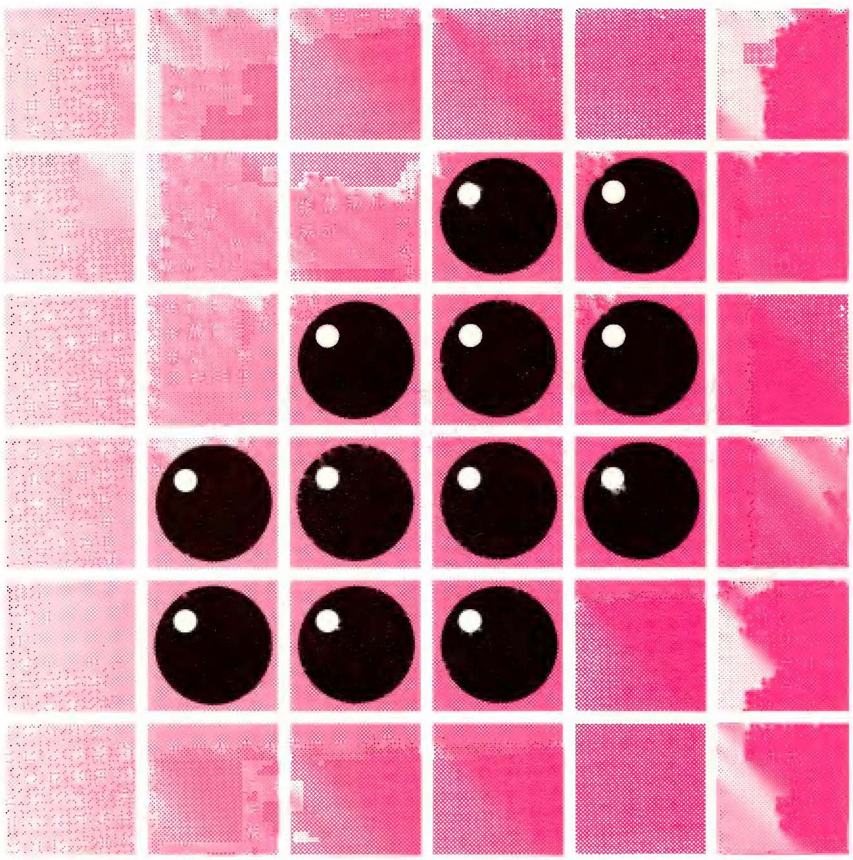
Periodical 1/1988

WINE IN THE EUROPEAN COMMUNITY



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Wine in the European Community

(Second edition)

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A — The story of the vine and wine — a brief outline

1. *Origins*

The vine, such an important plant in European history and culture and one of such great economic and social significance, is a species native to the territory of the European Community.

There are some indications that the genus *Vitis* was already in existence in the Pliocene epoch (from ten to one million years BC) of the Tertiary period, in Asia Minor, Western Europe and perhaps even in America. However that may be, *Vitis silvestris* was certainly present in the spontaneous flora of Greece, Italy, France, Germany and Spain from the beginning of the Quaternary period (one million to 600 000 years BC) and *Vitis vinifera* (or *Vitis sativa*) was unquestionably being grown in the Bronze Age (3000-1500 BC) in Egypt and on the islands of the Aegean Sea, now part of Greece, and from the Iron Age (1500-1000 BC) onwards in Italy and in other parts of Europe, where cultivation has continued down to the present time. Along with the indications that *Vitis vinifera* was being cultivated there also appears, as far back as the Bronze Age, evidence of the production of wine in the form of vessels for holding wine (casks, earthenware jars, amphorae, carafes, glasses, cups and goblets), wine presses and cellars.

2. *Wine and European culture*

Since that period the entire history of humanity in what is now the Community and over the whole Mediterranean area has been inextricably bound up with the vine and with wine. Mythology, painting, sculpture, poetry, customs, eating habits, trade, medicine, even religion, in short the whole fabric of life of the European Mediterranean peoples bear the immemorial imprint of the vine and wine. We need only recall the god Bacchus (or Dionysus) depicted and sung of on countless occasions, and sculpted indeed by Michelangelo, Etruscan tomb furnishings, the drinking scenes at Pompei and those of Rubens, Velázquez, Murillo, Le Nain, and Jordaens and the other Flemish painters, the remains of ancient Roman taverns, the wine storehouses at Ostia, Byzantine mosaics, the activities of the monastic orders of the Middle Ages, the histories of Herodotus, Xenophon and Tacitus, the poetry of Homer, Anacreon, Horace, Omar Khayyam, Rabelais, Baudelaire and Carducci, the writings on agriculture of Pliny, Columella and Cato, the medical rules of the School of Salerno, folk songs, Biblical mentions of wine and the symbolic use of wine in Christianity. The history of the Mediterranean countries of the Community is shot through with the vine and wine: in their museums, libraries, art galleries and theatres, in their archaeology and in their architecture.

3. *A viticultural society and countryside*

Wine and the vine have not only permeated the culture of these countries. They have throughout history helped to shape the type of society to be found in them. The vine is above all a plant of settlement. It forced man to give up his nomadic wanderings and to establish himself on the land, founding permanent settlements and going on from hunting and fishing to a more developed use of the resources of the land. To plant a vine is to choose a place in which to live for many decades, building homesteads, villages and machinery — infrastructures in a word — and taking on a much more binding commitment than that imposed by the earlier types of agriculture involving only the grazing of animals and the growing of seasonal cereals.

Cultivation of the vine marked a turning point in the history of mankind and was a direct factor in the shaping of new agricultural landscapes, those that we still see in France, Greece, Italy, Spain, Portugal, Luxembourg, Germany and throughout the Mediterranean area of the European Community: vines trained on trees, planted in rows, grown on pergolas; peasant cottages; wineries, including cooperative ones today; and the workshops of craftsmen building casks and making tools.

4. *Wine and food in the Mediterranean*

The spread of cultivation of the vine meant that wine became part of the general diet. Sweet or alcoholic, it was not only an energy-giving food that supplemented the modest diets of those times but also, and perhaps primarily, it offered a sense of well-being and happiness and, for the better off, new pleasures of the table. It is a reasonable assumption that the success of this magical drink, which according to Biblical tradition was discovered by Noah, also owed a great deal to the fact that no alternative means of distraction were available to the mass of the people until a few decades ago. In the time of the Greeks, Egyptians and Romans, the cinema, cars, radio and television, discotheques, popular novels, illustrated magazines, comics, newspapers, tobacco, weekends free of work and so on just did not exist.

Grape harvest. Marble sculpture from second century AD (Thessaloniki Museum).

Thus, although the powers that be took care to give the people 'bread and circus-games and although perhaps the ancients did not get bored as easily as we do, food and wine were among the essential pleasures of life and an area in which there was scope for the parading of status symbols.

Wine and bread consequently became staples of agriculture, irreplaceable in the diet of the mass of the people, and a symbol of hospitality. It was thus with good reason that they were sanctified by Christianity in the mystery of the Eucharist. But above all wine more than any other drink, whether fermented or not, offers by reason of its different levels of quality and its varying characteristics such a range of choice and price that it has been drunk by rich and poor alike at all times. Many names of wines have become celebrated and have passed into gastronomic history. In this wine is distinguished from all other drinks. Reputed, in ancient Greece for example, were the wines of Chios, Cos, Pramnios, Cyprus, Lesbos, Rhodes, Samos and Heraklion, in Italy Mamertine, Caecuban, Falernian, Rhaetian and Picene, in France the wines of Narbonne and Provence, in Germany those of the Rhine and the Moselle and in Spain those of Tarragona and the Balearics. A number of special types of wine are known to us from antiquity: wine mixed with myrrh, honey or roses, cooked wine and wine flavoured with wormwood, the forerunner of vermouth.

The tradition of drinking wine in taverns, a male prerogative, has with the advent of higher living standards and changing social customs, in the last few centuries in particular, gradually given way to the drinking of wine in the home and in restaurants. Hence the popularity of the bottle, continuing as it does the old partnership between wine and glass.

But the bottle of wine as we now find it on the tables of the Mediterranean peoples of the Community enshrines a whole series of symbolic social values accumulated over thousands of years.

Today we drink wine because we enjoy it, because it is nourishing, because it quenches the thirst or because it contains alcohol, but we also drink 'the idea of the bottle of wine', made up of the wine itself, the glass recipient containing it and the label describing the contents. In the regions of the Community where there is a long tradition of wine production wine is also drunk because it is a natural product which it is a family custom to drink, completing the meal, enriching the table with colour and with fantasy, making a festive occasion. The choice is personalized, emotionally involving those who sit down to taste it. Wine in its traditional recipients has a language and a ritual of its own.

None of this can be said of other drinks, the primary purpose of which is to quench the thirst, as an alternative to water. They differ from wine in remaining on the margins of gastronomy, in which wine occupies a central place.

5. Economic and political aspects

The immense importance of both vine and wine in the different facets of the social life of the Mediterranean peoples is matched by that of viticulture in economic and in political life.

The vine accompanied the spread of Mediterranean civilization from the Middle East to Greece and to Rome and then invariably accompanied the expansion of Roman rule in the Italian peninsula, Illyria, France, Germany and Spain.

A large proportion of the agricultural population supported itself from the vine, olives and cereals, and also from stock rearing. The times when viticulture was in prosperity or decline often coincided with periods of prosperity and decline of the various regions of the Empire and of the Empire itself.

This was particularly so when the vine, first of all grown by Roman soldiers on the land granted to them, was placed in the care of slaves or freedmen, and then of the serfs crushed by the burden of taxation required to maintain the gigantic bureaucratic apparatus of the Empire of Diocletian and Trajan.

For more than 2 000 years the importance of viticulture has been such as to require meticulous regulation of the production and marketing of wine, with very strict rules against fraud, measures to limit cultivation in periods of serious excess supply, and marketing regulations. There being nothing new under the sun, wine has always been an inexhaustible und irreplaceable source of tax revenue.

We may cite the Roman Law of the Twelve Tables of 450 BC containing provisions on pruning, the Edict of Domitian of 92 AD limiting cultivation of the vine (revoked by Probus two centuries later), the reforms of Diocletian, which bound agricultural workers to the land, the Edict of Rothari in 643, the capitulary 'de Villis' of Charlemagne around 800, which gave fresh impetus to viticulture, and innumerable other documents of every era dealing in particular with taxes and fraud.

6. *Trade in wine*

Wherever vines were grown merchants in wine were also to be found.

As early as 1500 BC Phoenician boats were crossing the Mediterranean with wine produced in Greece, Italy and Spain. After them came the Greeks, who discovered the Italian peninsula some time around the eighth century before Christ and founded their own colonies and trading posts there. These colonies, known as Magna Graecia, became flourishing markets where the wine trade played a major role.

At the colony of Sybaris, for example, it appears that even then there existed an earthenware pipeline to carry the wine from the cellars to the port for shipment to countries where it was required. The merchant Geliasos Tellias had a cellar with 300 one-hundred-amphora casks, and another cellar with a capacity of 1 000 amphorae (more than 400 hectolitres). Wine was thus being imported and exported from the Iron Age onwards, primarily in exchange for other necessities of life, including timber and arms. Trading in wine was an important economic activity for many Mediterranean cities.

Trade in wine was probably not unconnected with a number of wars, if it is true that the Roman wine merchants were among those who supported Cato's campaign for the destruction of Carthage, then the seat of a flourishing wine trade.

Certainly it was for the purpose of suppressing competition that Domitian, albeit unsuccessfully, prohibited viticulture in Gaul in 92 AD.

Merchants, however, were not always held in high esteem. In 218 BC, for example, a Claudian law stopped Roman senators from trading in wine by forbidding them to own vessels with a capacity of more than 200 amphorae (82 hectolitres), and the 'negotiatores' who in the era of the Roman Republic travelled in the newly conquered countries to start up trade in wine and other products were of very humble social position, often slaves or half-free men. Trimalchio, the wine merchant who has passed into history on account of his legendary banquets, was an ex-slave.

It is significant that from the beginning and for thousands of years the trade in wine was dominated by the city-based merchant with a technical, commercial and financial organization specifically geared to wine, while those who grew vines and made the wine were all but unrepresented.

It is only at the beginning of the modern period, in the seventeenth century perhaps, that we find the first solid evidence of commercial organization by producers, generally confined, however, to the great estates of the nobility and to religious establishments.

