the proposed addition of 15 % to the estimated production referred to in Article 13(3) should be removed. The ESC feels that an advance payment should be made to cotton producers based on the estimated quantity to be produced and that final settlement should be made towards the end of April at the latest.

2.8. The ESC feels that the reactivation of producer groups and promotion of inter-branch organization in the sector by means of institutional consolidation, as in other sectors of the CAP, will help to solve the sector's problems.

Brussels, 29 March 2000.

The President
of the Economic and Social Committee
Beatrice RANGONI MACHIAVELLI

APPENDIX

to the Opinion of the Economic and Social Committee

The following amendments, which received more than a quarter of the votes cast, were rejected in the course of the debate:

Point 1.4

Delete the final sentence of this point:

'When designating the surface areas eligible for aid, account should be taken of the socio-economic characteristics of producers in addition to the other criteria.'

Result of the vote

For: 8, against: 10, abstentions: 3.

Point 1.5.1

Replace the word 'biological' with 'integrated'.

Result of the vote

For: 8, against: 19, abstentions: 2.
