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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 189 final

Brussels, 23 April 1981

Proposal for a
COUNCIL REGULATION (EEC)
laying down the general rules for the system of aid for cotton and the
minimum price for the 1981/82 marketing year



(submitted to the Council by the Commission)

COM(81) 189 final

EXPLANATORY MEMORANDUM

1. Protocol 4 to the Act of Accession of Greece set up a system of aid for Community cotton and laid down the basic principles of the system.
Pursuant to that Protocol the Council has to adopt :
 - "- the rules of procedure and of sound management for its application;
 - "- the general rules of the system of aid to production and the criteria for determining the world market price;
 - "- the general rules concerning the Community financing of the expenditure involved."The Regulation now proposed comprises the above provisions.
2. As regards the "rules of procedure and of sound management", the Commission considers, in view of the specifically agricultural nature of cotton production, that the procedure generally used in agricultural sectors should be followed, namely the Management Committee procedure.

In view of the nature of the product concerned (textile fibre), it seemed desirable to use an existing Management Committee (the Management Committee for Flax and Hemp) rather than to set up a new one.
3. According to the Protocol the system for cotton is to include aid whose amount will be based on the difference between the guide price for cotton that has not been ginned, and the world market price. However, there is no world market price for unginned cotton, there being no international trade in that product. Therefore it is proposed that the world price for unginned cotton should be determined by taking the price of ginned cotton and deducting the cost of ginning.
4. The Protocol provides that the aid shall be granted via cotton ginning undertakings. To enable farmers to benefit from the aid system, it is proposed that the granting of the aid should be made subject to production of proof that producers have obtained at least a price close to the guide price (minimum price).

This proposal also covers the fixing of the minimum price for the first marketing year. It has been calculated by reference to the guide price proposed by the Commission for the same marketing year.

5. The proposal takes account of the fact that, in accordance with paragraph 3 of the Protocol, the aid is multiplied by a coefficient if the quantity actually produced exceeds the quantity fixed in advance. It is therefore provided that, before the quantity actually produced is determined, advance payments may be made to the beneficiaries of the aid to reduce the disadvantages arising from late payment of the aid.

6. The proposal also includes the necessary provisions on :

- the date of the beginning and the end of the marketing year,
 - the conditions which the recipients of the aid must satisfy,
 - the control system to be set up by the producer Member States,
 - the granting and payment of the aid.
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Proposal
for
COUNCIL REGULATION (EEC)

laying down the general rules for the system of aid for cotton and the minimum price for the 1981/82 marketing year

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Act of Accession of Greece, 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 on 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 co-operation 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 Council Regulation (EEC) No 1308/70 ⁽¹⁾, as last amended by the Act of Accession of Greece, should perform this function;

Whereas, in order to facilitate the management and control of the said 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 proof that they have obtained a minimum purchase price, to be determined, which is close to the guide price fixed in accordance with paragraph 8 of the Protocol;

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 lessen the

(1) OJ No L 146, 4.7.1970, p. 1.

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 un-ginned cotton and the world market price; whereas, since there is no international trade in unginned cotton, and there are therefore no offers or 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 price on the world market of 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 average 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 the basis for the fixing of 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;

Whereas, in order that the Community expenditure relating to the measure in question may be subjected to appropriate financial and monetary rules and procedures, the provisions of Regulation No 729/70 of the Council, of 21 April 1969 concerning the financing of the common agricultural policy⁽²⁾, as last amended by Regulation (EEC) No 3509/80⁽³⁾, 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, in view of the specifically agricultural nature of cotton,

HAS ADOPTED THIS REGULATION :

²OJ No L 94, 28.4.1970, p. 13

³OJ No L 367, 31.12.1980, p. 87

Article 1

For the purposes of this Regulation :

- (a) "unginned cotton" shall mean the capsules or fruit of the cotton plant (*Gossypium*) which have reached maturity and have been harvested;
- (b) "ginned cotton" shall mean the cotton fibres (other than linters and cotton waste) from which only the seeds and most traces of the capsules, leaves and soil have been removed.

Article 2

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

Article 3

1. The world market price for unginced cotton shall be determined from time to time on the basis of the world market prices recorded for ginned cotton and cotton seed and in the light of the estimated yield in cotton seed and in ginned cotton of the Community harvest and of the cost of ginning.
2. If the world market price for unginced cotton cannot be determined in accordance with paragraph 1, this price shall be fixed at the level of the guide price.

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 n° 5 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, with a 12 % oil content, a 9 % moisture content and 2 % impurities.

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 determined 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 should 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. Subject to the provisions of Article 6(3), 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 unginned cotton harvested in the Community.
2. The aid shall be granted to cotton ginning undertakings which apply for it and which :
 - (a) have concluded a contract with producers stipulating payment to the latter of a price at least equal to the minimum price referred to in Article 7, reduced, where appropriate, by the amount by which the aid is reduced in accordance with Article 6(3), except in cases where a derogation has been allowed in accordance with the procedure referred to in Article 9;
 - (b) keep stock accounts, with a view to enabling entitlement to the aid to be checked, which satisfy requirements to be laid down;
 - (c) provide the other supporting documents needed for checking entitlement to the aid.
3. 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.
4. Entitlement to the aid shall be acquired at the time when the cotton is ginned. The aid may, however, be paid in advance when the unginned cotton enters the cotton ginning undertaking, provided that an adequate guarantee is provided.
5. The aid shall be paid by the Member State on whose territory the ginning takes place.

5. The aid shall be paid for the quantity of unginned cotton which enters the cotton ginning undertaking.

In order to determine this quantity the cotton shall be weighed and samples shall be taken when it enters the cotton ginning undertaking. The 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

1. Pending determination of the quantity actually produced in a marketing year, producer Member States shall make an advance of a proportion of the aid to the recipient undertakings. The amount of this advance shall be laid down, in accordance with the procedure referred to in Article 9, before the start of each marketing year, in the light of harvest forecasts.
2. As early as possible and in any event not later than the end of the third month following the final date for submission of aid applications, the quantity actually produced in each marketing year shall be determined according to the procedure referred to in Article 9, account being taken in particular of the quantities in respect of which aid has been requested.
3. If the quantity actually produced exceeds the total quantity in respect of which aid is granted, the amount of aid to be paid shall be determined by means of the following formula :

$$A1 \times \frac{PM}{PE} = A2$$

where :

- A1 = 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;
- A2 = aid to be paid.

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

Article 7

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

The minimum price shall be fixed for the quality to which the guide price relates, with a fibre content of 32 %. 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 cotton from the production areas to the processing areas.

2. However, for the 1981/82 marketing year the minimum price for unginned cotton shall be fixed at 70.00 ECU per 100 kg.

Article 8

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;
- to ascertain the quantity of unginned cotton which has been ginned;
- to ensure that the minimum price is complied with.

Article 9

Detailed rules for the implementation of this Regulation shall be determined in accordance with the procedure laid down in Article 12 of Regulation (EEC) No 1308/70.

Article 10

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.

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

Done at

For the Council