It is only at the end of the nineteenth century that we find a new type of operator appearing on the great wine markets, the producers' joint undertaking, or wine cooperative.

Today, of the 270 million hectolitres of wine produced on average in the countries with free economies, perhaps 100 million are produced and marketed by wine cooperatives, who themselves often form second and third-tier organizations and may engage in international trade.

7. *From the Roman Empire to the EEC*

The development of wine growing from antiquity to the twentieth century has been one of slow expansion, interspersed by long periods of depression.

From the period when it first began to be grown to the time of the Roman Empire's greatest splendour, when it spread step by step to embrace almost all the then known parts of Europe and the Middle East, the vine became ever more predominant in the agriculture, the economy and the customs of the Mediterranean peoples.

When the Empire fell, viticulture, like the rest of agriculture, decayed rapidly. The fall of Rome and the barbarian invasions marked its lowest ebb. A valuable role was then played by the monastic orders, in particular the Benedictines and Cistercians, who in the seclusion of their monasteries preserved agricultural skills, in particular that of wine production, and kept them alive for centuries.

Under Charlemagne, in the period around 800 AD, the Holy Roman Empire was revived and the fortunes of viticulture improved. European vinegrowers, now freed from the barbarian hordes, were able to go about their work without danger.

The general state of depression of agriculture and viticulture lasted however throughout the Medieval period and was often aggravated by periods of famine and by the plagues that carried off large numbers of the population.

With the beginning of the Renaissance the vine and wine began to flourish again, as did the whole of European civilization, destined as it was to achieve new heights in all areas, the arts and sciences in particular.

The discovery of America finally opened the gates of the entire world to the vine.

The plant sacred to Bacchus emerged from its traditional Mediterranean habitat and, thanks to its extraordinary capacity to adapt, gradually spread and thrived throughout the temperate regions of the globe, from Chile to California, South Africa to Australia, Brazil to North Africa, New Zealand, Canada and Mexico. Then came the beginnings of modern oenological and viticultural science with Chaptal, Olivier de Serres, von Babo, Liebig, Pasteur, Spallanzani, Appert, Simon de Rojas, etc. The names indicative of origin that still make up the world wine map today, including those of Champagne, port, Marsala, sherry, Burgundy, Chianti, Bordeaux, Tokay, Barolo, Asti, Rioja, Alsace, Turin vermouth, Mascara and Napa Valley, began to emerge.

The scourge of phylloxera, which almost put an end to cultivation of the vine in Europe at the end of the last century, was defeated by means of a contribution from the New World.

The role of the vine in the agricultural economy of the world has taken on new dimensions and created new problems. The production and marketing of wine has become, like every other economic activity, a part of the modern international world.

Finally there is the new reality of Europe: the European Economic Community, with its manifold rules and regulations, in which the ancient Mediterranean art of growing grapes and turning them into wine is recognized and finds its proper place.

B — The vine and wine in the world

1. *9.6 million hectares of vineyards*

How does this legacy of vines and wines that has come down to us through the millennia from Biblical times stand today?

EEC and world wine production

(1 000 hectolitres)

	1981	1982	1983	1984	1985	1986 estimate
World	310 988	365 812	311 692	322 848	301 237	330 116
of which:						
EUR 12	184 021	219 675	207 964	190 498	185 504	200 103
of which:						
France	57 311	79 093	67 894	63 418	69 349	70 157
Greece	5 470	4 500	5 250	5 025	4 559	4 522
Italy	69 700	71 948	81 500	70 170	63 340	71 600
Luxembourg	97	256	185	152	107	160
FR of Germany	7 480	16 128	13 392	8 882	5 402	10 255
Spain	33 667	38 251	31 238	34 179	33 103	35 500
Portugal	10 290	9 489	8 483	8 655	9 744	7 900
Other countries						
Argentina	21 633	24 984	24 719	18 808	18 571	22 500
USSR	34 420	34 625	35 100	34 025	–	25 000
USA	16 385	19 494	14 762	17 001	17 204	19 500
Yugoslavia	6 887	8 576	7 877	6 920	3 660	6 500
Romania	7 600	8 700	–	–	–	6 100
Hungary	3 905	6 782	6 275	5 073	2 890	6 000
Bulgaria	4 872	4 888	4 476	4 171	3 400	6 940
South Africa	7 726	8 950	9 174	9 042	8 314	8 500
Chile	5 400	6 100	4 384	9 000	3 500	7 500
Australia	3 742	4 026	–	–	4 622	3 300
Austria	2 085	4 906	3 698	2 519	1 126	2 000
Switzerland	852	1 835	1 610	1 095	1 164	1 720
Algeria	2 669	1 450	1 750	1 400	972	1 270
Brazil	–	–	–	–	2 285	–

Source: For EEC countries: Eurostat.
Others: IWO (International Vine and Wine Office).

The International Vine and Wine Office (IWO), the official body to which almost all the countries in which the vine is cultivated belong, calculates that the area under vines worldwide has stabilized in the last few years at around 9.6 million hectares spread over approximately 50 countries.

Europe is easily predominant, with 17 countries accounting for almost 6.7 million hectares. Asia follows with 1 486 000 hectares, followed by America with 890 000, Africa with 346 000 and Oceania with 69 000.

In Europe the only countries in which the vine is not grown are the Netherlands, Poland, Ireland, Denmark, Norway, Sweden and Finland. The United Kingdom is not counted among the vine-growing countries but does have some vineyards, and in Belgium small quantities of grapes are grown under glass.

In Asia the vineyards of Turkey, producing table grapes and grapes for drying, are important, though Turkey generally considers itself to be at least in part European. Then follow Iran, Afghanistan, India and Syria, all with vineyards predominantly devoted to table grapes and grapes for drying. Also to be mentioned are Cyprus, China, Japan, Iraq, Lebanon, Israel, etc.

In the New World the main vine-growing countries are Argentina, the United States and Chile. Brazil, Mexico, Uruguay and Peru are also important, and Canada has joined them in the last few years.

In Africa the vine is found in the more northerly countries, including Algeria, Tunisia and Morocco, and also in South Africa. It is still cultivated in Egypt, where it flourished 4 000 to 5 000 years ago.

World area under vines

(1 000 hectares – IWO)

Continent	Average 1909-14	1930	1950	1965	1980	1986
Europe	6 380	6 470	6 489.3	7 565	7 204	6 687
Asia	19	45	721.0	1 166	1 459	1 486
America	180	265	568.0	706	934	840
Africa	192	341	524.3	565	445	346
Oceania	24	46	55.0	57	75	69
Total	6 795	7 167	8 357.6	10 059	10 117	9 428

2. *More than 300 million hectolitres of wine*

World production of wine has been more than 300 million hectolitres for the last decade: 313.7 million hectolitres in 1981, 354.3 million in 1980 and 378 million, the highest ever recorded, in 1979 (figures from IWO).

Europe, which has 71% of the total area under vines, accounts for roughly 80% of total production of wine. The discrepancy is mainly accounted for by the fact that Asia has 14.4% of the total area under vines but produces mainly table and dried grapes.

In 1981 Europe produced 237 million hectolitres of wine, in 1980 280 million and in 1979 307.2 million. Until the middle of this century however the dimensions of world viticulture were not comparable to those of the present day. After the splendours of the golden age of the Roman Empire, the dark centuries of the early Middle Ages, the years of progress from the Renaissance to the nineteenth century, after the great expansion of viticulture in Europe between 1700 and 1800, the upset occasioned by the ravages of phylloxera at the end of the nineteenth and the beginning of the twentieth centuries, there were between the two world wars only 6.5 million hectares under vines giving an average production of some 100 million hectolitres. But at that time — 1920-30 — the population of the world was less than 1 500 million inhabitants, of whom approximately 400 million were in Europe.

In the last 35 years however there has been a spectacular expansion of viticulture and wine production throughout the world.

In the 1950s the area under vines reached 8 million hectares and production reached a figure of 200 million hectolitres. In the 1960s the area went up to 10 million hectares and production climbed to 250 million hectolitres.

It is notable that in the period of greatest expansion of viticulture, areas have gone down in the countries which have been growing vines longest, such as France, Italy and Spain, while there have been big increases in Eastern Europe (particularly in the USSR), the Americas (particularly Argentina and the United States), South Africa and even Asia (Turkey, Iran, Syria) where the vine is grown mainly to produce dried and table grapes.

In the 1970s the total area under vines remained very nearly constant but new growing techniques have increased production to more than 300 million hectolitres. In the meantime world population reached 4 400 million, with Europe accounting for roughly 700 million.

Thus, world production of wine has evolved significantly, expanding in four continents, to a lesser extent in Asia and to a greater extent in America, while in Africa production has dropped in the past decade as a result of the decline in Algerian production.

World production of wine

(1 000 hectolitres – IWO)

Continent	Average 1909-14	1930	1950	1965	1980	1986
Europe	125 357	132 550	148 965	225 976	281 590	268 162
Asia	190	180	575	1 762	3 166	1 957
America	6 747	12 620	23 383	33 152	52 107	45 238
Africa	8 601	16 450	18 471	21 846	12 960	10 263
Oceania	239	740	1 567	923	4 482	4 496
Total	141 134	162 540	192 961	283 659	354 305	330 116

3. An international business

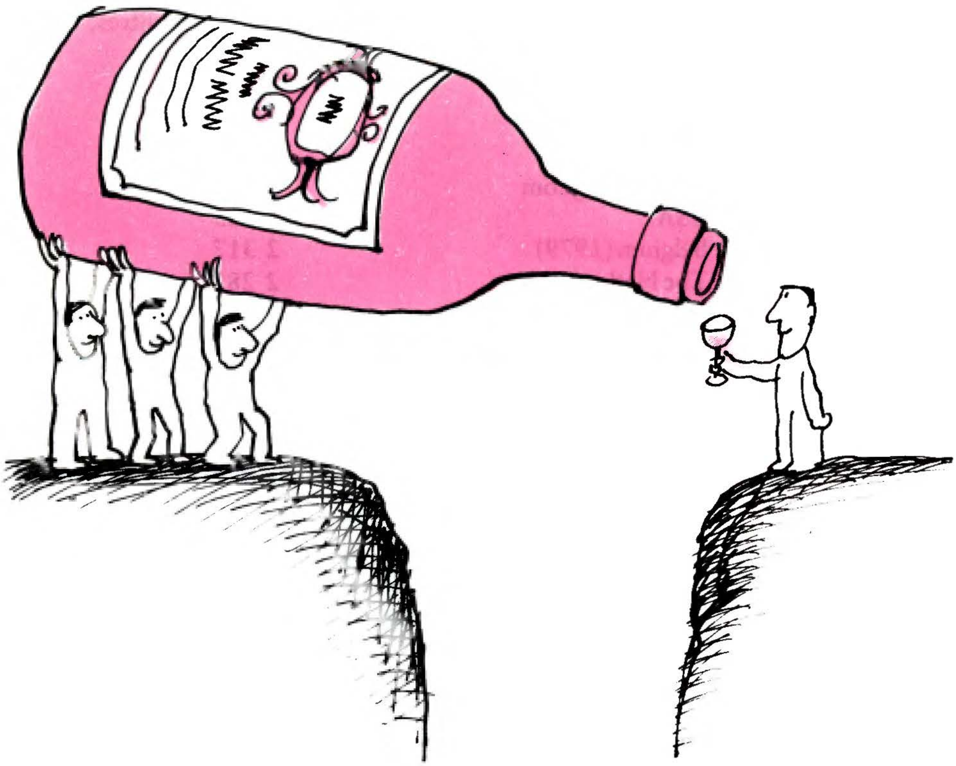
The world's production of wine not only represents an irreplaceable source of farm income in the major wine-producing countries but also gives rise to important commercial and industrial activities.

The wine produced by millions of growers has to reach the tables of millions of consumers and in between come the tens of thousands of trading and distributive businesses, with bottling plants, cellars for storage and maturing, warehouses, and land and sea transport. They often engage in extensive advertising campaigns.

Other enterprises manufacture special wines such as vermouth, aromatized wines and wine-based aperitifs. Others again produce wine vinegar and distillates of wine and marc or alcohol for use in the food industry. Downstream by-products (tartrates, grape-seed oil, etc.) are a major sector, and there is also the manufacture of machinery and equipment, and bottles and other recipients.

Another important aspect of the sector is international trade. Although each country that produces wine tends to protect its own growers from competition from foreign wines and although the consumers of each country tend spontaneously to favour their own country's wines, in recent years 15 to 17% of world production has been exported from the country of production (or, alternatively, imported).

