



C-310/04 – Spain v Council, judgment of 7.9.2006

Agriculture – Amendment of the support scheme for cotton – Principle of proportionality

The support scheme for cotton, established upon Greece's accession and extended when Spain and Portugal acceded is intended in particular to support cotton production in the regions of the Community where it is important for the agricultural economy, to enable the producers concerned to earn a fair income and to stabilise the market by improving structures at the level of supply and marketing.

As part of the reform of the common agricultural policy, the Council adopted new common rules for direct support schemes for cotton producers. Spain brought an action before the Court of Justice seeking the annulment of this new support scheme for cotton. It argued in particular that the amount of the specific aid for cotton and the fact that eligibility for the aid is subject to the sole condition of maintaining the crop until the boll opening are manifestly inappropriate.

The Court dismissed all of Spain's pleas except for the plea concerning observance of the principle of proportionality. In particular, it recalled that with respect to the common agricultural policy the Community legislature has wide discretion and that judicial review by the Community Court must be limited to verifying that the measure in question is not vitiated by any manifest error or misuse of powers and that the authority concerned has not manifestly exceeded the limits of its discretion. However, such judicial review requires that the Community institutions which have adopted the act in question must be able to show before the Court that in adopting the act they actually exercised their discretion, which presupposes taking into consideration all the relevant factors of the situation which the act was intended to regulate.

In this case, the Court considered that they had not established that they had actually taken into consideration all the relevant factors and circumstances, including all the labour costs linked to cotton growing and the viability of the ginning undertakings, necessary for assessing the profitability of the crop. It was therefore unable to ascertain whether the Community legislature was able, without exceeding the bounds of the broad discretion it enjoys in the matter, to reach the conclusion that fixing the amount of the specific aid for cotton at 35% of the total existing aid under the previous support scheme would suffice to guarantee the objective of ensuring profitability and hence the continuation of the crop. The Court therefore concluded that the principle of proportionality had been infringed.

Nevertheless, to avoid any legal uncertainty as to the scheme applicable to aid in the cotton sector following the annulment decision, the Court provided for the suspension of the effects of the annulment – and therefore the continued application of the annulled provisions – until the adoption, within a reasonable time, of a new regulation.