

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Greece

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### Cotton Policy Update 2012

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Cotton and Products

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**Report Highlights:**

Current EU-27 Cotton Policy is detailed in Regulation 637/2008, amending Regulation 1782/2003 and establishing national restructuring programs for the cotton sector. The future of the cotton sector in Greece is strictly related to the further development in the subsidy scheme, especially after that the CAP reform will be implemented.

## **Cotton Policy Update**

Current EU-27 Cotton Policy is detailed in Regulation 637/2008, amending Regulation 1782/2003 and establishing national restructuring programs for the cotton sector. Because of the risk of production disruption in the cotton producer regions, the payment has two components: 65 percent of aid is "decoupled" (i.e. no longer linked to production) and 35 percent is linked to cotton production ("coupled") in the form of area payments. Decoupling means that priority is given to supporting the income of producers, rather than the product they produce. Producers receive the aid in return for respecting strict standards of environmental protection, animal welfare, and food safety ('cross compliance'), and are free to produce whatever they wish.

Greece and Spain are major cotton producers in the EU. For production aid, maximum base eligible areas were reduced and are now set at 250,000 hectares for Greece and 48,000 hectares for Spain. To be eligible for the aid, the area must be located on agricultural land authorized by the Member State for cotton production, sown under authorized varieties, and harvested under normal growing conditions. The aid is paid for cotton of sound, fair, and merchantable quality. The aid is paid per hectare of eligible area by multiplying fixed reference yields by reference amounts fixed for each country. The seed cotton yield is fixed at 3.2 tons/ha for Greece and 3.5 tons/ha for Spain. Fixed amounts per hectare are set at €251.75 for Greece and €400 for Spain. If the eligible area exceeds the maximum base area, the aid per hectare is reduced proportionally. In addition, national restructuring programs—financed by the Community— have to be established, introducing market orientation measures, in support of quality schemes and promotion activities, and ensuring a more viable ginning industry.

November 20, 2008, the EU Council asked the Commission to put forward a Proposal to enable Member States concerned to prolong the four-year deadline for their restructuring plans for a further four years, in order to carry out the restructuring process as effectively as possible. The new Proposal—National Restructuring Programs for the Cotton Sector - COM (2009)37— was adopted on March 31, 2009. Without increasing the annual budgetary allocation available to Member States for restructuring programs (4 Mln Euros for Greece and 6,134 Mln Euros for Spain), the Proposal offers Member States the possibility to present their restructuring programs for a period of 8 years (2010-2017). If Member States choose to submit an eight-year program, their annual budgetary envelope will be automatically transferred in 2018 to their national ceiling for direct payments, in accordance with Annex VIII of Regulation (EC) No 1782/2003. In addition, with the aim of ensuring that all ginning factories active in the reference period should be eligible for the aid, ginning factories not operated by their owners in the reference marketing year are included as beneficiaries of the measures under Regulation (EC) No 637/2008.

The future of the cotton sector in Greece is strictly related to the further development in the subsidy scheme, especially after that the CAP reform will be implemented. Cotton is a major agricultural crop in Greece, accounting for more than 8 percent of total agricultural output. More than 75,000 farmers

grow cotton, producing about 80 percent of the EU-27 crop. There are approximately 30 ginning companies in Greece with about 50 ginning units. About 80 percent of the companies are private and the remainders are cooperatives. The top five companies own about 60 percent of ginning capacity.