Figures from the International Vine and Wine Office for 1985 show the following for the main exporting countries (in thousands of hectolitres):



Italy	17 988
France	11 617
Spain	6 481
Hungary	3 221
FR of Germany	2 919
Bulgaria	2 074
Portugal	1 369
Yugoslavia	1 369
Greece	1 308
Algeria	1 300
Argentina	604

In 1986, however, exports from Italy fell to 11 553 000 hl and France overtook Italy with 12.8 million hl.

The main importing countries are the following (in thousands of hectolitres, 1985):

FR of Germany	9 568
France	6 859
USSR (1984)	6 780
United Kingdom	5 882
USA	5 185
Belgium (1979)	2 317
The Netherlands	2 282
Switzerland	2 051
Canada (1984)	1 680
Germany (GDR) (1984)	1 541
Denmark	1 059
Sweden	938
Japan	508
Poland (1984)	486

If we compare today's figures with those of the past we find that of the main exporting countries France was exporting 2 to 3 million hectolitres at the end of the nineteenth century (this dropped to 1 to 2 million hectolitres for a period of roughly 60 years). These three were followed by Greece, Hungary, Tunisia and Portugal, who each exported quantities varying between 0.5 and 1.5 million hectolitres. Algeria was a special case: when it was a French province it sent 7 to 15 million hectolitres of wine to France every year and sometimes even more.

In the early decades of this century the biggest importing countries (ignoring France's imports from Algeria) were Germany and Switzerland with 1 to 1.5 million hectolitres each, followed by Austria, Belgium and the United Kingdom with from 0.4 to 0.8 million hectolitres each, and France itself indeed, which at the end of the nineteenth century had to import large quantities of wine as its own vineyards had been devastated by phylloxera.

Until a few decades ago, then, the volume of international trade in wine was fairly restricted, perhaps more so than in the seventeenth and eighteenth centuries, for which, however, we have no comparable statistics.

We can say therefore that international trade in wine is flourishing more today than ever before. This we owe chiefly to the liberalization of world trade after the Second World War and the creation of the European Economic Community, which has opened the French and German markets to Italian wine.

Wine has thus, after a century in which customs barriers prevailed, at least in part returned to the role of messenger of peace and civilization between the nations that it enjoyed in the centuries of the Renaissance and the Enlightenment.

4. *Consumption*

Consumption too has varied through the centuries. Of the past we know little, as States were different from those of today and statistics are very scarce. But the literature — economic, agricultural and oenological — gives us reason to suppose that the centuries leading up to the invasion of phylloxera, when European vineyards were at their greatest extent, also saw wine consumption reach its maximum per capita figure. Phylloxera and the advent of increasingly 'world' wars and perhaps also the fact that only then did proper statistics begin to be collected resulted in wine consumption figures from the end of the nineteenth century onwards being on average somewhat lower than the present ones.

In the last few decades there has been a twofold trend in consumption. It is going up in countries where viticulture itself is expanding but which have not been traditional consumers, whereas it is declining in those countries which are large producers and consumers.

Let us take some significant examples (see table on p. 13).

Per capita annual consumption in litres

(IWO – calendar years)

	1930	1950	1965	1980[5]	1986
France	120-130	109	117	91	78.4
Italy	100	83	109	86	73.2
Spain	50	47[1]	63	64	45
Greece	–	40-50	39	44	37.92
FR of Germany	3-4	7.8[3]	14.7	25	23.3
United Kingdom	–	0.8	2.2	7	9.9
Luxembourg	–	25	30-40	45	54
Belgium	–	5	8.6	20	20.05
Portugal	60-70	99[1]	109	70	70.8
Switzerland	56	48	38.3	47	47.8
Argentina	50-55	70[2]	86	76.3	59.17
USA	–	3	3.7	7.6[4]	9.27
Canada	–	2	2.8	8.4[4]	9.27
Chile	–	60	56.8	46.6[4]	35
Austria	14-18	17	29.8	39.5	32.8

Source: For EEC countries: Eurostat for 1980/81 and 1985/86 wine years.

[1] 1952.

[2] 1955.

[3] 1953.

[4] 1979.

In the two biggest producers in the world, Italy and France, together with Spain and Argentina, consumption increased considerably after the Second World War but in the last decade it has been dropping.

In other countries, such as the United States of America, Canada, the United Kingdom, Germany and Belgium, per capita consumption has continued to increase at a steady or even an accelerating rate (although in Federal Germany, after a rapid increase, consumption has been steady for some years).

Lastly, in certain other countries consumption levels are fluctuating around those reached in the period after the Second World War or are gradually dropping.

We are forced to conclude from this outline of worldwide consumption trends that large variations in consumption can occur, albeit over long periods of time, with major consequences for the viticultural economy of the countries concerned — all the more so when viticulture is of primary importance in the country's agriculture and is regulated by a complex market organization, as it is in the European Economic Community.

What are the causes of the increases and reductions in wine consumption? And is it possible to control this phenomenon? It it not easy, perhaps not possible, to give a simple answer.

What we can say is that consumption is increasing in wine-producing countries where the economy is growing and in countries where consumption of other alcoholic beverages is high (world consumption of beer is more than 960 million hectolitres compared with 300 million for wine). In these cases an increase in consumption of wine can be considered natural.

Possible causes of the drop in consumption in the traditional wine-producing countries are, besides excessively high taxation and serious economic depression, one or more of the following general factors:

(i) the drop in the rural population, as people move to the towns;

(ii) changes in dietary habits resulting mainly from changes in the pattern of working life;

(iii) increased consumption of other beverages, as a result of extensive advertising;

(iv) misleading information as regards the authenticity of wine or its effect on health;

(v) a greater propensity of consumers to spend their money on other things.

Not taken into account in this connection is the absence of consumption of wine and other alcoholic drinks in countries in which this is prohibited by religious precepts, for example the Arab countries as a whole.

To sum up, it is probable that in forthcoming decades the trend in consumption of the various types of wine will have to be kept under constant scrutiny so that the necessary action can be taken in time to protect viticulture, a sector where major changes take decades to achieve and have serious economic and social repercussions.

C — Wine in the EEC

1. *Three fifths of world production*

The European Economic Community, where wine is produced in seven of the 12 Member States (Italy, France, FR of Germany, Greece, Luxembourg, Portugal and Spain), contains the heartland of world viticulture. The relatively small area involved is not only responsible for 60% of world wine production but also produces more high-quality wine than any other area, is the most technically advanced in the world and is the area where the social and economic importance of wine is greatest.

The tradition of viticulture in the European Economic Community is also the oldest in the world and the richest in history, tradition and cultural significance.

But can cultivating vines really be so important in a Community containing six of the 10 biggest industrialized countries in the Western world?

The answer to this question explains why the European Community has put so much effort into regulating the market in wine and it is a decisively affirmative one, in terms of both quantity and quality.

The EEC has 4.1 million hectares of vineyards. Despite the wide area in which the climate does not allow grapes to be grown, this is more than 5% of the total utilized agricultural area in the Community (excluding permanent grazing land).

The EEC's vineyards account for 46% of the total area under vines in the world and provide 46% of world production of grapes and 60% of that of wine (large areas under vines, particularly in Asia, produce table grapes). Since a hectare of land under vines requires from 30 to 90 man/days of work per year, on average 60 to 70, a simple calculation shows that in the EEC viticulture should theoretically give full-time employment to approximately 1 million workers, more than 10% of the total agricultural workforce. An impressive figure, comparable to that for employment in the largest industrial sectors.

In practice, since viticulture is a seasonal occupation, the number of agricultural workers relying on it as the principal means of supporting themselves is rather higher.

Grape harvest near Bordeaux, France. The harvesters, many of whom are students and teenagers, pick grapes on one of Europe's most renowned estates. (Photo Belga)

Number of holdings and areas under wine grapevines in the EEC

Number of holdings		Hectares under vines for wine grapes
Italy	1 294 400	1 031 229 (quality wine psr 205 997)
France	236 223	998 715 (quality wine psr 464 931)
Greece	334 584	90 140 (quality wine psr 31 023)
FR of Germany	89 471	93 858 (quality wine psr 93 353)
Luxembourg	1 224	1 273 (quality wine psr 1 273)
Total EUR 10[1]	1 955 902	2 215 215 (quality wine psr 796 587)
Spain	535 000	1 600 000
Portugal	410 000[2]	270 000[2]
Total EUR 12	2 900 902	4 085 215

[1] 1979/82 Community survey of areas under vines.
[2] 1979/80 survey.

Statistics gathered in the Community of Ten indicate that a total of approximately 2 215 000 hectares of wine grapevines is distributed between as many as 1 956 600 holdings (not counting at least a million farms on which vines are grown but are not economically significant).

Roughly 1 434 000 holdings have less than one hectare of vines but derive a significant proportion of income from viticulture. They account for 73% of the total number of farms with vines and 20% of the total area under vines.

There are only 90 800 holdings with over 5 hectares of vines (total area 1 086 000 hectares).

It is estimated that of the total for EUR 10, an area of 1.4 million hectares produces table wine and 800 000 hectares grows quality wines.

2. *The wine regions*

Although vineyards are to be found dotted over vast areas of the EEC, viticulture is of particular importance in certain regions, either because of the large quantities produced or because what is produced is of high quality. In these areas it is an irreplaceable source of income for the population.

In *Italy,* where the entire landscape bears the imprint of the vine, four regions — Sicily, Apulia, Veneto and Emilia-Romagna, where 10% of the agricultural area is under vines — alone produce 40-45 million hectolitres of wine, 15% of total world production, while a further three regions, Piedmont, Tuscany and Lazio, produce a total of 15 million hectolitres, much of it highly esteemed wine.

Besides these major areas there are a number of others where the very growing of vines is to be seen as a feat in itself, such as the Valle d'Aosta, the Valtellina, Trentino-Alto Adige and the Cinqueterre.

In *France,* the Midi (including Languedoc-Roussillon, where 28.6% of the agricultural area is under vines) alone produces 35-40 million hectolitres, 12-13% of the world total, while other regions, such as Bordeaux, Burgundy, the Loire Valley, Alsace, Champagne, Provence-Côte d'Azur and the Pyrenees produce large quantities of wine of acknowledged character; and the Charente grows the vine for the celebrated cognac.

In *Germany* production is small in comparison, but almost all areas are capable of producing high-quality wines of a very individual stamp. Production is largely concentrated along the hills overlooking the Rhine and the Moselle, and in Franconia and Württemberg. In Germany the vines are tended with meticulous care and devotion, and viticulture is a constant challenge to nature because of the uncertainty

Wine production in the Community from 1951/52 to 1986/87

(1 000 hl)

	Average 1951/55	Average 1956/60	Average 1961/65	Average 1966/70	Average 1971/75	Average 1976/80	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87 estimate
FR of Germany	2 757	3 945	5 134	6 816	8 222	8 315	7 480	16 128	13 392	8 882	6 097	10 255
France	56 090	49 833	60 574	62 397	69 278	67 699	57 311	79 093	67 894	63 418	70 055	73 200
Italy	51 214	59 107	62 253	69 057	69 561	74 024	69 700	71 948	81 500	70 170	61 690	73 500
The Netherlands	–	–	–	–	–	–	–	–	–	–	–	–
Belgium	3	4	4	8	6	4	4	3	2	2	2	2
Luxembourg	110	109	135	146	145	93	97	256	185	152	107	160
United Kingdom					1	2	2	9	20	15	6	7
Ireland					–	–	–	–	–	–	–	–
Denmark					–	–	–	–	–	–	–	–
Greece					5 115	5 366	5 470	4 500	5 250	5 025	4 782	4 522
Spain							33 867	37 455	30 320	34 179	33 103	35 500
Portugal							8 872	10 041	8 303	8 655	9 893	7 812
EUR 6	110 174	112 998	128 170	138 424	147 212	150 135	134 592	167 428	162 973	142 624	137 951	157 117
EUR 10					152 328	155 503	140 064	171 937	168 243	147 664	142 739	161 646
EUR 12							182 803	219 413	206 866	190 498	185 735	204 958

Sources: Eurostat, Commission of the European Communities, Directorate-General for Agriculture and IWO (for 1986/87 estimates only).

