

Commission consults stakeholders on cotton regime

The European Commission has published a consultation concerning the EU cotton regime. Following the reform of the Common Agricultural Policy in 2003, the Council in 2004 adopted a new aid regime for cotton (applicable from January 2006). Under the new arrangement 65 % of the aid was "decoupled" (i.e. no longer linked to production) and 35 % remained linked to cotton production, in the form of area payments. The reform was contested by the Spanish government, at the European Court of Justice, which annulled the cotton reform in September 2006. The Court did not question the reform's approach (i.e. the change of support system) but found that the Commission had failed to carry out an impact study that included labour costs in the calculation of production costs, and failed to assess the effect of the reform on the local ginning industry. As part of the preparation of the impact assessment, prior to the preparation of a new proposal, the Commission is launching an internet consultation. Responses will be taken into account when the options for the new proposal are considered.

Cotton is an arable crop used both for its seeds, from which oil and oilseed cakes are made, and for its fibre. Today in the EU, cotton is only a small sector which accounts for less than 2 % of world cotton production and less than 0.0025 % of the EU's UAA (utilised agricultural area). The EU is a net importer of cotton. Support for the production of cotton under the Common Agricultural Policy started in 1981, with the accession of Greece. Since then the regime has been revised regularly. Today the EU's main producing countries are Greece and Spain, with some production also in Bulgaria and Portugal.

Following the 2003 CAP reform, the Council adopted a new aid regime for cotton in 2004, applicable from January 2006. Under the new arrangement, 65 % of the previous aid was "decoupled" (no longer linked to production) and 35 % remained linked to cotton production, in the form of area payments. Decoupling means that priority is given to supporting the income of producers, rather than what they produce. To be eligible for coupled aid, cotton can be grown only on land authorised by the Member State, using authorised varieties of seed, and the cotton must be maintained at least until the boll opens. This coupled element has been kept to avoid abandonment of production. Payments are subject to environmental and sanitary standards being met ("cross-compliance").

The 2004 reform was challenged by the Spanish government and the European Court of Justice annulled it in September 2006. The Court ruled that the principle of proportionality (the EU may act only to the extent that is needed to achieve its objectives) had not been observed. The Court did not question the reform's approach (i.e. the change of support system) but stated that the Commission had failed to carry out an impact study that included labour costs in its calculation of production costs, and the potential effects of the reform on the local ginning industry. It instructed that a new regulation should be prepared and adopted within a "reasonable time frame". As part of the new proposal to be prepared by the Commission services, an impact assessment is to be carried out.

Production and support for cotton in the EU gives rise to many economic, environmental, social and quality questions, on which it would be useful to have the views of stakeholders. The call for evidence therefore requests input on the various issues on which the Commission would like to have the views of producers, consumers and taxpayers, in view of formulating a revised EU support scheme for cotton.

The complete consultation is available in 6 languages at:

<http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=cotton&lang=en>

as from 8th May 2007. The consultation will close on 22nd June 2007. Results will be published in the second half of 2007.