Wide production in the Member States of the EEC by type of wine produced
(average for 1982/85)

(1 000 hl)

	Table wine	Quality wine psr	Other wine[1]	Total
France	40 399	19 359	10 357	70 115
Greece	4 465	326	94	4 885
Italy	59 966	8 132	3 288	71 386
Luxembourg	56	119	–	175
Portugal[2 3]	5 244	3 700	300	9 244
FR of Germany	1 263	9 862	–	11 125
Spain[2]	22 561	7 302	3 777	33 640
Others	15	–	–	15
EUR 12	133 969	48 800	17 816	200 585

[1] Mainly wine for the production of spirits with a registered designation of origin (Cognac, Armagnac), other distillates or special wines.
[2] Figures for Spain and Portugal refer to 1984-85 only.
[3] The subdivision between table wine and quality wine psr does not apply to Portugal as yet. The figures are therefore indicative only and are based on an estimate of the amount of quality wine produced in Portugal.

about the amount of sunshine that the vines, sun-loving plants that they are, will receive.

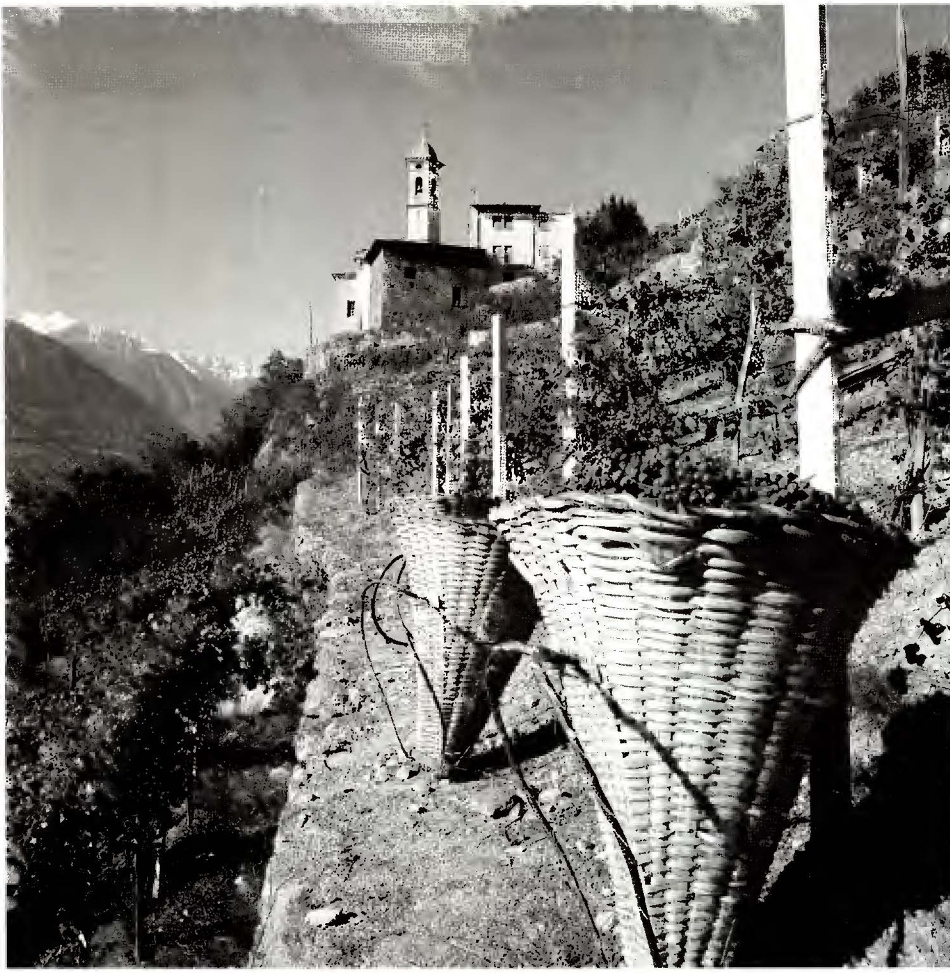
In *Luxembourg*, where production is obviously much smaller, conditions are much as in Germany. Viticulture is a very expensive pursuit and can prosper only if quality is correspondingly high.

In vast areas of *Greece*, particularly in the Peloponnese and Crete, where 12% of the agricultural area is under vines, the vine and the olive are the staples of agriculture and viticulture is an irreplaceable resource for a number of areas producing famous wines, such as Patras and Corinth in the Peloponnese and the islands of Samos and Rhodes.

In *Portugal*, of the eight regions producing quality wines, the most famous is the Douro, the first wine region in the world to be regulated (1756), the home of the celebrated port wines, which owe their commercial fortunes to such a great extent to the entrepreneurial spirit in past centuries of another Community country, the United Kingdom.

Further north, another delimited region, that producing *vinho verde*, also adds to Portugal's image as a wine-producing country, as does the island of Madeira.

Lastly, in *Spain*, a veritable 'continent' from the viticultural viewpoint, the region of La Mancha, a plateau watered by the Tagus and Guadiana rivers, alone has an area under vines of a good 700 000 hectares, concentrated mainly in the provinces of Ciudad Real and Toledo, where 21% of the agricultural area is taken up by vines.



Typical mountain landscape in Valtellina (northern Italy). Glaciers in background tower over vineyards.

Better known, however, is the production of the Navarre, Tarragona, Zaragoza, Valencia, Alicante, Murcia, Andalusia and Rioja areas, and those of Málaga and Jerez de la Frontera, which are smaller but are celebrated throughout the world.

Viticulture, then, is important in Community agriculture both because of its sheer volume in terms of farming statistics, and because in certain areas there are no valid agricultural or industrial alternatives and it is indispensable if the landscape is to be preserved, people kept in employment, infrastructures used to their full potential and the very fabric of society held together. Unlike arable crops and livestock,

Production of table wine, quality wine psr and other wine in the Community of Ten from 1970/71 to 1985/86

(1 000 hl)

Member State	1971/75	1976/80	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
						Table wine							
FR of Germany	622	354	241	165	984	301	177	144	141	1 094	2 790	1 151	16
France	45 892	42 844	43 169	47 147	32 884	35 559	51 686	46 946	37 993	44 620	37 932	39 572	39 472
Italy	63 586	64 844	63 389	58 999	56 589	62 933	72 755	72 941	60 881	61 476	70 132	59 389	48 631
Luxembourg	78	38	73	55	80	32	22	2	21	86	65	51	21
Greece	3 807	4 857	3 476	4 439	4 630	5 305	4 928	4 984	5 000	4 237	4 659	4 588	4 376
Other countries	7	6	6	7	5	5	5	6	6	10	22	17	8
EUR 10	113 992	112 943	110 354	110 812	95 172	104 135	129 573	125 023	104 042	111 523	115 600	104 768	92 524
						Quality wine psr							
FR of Germany	7 600	7 961	8 864	8 761	10 294	7 541	8 485	4 723	7 339	15 034	10 602	7 731	6 081
France	13 624	15 492	12 989	15 914	13 000	14 947	18 779	14 819	13 940	22 355	19 508	15 715	19 860
Italy	5 881	8 435	6 445	6 701	7 553	9 056	9 880	8 984	7 130	8 642	8 917	6 885	8 082
Luxembourg	67	55	84	73	75	40	40	48	76	170	120	101	86
Greece	536	283	260	322	300	275	278	243	300	210	371	360	363
EUR 10	27 708	32 226	28 642	31 771	31 222	31 859	37 462	28 817	28 785	46 411	39 518	30 792	34 472
						Other wine							
France	9 762	9 363	10 115	10 594	6 824	7 923	13 640	7 833	5 378	12 118	10 454	8 131	10 723
Italy	94	745	–	–	–	–	1 702	2 025	1 689	1 830	2 451	3 896	4 977
Greece	772	226	841	646	253	25	37	168	170	53	220	77	43
EUR 10	10 628	10 334	10 956	11 240	7 077	7 948	15 379	10 026	7 237	14 001	13 125	12 104	15 743

Source: Eurostat, Commission of the European Communities, Directorate-General for Agriculture.

viticulture is not a short-term business that can easily be discontinued if the economic climate changes. To plant the perennial vine not only commits one for 30 to 40 years but also requires a labour force with specialist skills and the services of specialized establishments. These are found only in areas with a long tradition of viticulture: they cannot be conjured up overnight.

But though its rhythms are measured in decades rather than years, viticulture is constantly progressing and changing. There has been a gradual move from cultivation in small vineyards dotted over vast areas to a concentration on specialized cultivation in clearly delimited areas suitable for the production of the wines that consumers want.

In the last century, for instance, France had more than 2 million hectares of vineyard and Italy at the beginning of this century had nearly 4.5 million.

Only two decades ago the area devoted to vines in the Community was 20% higher than it is now.

All this, far from reducing the social and economic importance of viticulture, has increased it considerably and today it has an even greater role to play in the more limited areas in which it is now concentrated.

3. A million producers and 3 600 wine cooperatives

Wine production in the Community of Twelve, which averages about 200 million hectolitres or 60% of world production, represents 6% of the gross-saleable product of Community agriculture.

Holdings growing vines number approximately 2.5 million out of a total of 9.8 million holdings in the whole Community. Many of these holdings process grapes into wine directly; others send the grapes to producers' cooperatives or non-agricultural undertakings.

There are a large number of wine cooperatives in the Community vinifying the grapes of their members, and in certain areas private companies play a significant role buying grapes or grape must for vinification.

Value of wine production in the Community of Ten and percentage of total agricultural production

(million ECU at current prices)

	Total agricultural production	Wine	Wine as proportion of total (%)
1975	76 648	3 578	4.7
1976	86 807	4 247	4.9
1977	93 903	4 301	4.6
1978	100 722	5 032	5.0
1979	109 714	6 967	6.4
1980	117 917	5 699	4.8
1981	129 319	5 429	4.2
1982	146 173	8 441	5.8
1983	151 499	7 406	4.9
1984	159 760	6 734	4.2
1985	157 829	7 457	4.7

Source: Eurostat.

Old wine auction in Amsterdam. As for the prices... (Photo Belga)

In France, for example, 42% of the wine produced comes from 1 160 cooperatives with 265 000 members.

In Italy there are 900 cooperatives and similar wineries or wine-selling offices with 300 000 members, and these account for 45% of the wine produced. A further 10% on average comes from private wineries which buy in their grapes.

In Germany and in Luxembourg there are 450 cooperatives with 70 000 members responsible for 50% of the wine produced (in Luxembourg even more).

In Spain there are 912 cooperative wineries with 200 000 members, vinifying more than half of the total harvest.

In Portugal there are 113 cooperative wineries with more than one third of the 180 000 Portuguese producers as members.

In Greece 58 cooperative wineries process 40% of the harvest.

On average total wine production divides into 68% table wine, 24% quality wine and 8% other wine (used for making brandy, etc.).

Value of wine production in the various countries of the Community and relation to the total value of agricultural production

(million ECU)

	Total agricultural production	Wine	Wine as percentage of total
France	41 062	4 062	9.9
Greece	7 842	150	1.9
Italy	33 024	2 282	6.9
Luxembourg	163	10	6.1
FR of Germany	26 904	953	3.5
Total for wine-producing countries	108 995	7 457	6.8
Total for countries not producing wine	48 834	–	–
EUR 10	157 829	7 457	4.7

Source: Eurostat.
Note: Wine production as set out in this table involves only 5 out of 10 Member States (France, Greece, Italy, Luxembourg, FR of Germany).

The following indicative figures are available for Spain in millions of pesetas (1 ECU = PTA 127.5 (1983)):

	Agricultural production	Wine	%
1981	1 582 821	79 516	5
1982	1 876 430	72 016	3.8
1983	2 111 813	86 001	4.1

But these average proportions also fluctuate considerably from year to year, since the weather in areas producing quality wines may well be different from that in areas producing the more ordinary types.

4. Disposal of production inside and outside the Community

By far the greatest part of production, around 67%, goes for direct human consumption.

Another part, varying from year to year but always significant (around 7%), is distilled or used for vinegar production or other industrial uses and a further significant proportion is exported from the Community (5%). The remainder, around 20%, is the average surplus, disposed of by distillation under Community market intervention measures, of which more will be said below.

As the reader can see, wine exports from the Community to non-member countries have risen over a decade from 4 to 10 million hectolitres a year (5% of Community production). Imports are virtually stable at around 4 to 5 million hectolitres (2 million hl after the accession of Spain and Portugal). The average value of exports fluctuates around 1 ECU/litre.

The figures for trade between countries within the Community are very much higher owing to unification of the market, one of the basic principles of the Community itself.

In recent years the amount has varied between 17 and 23 million hectolitres.

Of the total of 52.53 million hectolitres of wine traded internationally in the world, some 60-65% thus involves the countries of the Community.

Intra-Community trade in wine
(EUR 10 – 1985/86 wine year)

(hectolitres)

Exporting Member State	Importing Member State									EUR 10	
	France	Belgium/ Luxembourg	The Nether-lands	FR of Germany	Italy	United Kingdom	Ireland	Denmark	Greece	hl	%
France	–	1 227 554	963 259	3 655 148	90 159	2 019 300	55 685	637 133	4 003	8 652 241	43.6
Belgium/ Luxembourg	31 011	–	92 912	20 740	47	4 399	8	1 981	7	151 105	0.8
The Netherlands	4 916	18 166	–	33 976	5	13 306	161	463	–	70 993	0.3
FR of Germany	27 634	42 216	245 613	–	4 515	1 306 206	14 696	100 231	737	1 741 848	8.8
Italy	3 877 278	239 631	155 508	3 181 670	–	834 717	13 733	50 441	445	8 353 423	42.1
United Kingdom	12 067	138	6 459	300	–	–	11 505	479	128	31 076	0.2
Ireland	172	14	–	131	–	32 431	–	–	–	32 748	0.2
Denmark	2 305	81	21	8 951	–	3 284	–	–	–	14 642	0.1
Greece	139 800	54 909	27 480	173.939	377 409	7 088	48	4 850	–	785 523	3.9
EUR 10	4 095 183	1 582 709	1 491 252	7 074 855	472 135	4 220 731	95 836	795 578	5 320	19 833 599	100

Source: Eurostat, on the basis of importing Member States' statistics.

Wine exports from the Community of Ten to non-member countries

(hectolitres)

	1970/75	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Norway	32 570	72 366	61 844	64 562	78 065	98 876	103 054
Sweden	219 995	381 533	388 497	427 024	529 979	547 761	539 094
Finland	39 925	35 881	36 740	39 322	51 307	59 277	71 733
Switzerland	1 056 293	1 254 346	1 429 040	1 115 238	1 128 135	1 313 117	1 157 605
Austria	157 725	178 634	224 259	136 794	136 673	193 982	216 913
Portugal	1 516	3 007	3 601	1 385	1 398	1 053	2 220
Spain	25 732	7 962	8 232	4 876	11 846	30 222	14 119
USSR	86 487	1 195 375	1 415 404	707 835	496 361	658 247	84 162
German Dem. Rep.	130 047	173 433	133 993	127 070	135 227	197 903	270 867
USA	1 056 612	3 248 244	4 020 975	4 074 846	4 269 262	4 729 342	3 800 916
Canada	256 079	734 842	880 620	806 975	1 128 975	1 172 548	1 144 078
Japan	46 185	122 698	133 027	165 597	183 458	226 605	139 478
Australia	25 105	56 834	70 565	58 268	82 637	119 168	92 251
New Caledonia	14 346	20 985	30 947	44 352	37 373	28 267	37 932
French Polynesia	12 177	25 931	39 229	42 198	42 001	32 954	35 882
Other countries	947 082	1 484 913	1 611 882	806 611	726 221	771 518	816 642
Extra-EUR 10	4 107 876	8 996 984	10 488 855	8 622 953	9 038 918	10 180 840	8 526 946

Sources: Eurostat, communications from Member States.

Wine imports into the Community of Ten from non-member countries

(hectolitres)

	1970/75	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Austria	197 912	405 182	315 088	235 247	297 603	321 364	21 623
Portugal	606 515	744 135	748 916	704 435	766 926	840 325	867 566
Spain	1 770 815	1 880 799	1 956 403	2 036 439	2 050 839	1 816 702	1 855 830
Yugoslavia	312 095	522 080	600 627	544 178	526 004	546 348	574 915
USSR	12 771	30 605	35 204	31 303	35 296	28 351	31 987
Hungary	115 965	381 116	419 596	385 565	326 599	307 992	181 200
Romania	64 217	138 671	131 416	119 742	92 503	106 177	75 004
Bulgaria	75 020	144 551	125 685	116 103	103 692	123 963	104 454
Morocco	290 256	63 782	72 325	77 045	81 823	54 136	31 390
Algeria	900 234	185 138	190 124	151 089	135 800	92 212	107 836
Tunisia	399 698	155 305	150 538	139 592	111 525	80 291	72 913
South Africa	93 471	49 422	53 509	46 485	35 554	38 329	39 417
USA	1 146	62 741	75 303	66 088	45 694	37 567	32 281
Argentina	6 889	6 361	16 022	11 796	11 459	16 443	11 313
Cyprus	256 652	105 321	150 256	87 746	120 182	58 174	68 464
Australia	16 734	12 995	17 604	11 816	9 389	12 150	15 840
Other countries	55 114	31 193	49 525	27 478	28 744	40 021	38 177
Total	5 175 504	4 919 397	5 108 141	4 792 147	4 779 632	4 520 545	4 160 210

Sources: Eurostat, communications from Member States.

5. Consumption of wine and of other drinks

Wine drunk by consumers in the countries of the Community of Twelve amounted to 132 million hectolitres in 1985/86.

The Community is the most important market for wine in the world, accounting for 48% of human consumption of wine. The estimates for the 1985/86 wine year of total (in thousands of hectolitres) and per capita consumption (in litres) in the 12 Member States of the EEC are given below.

	Total	Per capita
France	44 157	79.19
Italy	33 987	59.4
Spain	18 815	48.8
FR of Germany	14 229	23.3
United Kingdom	5 217	9.2
Greece	2 891	29.1
The Netherlands	2 031	14.0
Belgium	1 601	16.2
Denmark	991	19.4
Luxembourg	213	58.0
Ireland	115	3.23
EUR 11	124 247	39.8
Portugal	7 337	72.0
EUR 12	131 584	40.8

It should be noted that in the EEC as in the rest of the world the last decade has seen a twofold trend in per capita consumption. It has been dropping in the Member States that have a long tradition of wine production and increasing in the countries that do not produce wine.

Over the last 25 years consumption in France has dropped from 123 litres per head to 80 and in Italy from 109 litres to 60.

On the other hand there has been some increase in consumption in the United Kingdom from 4-5 to 9 litres per head, in the Netherlands, from 3 to 14 litres in 20 years, in Belgium, from 8 to 16, and in Germany, from 14 to 23.

But in the Community of Ten as a whole the last decade has seen a drop in annual consumption per head from 50 to 40 litres.

Annual per capita consumption of wine in the Community, 1951/52 - 1985/86

(litres)

	Average 1951/55	Average 1956/60	Average 1961/65	Average 1966/70	Average 1971/75	Average 1976/80	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
FR of Germany	8	10	14	16	22	25	24	24	24	26	25	25	26	26	26	23
France	135	130	121	111	105	97	102	98	94	96	91	88	85	82	80	80
Italy	99	108	108	110	100	90	93	92	87	87	36	82	79	78	68	59
The Netherlands	1	2	3	5	9	12	11	12	12	12	13	13	14	15	15	14
Belgium	6	7	8	11	14	18	16	18	18	19	20	20	17	18	17	16
Luxembourg	26	30	30	36	43	44	43	43	40	47	45	46	65	63	57	58
United Kingdom					5	7	5	5	8	7	7	8	8	9	9	9
Ireland					2	3	3	3	3	3	3	3	3	3	3	3
Denmark					10	13	11	12	13	13	14	17	17	18	20	19
Greece					46	44	45	44	43	44	44	42	37	33	31	29
EUR 6	68	70	69	68	65	62	64	63	60	61	60	58	56	56	52	49
EUR 10					50	48	49	48	47	48	47	45	44	24	41	39

Sources: Eurostat, Commission of the European Communities, Directorate-General for Agriculture.

This fall, due to the factors mentioned above regarding trends in world consumption, contrasts with a definite tendency towards increased consumption in the Community of other beverages such as beer, soft drinks, coffee, mineral water, and spirits.

In the Community of Twelve wine is the fourth most popular drink with a per capita annual consumption of 40 litres. Tea is first with nearly 200 litres, coffee second with 170 litres and beer third with nearly 90 litres. Wine is very much on a par with soft drinks at 40 litres.

There follow mineral waters at 29 litres and then, naturally, a long way behind, spirits at roughly 6 litres.

In the Community there is thus a vast potential for alcoholic, non-alcoholic and other stimulating beverages and plenty of room for the absorption of more wine. It is curious to find that it is consumption of wine, the only drink subject to a market organization, that is declining, to such an extent indeed that the fall, combined with increases in average production (138.4 million hectolitres in the period 1966-70, 147.2 million in 1971-75 and over 150 million hectolitres in 1980-86), has caused serious problems for the market organization and helped force the Community into new policies, of which more below, to protect the incomes of producers, in view of the special social and economic importance of wine in Community agriculture.

D — Wine and the Community's agricultural policy

1. *The why and how of a common wine policy*

The social and economic importance of wine production in a number of Community countries, and the realization that periodic action by the powers that be was required, since wine was subject to frequent imbalances between supply and demand and thus to recurrent crises, led the authors of the Treaty of Rome, which entered into force on 1 January 1958, to include wine, must and grape juice in the list of agricultural products (Annex II) for which a 'common agricultural policy' was to be established.

Wine is understood to cover liqueur wine and semi-sparkling and sparkling wine.

Ethyl alcohol and vinegar were later added to the list in view of their interdependence with various other agricultural products, and in particular wine.

Table grapes were also included, not independently but in the category of 'fruit', and have therefore been made subject to the rules applying to the fruit and vegetables sector, which are quite different from those governing wine.

On the other hand, aromatized wines (vermouths, wine-based aperitifs), liqueurs and spirits, although having important economic links with the wine sector, were not included in the agricultural products in order that they might immediately benefit from the same free market as industrial products.

The institutions of the Community were thus faced with the responsibility of framing a Community wine policy that would achieve the objectives set out in Article 39 of the Treaty of Rome, namely:

(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;

(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

Nature, science and man have done their part; the wine is drawn and needs only to be drunk. Scene in a Greek taverna. (Photo Belga)

(c) to stabilize markets;

(d) to assure the availability of supplies;

(e) to ensure that supplies reach customers at reasonable prices.

Article 40 of the Treaty of Rome then specified that the common policy was to be developed by degrees and brought into force by the end of the initial 'transitional' period of 12 years. It was to take one of the following forms:

(i) common rules on competition;

(ii) coordination of the various national market organizations;

(iii) a European market organization.

In the meantime there was to be full implementation of the customs union between the Member States, involving:

(i) *abolition of quantitative restrictions* or restrictions having equivalent effect in intra-Community trade:

(ii) *the abolition of customs duties* or charges having equivalent effect *between the Member States;*

(iii) *the fixing of a Common Customs Tariff* (CCT) on imports from non-member countries.

Article 43 of the Treaty of Rome stated that a conference of the Member States was to be convened to make a comparison of their agricultural policies and to lay down the broad outlines of a common agricultural policy.

This conference, the Stresa Conference of 1958, was held promptly and confirmed the basic principles on which European agriculture was to be managed. Agriculture was, as it were, to be stripped of its national clothes and clad in Community raiment.

These principles, still valid today (more than ever in fact) are the following:

(i) *free circulation of agricultural products,* guaranteed by the system of uniform prices and uniform guarantees to producers;

(ii) *Community preference,* achieved by means of a common frontier with common customs duties on imports from non-member States;

(iii) *financial solidarity,* that is, the assumption of responsibility by the Member States as a whole for the necessary expenditure on the agricultural policy irrespective of the amount of money actually spent in each Member State (European Agricultural Guidance and Guarantee Fund — EAGGF).

2. *The initial situation in 1958*

So far we have looked at the objectives and instruments chosen for the common agricultural policy by the authors of the Treaty of Rome. But in what kind of state was the wine sector to which the instruments were to be applied to achieve the objectives decided on? The production figures recorded by the International Vine and Wine Office and used by the EEC Commission in 1960 for the common agricultural policy are on page 44 (the figures in brackets are those for the Six plus Algeria, which was then part of the French Republic).

It is obvious from these statistics that overall there was no long-term excess of supplies even with Algerian wine taken into account. The steady increase in Italian production was none the less worrying. In 10 years (average 1948/49 to average 1958/59) it had increased by more than 60%, from 40.5 to 67 million hectolitres.

Year[1]	Production (hectolitres)	Consumption (hectolitres)	Degree of self-sufficiency (%)
Average			
1953/54-1955/56	115 966 (132 309)	119 477	90.6 (101.7)
1956/58[2]	77 647 (92 933)	114 144	64.5 (75.2)
1958/59	118 316 (132 143)	123 431	91.6 (101.5)

[1] The wine year runs from 1 September to 31 August.
[2] The 1957 vintage was exceptionally short throughout the Community. There has been no comparable year since 1951.

As far as consumption was concerned the Community believed that it could count on a gradual moderate increase in Germany and the Benelux countries, a regular increase in Italy and stability in France. Annual consumption per head at the time was as follows (in litres):

France (metropolitan)	126
Italy	110
FR of Germany	14
Belgium and Luxembourg	7.5
The Netherlands	1.5
Community	69

When the market organization for wine was being prepared the prices factor appears to have been rather neglected, perhaps because at that time returns to producers were attractive both on the 'free' Italian and German markets and on the 'protected' French market.

But the trend in wine prices could not be ignored in the construction of a common wine policy, if for no other reason than that the balance between consumption and production consequent on existing price levels in the Community could change as a result of the application of a Community system for supporting the wine markets. There was thus a possibility that the level of wine supplies in the Community would alter from the level on the basis of which the policy was framed.

3. A brain-teaser: bringing together the French and Italian markets

The Community was faced with the problem of creating a common market in wine from a situation in which there was no true international market, since each country, in Europe and outside, took care to restrict severely or even prohibit imports of wine and at the same time endeavoured, if it was a producer itself, to find outlets for its own production abroad.

International trade in wine actually was rigidly limited by bilateral agreements between countries and greatly hindered by customs duties, quotas, excise duties, etc. There were however no problems as far as the production of the Federal Republic of Germany was concerned as this was small, high in quality and in price and of very specific characteristics not liable to competition. The tiny production of Luxembourg, very similar in type to that of Germany, was already protected in the Benelux countries by a protocol to the Treaty of Rome exempting it from excise duties in the three States concerned. This exemption is still partially in force.

Examination of wine production in the Community in preparation for the Treaty of Rome made dismayingly clear one fact that in social and economic importance towered above the favourable statistics. This was that the planned single European market in wine would not only be half the world wine market but would also involve bringing together economically the two greatest wine-producing areas in the world, France and Italy, until then organized in profoundly different ways and carefully protected from reciprocal competition by the almost total ban on importing French wines into Italy or Italian wines into France. Comparison of the French and Italian sectors showed up the following main differences of approach:

(i) in France there was a very detailed register of vineyards and production potential could be worked out exactly. In Italy not even the ordinary land register was up to date;

(ii) in France there was a prohibition on the planting of new vineyards. In Italy everyone was free to plant new vines and in fact received a State subsidy for doing so;

(iii) in France the obligation to declare production and unsold stocks annually was strictly applied and the movement of wine was monitored by means of accompanying excise certificates. In Italy similar rules did exist but their implementation was the responsibility of the communes and the system could not be used for the regulation of wine production at national level;

(iv) in France a total quantity of wine to be released to the market ('quantum') was set and the wine itself had to be removed from producers' premises in fixed lots staggered over a period of time. In Italy there were no laws at all governing marketing;

(v) in France the law allowed wine to be produced by the addition of sugar to musts (suitable regulations applying). In Italy sugaring was severely penalized;

(vi) in France wines were classified into carefully controlled categories: registered designation of origin ('appellation d'origine contrôlée' — AOC), delimited wines of superior quality ('vins délimités de qualité supérieure' — VDQS), local wines ('vins de pays') and ordinary wines ('vins de consommation courante'). In Italy there were no specific rules on names designating origin, nor any differentiation of table wine into qualities, only a general prohibition of the use of inaccurate names;

(vii) in France wine producers were obliged to deliver to the State monopoly a quantity of alcohol calculated on the quantity and strength of their production. This automatically eliminated the by-products. In Italy traffic in by-products was practically free;

(viii) in France the State systematically intervened to support prices by means of financial assistance for storage and distillation of surpluses by the State monopoly. In Italy the only such provision to encourage disposal of surpluses was intermittent reduction of the duties on the products of distillation (spirituous beverages and alcohols), the reduction being granted only on condition that the wine distilled was bought in at a set price.

The overall result, the greater purchasing power of the French population also coming into play, was that average wine prices in France were for decades 25% higher than in Italy. In consequence the value of vineyard land was very much higher in France and the standard of living of French growers was well above that of their Italian counterparts.

It was clear therefore that free circulation of Italian and French wines in the Community could not be introduced without the creation of a common organization of the market in wine designed to avert the obvious threat of France being flooded with Italian wine, which would have caused the intervention framework, wine prices and the value of vineyards all to collapse in France.

This enormous problem, still not completely resolved and the source of not a few difficulties, was studied as part of the common agricultural policy as a whole and the result was a series of proposals, the leading architect of which was Professor Sicco Mansholt, a Dutch agricultural expert and Vice-President of the EEC Commission with responsibility for agriculture. The main features of the proposals can be summarized as follows:

(a) adjustment of resources to Community requirements, production being encouraged where in decline and new planting being limited (or even existing vines grubbed up) where there was excess production;
(b) an improvement in quality by developing the registered designation of origin system and giving preference to areas especially suitable for viticulture;
(c) stabilization and support of the wine market by measures similar to those tried out in France, and compulsory coordination of the various national market organizations;
(d) protection of Community wine by means of customs duties, with quotas being abolished;
(e) action by the European Agricultural Guidance and Guarantee Fund (EAGGF) to support the market and improve structures;
(f) pursuit of a unified market and price system by initiating liberalization of the circulation of 'classified' wines, i.e. quality wines;
(g) harmonization of the national legislations on the technical aspects of wine-making.

But these were only proposals which it was up to the Council of the Community to adopt or remodel in order to find a solution that would enable French and Italian wine to coexist in a European common market. The solution has been largely but not fully achieved, though this did not happen immediately and the basic problem, compounded by the entry on the scene of Spain in 1986, continues to dominate the Community's wine policy.

4. *The common organization of the market in wine*

The adoption in 1959 of the Common Customs Tariff (CCT), applying not just to wine but to all products, was the starting point for unification of the wine market.

The Community's wine production was thus, in accordance with the principle of 'Community preference', protected from outside competition by customs duties scaled according to the type of wine and its alcohol and sugar content. These duties are between 10.9 and 16.9 ECU per hectolitre on wine of up to 15°, between 16.9 and 23 ECU per hectolitre on wine of from 15° to 22° and are as high as 40 ECU per hectolitre on sparkling wines.

The customs duties set in 1959 have remained unchanged but the equivalents of the EEC unit of account in the different currencies have increased considerably.

But the first specific legislation on wine adopted by the Council of the Community was Regulation No 24 of 4 April 1962, which laid the foundations, still fully operational, of the common market in wine.

It provided for the following:

(a) the institution of a viticultural land register based on a general vineyard census;

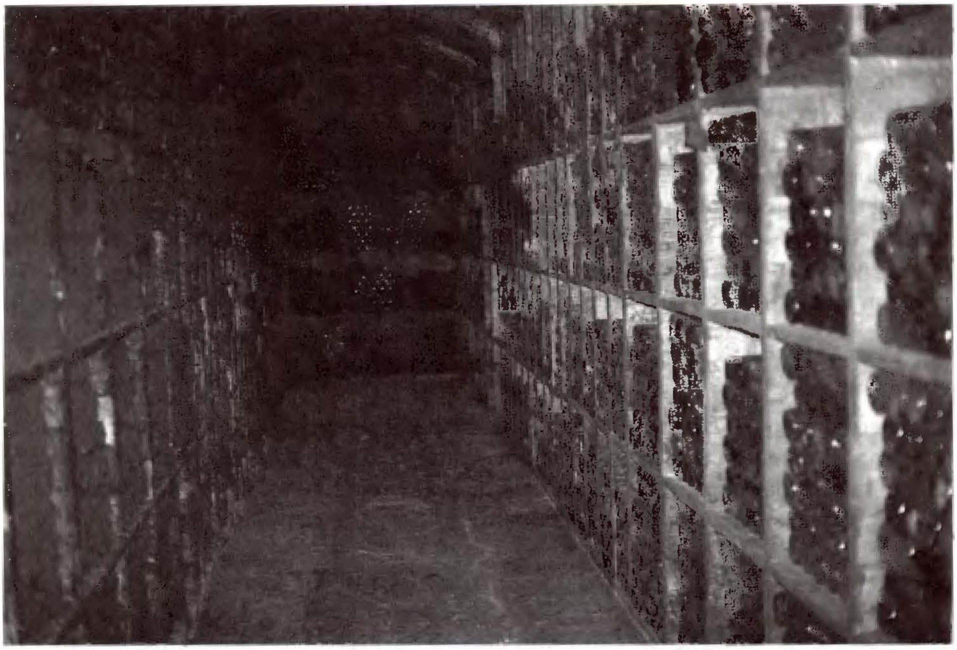
(b) compulsory annual notification by producers of the quantities of must and wine produced and annual notification by producers and merchants, except retailers, of stocks held;

(c) annual compilation of a forward estimate of resources and requirements;

(d) adoption of rules covering 'quality wines produced in specified regions' (quality wines psr) based on respect for traditional practice and covering the following factors: demarcation of the area of production, vine varieties, cultivation methods, wine-making methods, minimum natural alcoholic strength, yield per hectare, and analysis and assessment of organoleptic characteristics;

(e) the establishment of a management committee to see to the drawing-up of these rules, decisions being taken by a qualified majoritiy, i.e. in the present Community of Twelve, by at least 54 votes out of a total of 76 distributed as laid down in the Treaty of Rome for the Council of the Community.

These basic decisions of the Council were thus at the origin of the first Commission regulations on wine.



The best Spanish wines of Rioja age in bottles after maturing in wooden casks.

Regulation No 143/62 laid down rules for the preparation of the viticultural land register.

These were supplemented two years later in Regulation No 26/64. The rules on the 'declaration of harvests and stocks' were set out in Regulation No 134/62.

In the latter regulation the EEC gave the first Community definition of 'producer': any person processing grapes into must or wine whether he had grown the grapes himself or acquired them from other growers. Growers with less than a tenth of a hectare of vines were however exempted from declaring their harvests. The Community also defined 'retailer' in the regulation as 'any person whose business includes the sale of wine in small quantities direct to the consumer, with the exception of those who use cellars equipped for storing and treating wine in large quantities'.

5. Eight years of marking time

After the initial batch of regulations of 1962 there was a first hesitant initiative towards unification of the market by increasing the bilateral import quotas and extending them to all Member States. But for a full eight years no new decisions were taken. All that happened was compilation of forward estimates of resources and requirements and the passing of a number of measures implementing or amending the regulations of 1962.

This long period of marking time was very largely a consequence of the difficulty of solving the great problem of bringing together the Italian and French markets, a difficulty compounded by the fact that until September 1970 France was committed under the Evian agreements to permitting the import of a large annual quantity, approximately 7 million hectolitres, of wine from Algeria, which in the meantime had become independent. On the other hand, the separation of Algeria from France tended to make the problems easier to solve eventually.

The period from 1962 to 1970 had also brought new elements into the situation. The rapid development of the Italian economy had meant the exodus of large amounts of labour from the rural areas and the feared expansion of viticulture in Italy had been substantially slowed down.

Another reason for the sharp falling-off in the rate of increase of Italian wine production was the fact that the higher unit yields of the new vineyards had been balanced by the progressive and rapid decline of mixed crop vineyards, the area of which was estimated at 2.6 million hectares in 1959 but was evaluated at only 700 000 hectares by the viticultural land register in 1970.

Ten years after the first decisions on the common agricultural policy were adopted the situation for wine in the Community excluding Algeria, was as follows:

Year	Production (hl)	Consumption (hl)
1967/1968	142 236 000	125 082 000
1968/1969	137 196 000	126 579 000

It will be obvious that over the decade the position in the Community, which then only had six members, had changed considerably. Imports had declined sharply, from 17-18 to 7-8 million hectolitres, this being a result above all of the independence of Algeria. Industrial uses had more than doubled, from 5 to 10-12 million hectolitres. Total consumption had risen by 10-12 million hectolitres, from 113-116 to 125-126 million hectolitres.

Production had also increased, from 115-118 to 137-142 million hectolitres, and normal end-of-year stocks had climbed from 35-40 to 70-80 million hectolitres, but the growth in Italian production, as we have already said, was no longer overwhelming.

The Community wine market then, although there had been a notable increase in stocks and the Community was now fully self-sufficient, was substantially in balance. And the imminent expiry of the Evian agreements with Algeria promised a further reduction in imports and hence a further valuable opportunity to increase sales of the Community product.

Moreover the 1969 harvest had been of average quantity only and wine prices in Italy and France were roughly equivalent at the then real rate of exchange.

As 31 December 1969, the time fixed for conclusion of the 'transitional period' following the setting-up of the European Economic Community, drew near, all the conditions seemed to be met for the introduction of the common organization of the market in wine, the last major agricultural product still subject to national regulations (tobacco had just been regulated; there are still no Community rules covering potatoes and alcohol).

And so it was. On 22 December 1969 the Council of the European Communities, after long and difficult negotiations (particularly between Italy and France), took the actual decisions to set up the common organization of the market in wine in practice and finally on 28 April 1970 adopted two basic regulations: Regulation No 816/70 laying down additional provisions for the common organization of the market in wine (the basic provisions were those of 1962) and Regulation No 817/70 laying down special provisions relating to quality wines produced in specified regions.

EAGGF-Guarantee expenditure on wine

(million ECU)

Year	Total guarantee expenditure	Guarantee expenditure on wine	Percentage of total
1973	3 928.3	11.1	0.28
1974	3 095.2	41	1.32
1975	4 522.5	141.3	3.12
1976	5 587.1	133.8	2.39
1977	6 830.4	89.9	1.32
1978	8 672.7	63.7	0.73
1979	10 440.7	61.9	0.59
1980	11 315.2	299.5	2.65
1981	11 141	459.4	4.12
1982	12 405.6	570.6	4.60
1983	15 920	659.2	4.14
1984	18 372	1 222.6	6.65
1985	19 728	921.4	4.67
1986	21 316.1	630.8	2.96
1987[1]	22 364	1 422.3	6.36

[1] Appropriations and forward estimate.

Wine supply balance from 1971 to 1985 in the Community of Ten

(1 000 hl)

	1971/75	1976/80	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Production	152 328	155 503	133 471	143 942	182 414	163 866	140 064	171 935	168 243	147 664	142 739
Net imports[1 2]	+ 2 115	− 1 217	+ 964	− 1 534	− 3 886	− 1 821	− 5 262	− 3 563	− 2 549	− 6 438	− 4 793
Changes in stocks	− 618	+ 2 322	− 7 358	+ 2 288	+15 967	− 2 651	−14 992	+12 846	− 429	−10 770	− 1 887
Community distillation	5 786	9 849	1 029	1 669	18 231	22 928	13 903	22 913	37 153	29 929	23 823
Internal utilization[3]	149 275	142 115	140 764	138 451	144 330	141 768	135 891	132 613	128 970	122 067	116 010
Processing	14 866	11 939	10 171	10 347	13 748	12 443	10 117	9 317	6 963	7 132	7 741
– of which non-Community distillation	14 055	11 166	9 414	9 580	12 868	11 733	9 355	8 504	6 109	6 320	6 901
Total losses	1 210	950	833	920	1 124	1 041	926	963	946	668	662
Direct human consumption	133 199	129 226	129 760	127 184	129 458	128 284	124 848	122 333	121 061	114 267	107 607
Per capita consumption (litres)	50.1	48.0	48.3	47.2	47.9	46.7	46.0	45.0	44.4	41.1	38.5
Self-sufficiency rate (%)	102.0	109.4	94.8	104.0	126.4	115.6	103.1	129.7	130.5	121.0	123.0

Source: Eurostat.

[1] The plus sign indicates an excess of imports over exports and the minus sign an excess of exports over imports.

[2] Must, wine and vermouth; the actual figures for vermouth and aromatized wine are reduced to 75%. The figures for France do not include vermouth and aromatized wine.

[3] Excluding quantities distilled under Community measures.

Breakdown of EAGGF-Guarantee expenditure on the wine sector by type of expenditure and year

(million ECU)

Type of expenditure[1]	Amount of expenditure									
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
160 Export refunds	1.1	1.6	4.6	26.4	25.8	31.9	20.2	18.6	18.9	11.2
161 Intervention:	88.8	62.1	57.3	273.1	433.6	538.7	639.0	1 204.0	902.5	611.6
1610 – Private storage aid	35.6	35.3	22.5	71.4	85.7	105.1	136.8	123.2	87.6	70.5
Aid for restorage	1.1	2.2	1.9	4.9	5.0	3.3	5.6	12.4		
1611 – Distillation of wine	44.5	10.9	14.5	194.5	314.9	390.5	391.4	852.4	599.0	406.1
1612 – Compulsory distillation of the by-products of wine-making	7.5	9.8	8.9	0.1	0.0	9.0	63.1	82.6	65.3	55.8
1613 – Aid for use of must	–	–	9.2	1.7	27.9	30.8	42.1	126.6	148.2	82.4
1614 – Buying-in of alcohol from compulsory distillation	–	–	–	–	–	–	0,0	–	1.4	3.8
1619 – Other intervention	0.1	3.9	0.3	0.5	0.1	0.0	0.0	0.8	0.9	0.9
Total	89.9	63.7	61.9	299.5	459.4	570.6	659.2	1 222.6	921.4	630.8
Total expenditures EAGGF-Guarantee	6 830.4	8 672.7	10 644.1	11 315.0	11 141.0	12 405.6	15 920.0	18 372.0	19 728.0	21 316.1
	1.32	0.73	0.58	2.65	4.12	4.60	4.14	6.65	4.67	2.96

Source: Commission of the European Communities, Directorate-General for Agriculture. For 1987 the appropriations amounted to 1 278 million ECU.

[1] As listed in the 1984 budget.

Since then there have been hundreds more Community regulations concerned with viticulture and wine production, not only because all matters concerning vines and wine were withdrawn from the jurisdiction of the Member States and became the exclusive prerogative of the Community; but also because the ups and downs of production and of the market have necessitated, as we will see below, profound modification of the original rules.

In fact at a certain point it even became necessary to issue a consolidated text of the Council regulations on wine incorporating the innumerable subsequent changes, so that we no longer referred to Regulations Nos 816/70 and 817/70 but to Regulations Nos 337/79 and 338/79, which replaced them. These in turn have been greatly amended over the last three years and have therefore been replaced by the new Regulations Nos 822/87 and 823/87.

6. *From theory to practice*

The optimistic analysis that the Council of the European Communities made of the wine market and its future prospects in 1970 determined the range of instruments considered necessary and adequate to operate the common organization of the market in wine in practice. Thus in the compromise between the more interventionist French approach and the more liberal Italian one it was largely the latter that prevailed.

New planting and replanting of vines was made subject only to rules on quality and not to quantitative limitations as had been the case in France. Again in contrast to the previous situation in France there were no binding laws relating to marketing of wine other than the actual rules on wine production and these production rules amply provided for the continuation of existing practices in France, Italy, Germany and Luxembourg, thus allowing a disparity in conditions of competition in different parts of the Community. There were certainly economic and social reasons for such an approach but given the principles of the Treaty of Rome it was most unusual. It was however legitimate, according to the judgment of the Court of Justice of 2 July 1974 in Case 153/73.

Once again, the optimistic analysis of the problem was the reason why wine was not granted the total price guarantee which the other main agricultural products had been given.

It was considered sufficient to provide for certain Community intervention mechanisms (distillation, storage aids) to be used to support the market, should this prove necessary. In fact for quality wines, which account for a sizeable proportion of total production, not even such intervention mechanisms were provided for. Perhaps it was felt that quality wines could look after themselves and that the two sections of the market — quality and table wines — were not interdependent.

The essential features of the common organization of the market in wine introduced in 1970 by means of Regulation No 816/70 were as follows:

Rules on viticulture. Vines were classified into 'recommended', 'authorized' and 'provisionally authorized' varieties for each administrative unit of the different countries. After a certain date wine obtained from varieties not listed in the classification were to be excluded from trade or sent for distillation. New planting, replanting and grubbing-up operations were to be declared annually to the competent authorities of the Member States.

Definitions of the different types of wine. It was laid down that 'table wine' had to have an actual alcoholic strength of not less than 8.5° and a total alcoholic strength not exceeding 15°. The lower limit was later raised to 9° for all parts of the Community except some northern areas of Germany and France.

Definitions were also laid down of 'wine suitable for yielding table wine', semi-sparkling wine, sparkling wine, liqueur wine, musts, by-products, vinegar, etc.

There was also instituted a category of 'quality wines produced in specified regions' (quality wines psr), subject to special provisions set out in Regulation No 817/70, comprising French AOC and VDQS wines, Italian DOC wines, German 'Qualitätsweine' and 'Qualitätsweine mit Prädikat' and Luxembourg wine carrying the 'Marque nationale'.

Rules on wine production. The Community was divided into a number of zones (A, B, CI, CII, CIII). Minimum natural strengths were laid down for each zone increasing from 5° to 9° from north to south. The maximum amount of enrichment was also laid down, decreasing from 5° in the north to 2° in the south. Enriching with sugar (sucrose) was permitted only in zones where it was a traditional practice.

Rules on the obligatory distillation of the by-products of wine-making were also laid down, the quantity to be delivered being proportionate to the amount of alcohol in the products obtained.

Prices and intervention. Rules for determining guide prices and threshold prices activating the intervention system were defined and also methods for determining weekly market prices for table wines in order to make application of specific intervention measures to support prices possible.

Guide price and intervention activating price for table wine in the Community

(ECU/% vol/hl)[1]

Wine year	Type R I[2]		Type A I[3]	
	Guide price	Intervention price[6]	Guide price	Intervention price
1969/70	1.63	1.55	1.56	1.50
1970/71	1.63	1.55	1.56	1.50
1971/72	1.63	1.55	1.56	1.50
1972/73	1.75	1.63	1.64	1.58
1973/74	1.77	1.70	1.66	1.60
1974/75	2.06	1.93	1.93	1.81
1975/76	2.22	2.07	2.09	1.95
1976/77	2.37	2.20	2.22	2.07
1977/78	2.45	2.28	2.30	2.14
1978/79	2.50	2.33	2.35	2.16
1979/80	2.54	2.36	2.38	2.17
1980/81	2.68	2.49	2.51	2.27
1981/82	2.95	2.73	2.72	2.47
1982/83	3.27	3.02	3.02	2.75
1983/84	3.45	3.19	3.20	2.92
1984/85	3.42	3.15	3.17	2.92
1985/86	3.42	3.15	3.17	2.92
1986/87	3.42	3.15	3.17	2.92
1987/88	3.35	3.08	3.11	2.86
For Greece				
1980/81[4]	2.41			
1981/82	2.71			
For Spain				
1985/86[5]	1.89		1.75	
1986/87	2.11		1.95	
1987/88	2.28		2.11	

[1] Up to 1978/79 wine-year prices were fixed in u.a. (units of account). In this table they have been converted into ECU at the rate 1 u.a. = 1.208953 ECU.
[2] Red wine of from 10 to 20 degrees alcohol.
[3] White wine of from 10 to 12 degrees alcohol; 10 to 13 degrees from 1 March 1986.
[4] From 1 January 1981.
[5] From 1 March 1986.
[6] Since 1984 the intervention price has no longer been established separately; it is now set at 92% of the guide price (Art. 28 of Regulation No 822/87).

It was laid down that when the market was depressed a short-term (three months) or long-term (nine months) private storage aid could be given and that in cases of persistence of a serious surplus distillation of table wine could be subsidized.

Trade with non-member countries. Both exports to and imports from non-Community countries were made subject to statistical monitoring. It was also laid down that in addition to the payment of customs duties, wines from outside the Community were to comply with a reference price.

Aid, in the form of a refund, was on the other hand to be given for exports.

Surveillance. It had been compulsory since 1962 to declare harvests and stocks. In addition the use of an accompanying document for wine moving within the Community was introduced, as were common rules on labelling and oenological practices and common methods of analysis.

Free movement. As was only logical given the introduction of common rules for the market, full freedom of movement of wine within the Community was declared. Qualitative restrictions, duties and charges having equivalent effect were prohibited in trade between the Member States.

7. *Market crisis and 'wine war'*

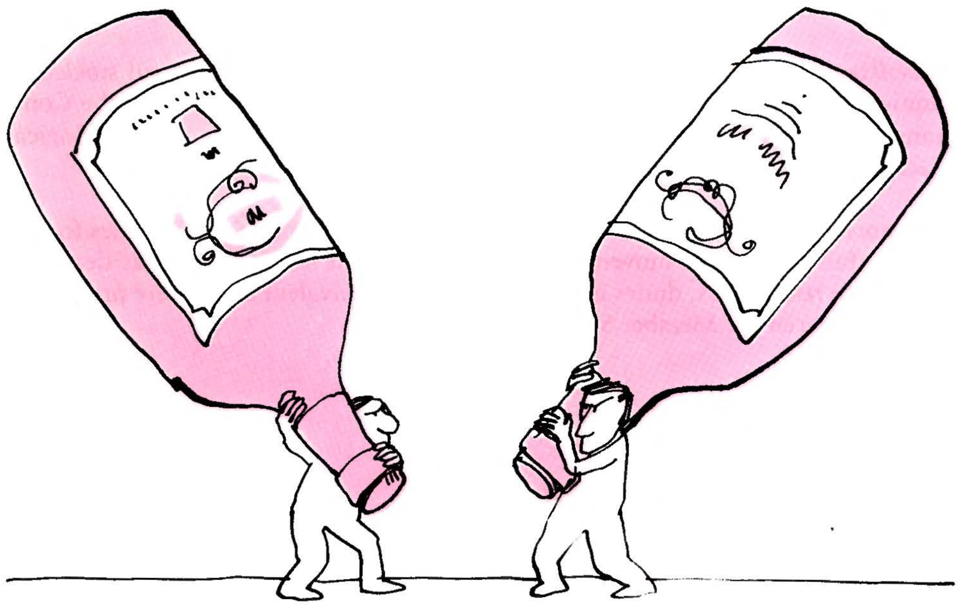
The essentially free-trade principles adopted in 1970 for the market organization in wine (among which the distillation of any surpluses was provided for only as an exceptional event while freedom to plant and replant vines was recognized, and public aid was sometimes paid) could be seen as rational and in line with likely consumption and production.

But the forecasts were soon belied by the facts.

The common market in wine did become established very quickly. As expected, Italian wine began to move into France — from 5 to 7 million hectolitres a year — replacing North African wine. But the optimism of 1970 very quickly disappeared owing to the joint effect of very large and recurring production surpluses, a steady drop in consumption in France and Italy and the end of international monetary stability under the Bretton Woods Agreements of 1944, which had helped the unification of agricultural prices in the common market.

The first signs of the crisis manifested themselves in the very year in which the common market in wine was launched. The 1970 harvest brought 154 million hectolitres of wine onto the Community market instead of the normal 135-140, just at a time when stocks were at maximum levels because, with an eye to the expiry of the Evian agreements with Algeria, roughly 10 million hectolitres of North African wine had been imported instead of the normal 7 to 8 million hectolitres.

The intervention mechanisms provided for swung into action and with the distillation of 3.4 million hectolitres in the 1970/71 wine year and a further 3.5 million in the following year balance was restored.



But February 1973 saw the gradual crumbling of balance between French and Italian domestic wine prices, the very basis for a common market in wine. This resulted from the conjunction of two specific circumstances: the withdrawal, in 1971, of the gold backing for the dollar causing an upheaval in the international monetary system and, on the other hand, the ensuing, forced introduction of the first series of 'monetary compensatory amounts', including in the wine sector. Just when the Community was enlarging with the accession of the United Kingdom, Ireland and Denmark, the lira began to fluctuate, to be followed by the other currencies.

Problems started to arise firstly with the 1973 harvest, which was the highest ever in the Community at no less than 171 million hectolitres, a surplus of 25 million despite the recent enlargement of the Community.

All the Community's intervention mechanisms were again mobilized, 2 million hectolitres being distilled, while Italy and France each distilled as much again under national measures. But in 1974 the harvest was again exceptionally high — 161 million hectolitres — and the fragile equilibrium could no longer hold. This was the beginning of the real crisis of the Community wine market and proof that the instruments chosen in 1970 to run it were inadequate.

With wine prices still low and despite the distillation of 4.6 million hectolitres, half in France and half in Italy, and of another 2.4 million in France, French growers blockaded the port of Sète, through which most of the Italian wine imported into France passed. This was the wine war. The free circulation of wine, attained with such great difficulty in 1970, came to grief on the floating wall of fishing vessels that had rushed to support the wine-growers of the Midi.

The Italian exporters voluntarily suspended consignments to France throughout the month of August in order not to aggravate the discontent of the French producers and in September Paris decided to impose a tax of FF 1.13 per degree-hectolitre on imported Italian wine. This was only withdrawn at the end of March 1976 following action by the Community. The Community in its turn had to adopt more incisive measures, the result of which was that another 12.4 million hectolitres of surplus wine was distilled (8.8 in France and 3.6 in Italy). A further million litres was distilled in each of the two countries in the 1975/76 wine year.

The Community was forced into the realization that something had changed in the common organization of the market in wine, which had not weathered sufficiently well the storm of two consecutive copious harvests. Thus in 1976 came the first decisive 'change of track'.

8. Less freedom, more security

It was a question of a thoroughgoing reappraisal of the wine policy options decided upon in 1970.

The fundamental principle of freedom to plant vineyards, which is clearly incompatible with a systematic programme of price support, was abandoned and, pending a genuine plan for viticulture, it was decided to place a temporary ban on the planting of new vineyards up to the end of 1978 (exceptions being made for those for the production of quality wines and those included in development plans), while subsidies would be offered for grubbing-up.

On the other hand the need to reinforce intervention measures in support of the market was recognized since it was clear that the system as applied in previous years was inadequate. Provision was thus made for both optional preventive distillation and special price maintenance for long-term storage contract holders.

At the same time many other more technical aspects of the regulations governing wine were brought up to date: the distillation of wine made from table grapes was made compulsory, and the principle was established that the bodies in the various countries responsible for dealing with fraudulent practices would be able to collaborate with one another (fraud was, and still is, the only aspect of the wine regulations to remain within the competence of the individual Member States).

No longer, thus, would there simply be intervention to support prices in periods of crisis, in the context of totally unrestricted cultivation: instead a brake would be put on the expansion of wine-growing and, by way of compensation, a partial price guarantee would be granted. The whole scheme was a temporary one, with the intention of deciding upon a new wine policy by 1978.

9. *The structural policy emerges*

This change of course, which was decided upon following the problems of the first five years of a common market in wine, brought into the open those questions of structures concerning vineyards and wine-making facilities, which up until then had remained somewhat in the background as compared with matters concerning market policy.

Wine storage tanks in Worms on the Rhine in the Federal Republic of Germany. Each 15 metre-high tank has a capacity of 80 000 litres. The wine remains for only a short time in these gigantic steel containers before bottling. (Photo Belga)

Quantities of wine distilled under Community intervention measures

(1 000 hl)

		Community distillation								
			Compulsory			Optional				
		Total	Wine obtained from table grapes	Additional compulsory distillation	Total	Preventive	Guaranteed price maintenance for long-term contract holders	Charentes	Exceptional	Total
1976/77	FR of Germany	62	0	–	0	61	–	1	–	62
	France	4 655	–	138	138	2 950	–	1 567	–	4 517
	Italy	673	400	–	400	273	–	–	–	273
	Community	5 390	400	138	538	3 284	–	1 568	–	4 852
1977/78	FR of Germany	9	–	–	–	9	–	–	–	9
	France	404	0	–	0	173	203	28	–	404
	Italy	616	132	–	132	134	350	–	–	484
	Community	1 029	132	–	132	316	553	28	–	897
1978/79	FR of Germany	17	–	–	–	–	17	–	–	17
	France	20	0	–	0	–	–	20	–	20
	Italy	1 632	1 288	–	1 288	–	344	–	–	344
	Community	1 669	1 288	–	1 288	–	361	20	–	381
1979/80	FR of Germany	9	–	–	–	8	–	–	1	9
	France	9 395	12	1 088	1 100	115	3 808	1 350	3 022	8 295
	Italy	8 827	465	–	465	2	3 028	–	5 332	8 362
	Community	18 231	477	1 088	1 565	125	6 836	1 350	8 355	16 666
1980/81	Fr of Germany	36	–	–	–	1	6	–	29	36
	France	8 660	25	951	976	114	6 942	–	628	7 684
	Italy	14 053	1 435	–	1 435	18	7 400	–	5 200	12 618
	Greece	179	2	–	2	–	–	–	177	177
	Community	22 928	1 462	951	2 413	133	14 348	–	6 034	20 515
1981/82	FR of Germany	38	–	–	–	–	23	–	15	38
	France	3 005	1	–	1	81	2 607	–	316	3 004
	Italy	9 837	721	–	721	36	4 138	–	4 942	9 116
	Greece	1 023	–	–	–	2	156	–	865	1 023
	Community	13 903	722	–	722	119	6 924	–	6 138	13 181

(1 000 hl)

		Total	Compulsory distillation[1]	Optional distillation			
				Total	Preventive	Guaranteed price maintenance for long-term contract holders	Exceptional and support[2]
1982/83	FR of Germany	385	–	385	374	–	11
	France	11 903	4 146	7 757	2 137	3 057	2 563
	Italy	10 245	185	10 060	4 383	3 555	2 122
	Greece	380	3	377	70	160	147
	Community	22 913	4 334	18 579	6 964	6 772	4 843
1983/84	FR of Germany	2 490	–	2 232	2 203	29	–
	France	10 810	1 151	6 557	2 053	4 504	–
	Italy	22 503	504	21 993	17 369	4 624	–
	Greece	1 350	–	1 329	1 100	229	–
	Community	37 153[1]	1 655	32 111	22 725	9 386	–
1984/85	FR of Germany	50	2	48	20	28	–
	France	11 650	2 488	7 142	1 706	4 398	1 038
	Italy	17 149	5 051	12 098	3 893	7 002	1 203
	Greece	1 080	235	845	378	374	93
	Community	29 929	7 776	20 133	5 997	11 802	2 334
1985/86	FR of Germany	505	2	503	477	26	–
	France	10 970	4 134	6 836	1 842	4 066	928
	Italy	12 228	2 448	9 780	3 725	5 137	918
	Greece	585	110	475	221	231	23
	Community	24 288	6 694	17 594	6 265	9 460	1 869

Sources: Commission of the European Communities, communications from Member States and unofficial data published by the press for 1985/86.

[1] Covers distillation under Articles 39 and 40 and from 1984/85 compulsory distillation under Article 41 also. The latter involved 5 750 000 hl in 1984/85 and 1 578 000 hl in 1985/86.

[2] Termed 'exceptional distillation' until 1983/84 and 'support distillation' from 1984/85 (Article 15).

Prior to 1976 there was only Regulation No 17/64, which provided, within the framework of Community support for the development of the various agricultural sectors, for subsidies for the planting of vineyards, the creation of new wine-making establishments or the expansion of existing ones, the setting-up of bottling plants in wineries, and so on (although France failed to take advantage of such subsidies before 1972, being opposed to the policy of expanding wine-growing).

These subsidies, however, were granted for individual projects and hence it was not possible to coordinate the development of wine-growing in an overall framework, based on Community wine policy criteria.

Therefore, in 1976, this approach was laid aside and a new one gradually adopted which was less free and easy but more in tune with the new market policy options which had been decided upon.

In addition to the ban on new planting of vines, Regulation No 1163/76 instituted a three-year programme of subsidies for the conversion of vineyards, i. e. the replacement of vines (for at least six years) with other crops. This provision was applied to over 65 000 hectares of land.

A second provision, Regulation No 355/77, restricted Community aid for processing facilities to such projects as were included in an appropriate national programme.

In the two following years two separate Directives, 78/627 and 79/359, were implemented, subsidizing two restructuring or conversion programmes covering a total of over 100 000 hectares of vineyards in various regions of France, mainly in Languedoc-Roussillon and Charentes. Lastly, following the adoption by the Council of proposals put forward by the Commission in 1978 for a complete 'action programme 1979-85', a new organic wine policy was set up in 1980 (Regulations Nos 454/80, 456/80 and 458/80).

This system operates on the basis of two kinds of measures.

The first is action to contain or to limit the potential for producing table wines over a period of years. It includes subsidies for the temporary or permanent abandonment of vineyards, and for the renunciation of replanting, and subsidies to wine growers who prematurely give up production, together with a ban on new planting and on aid for the planting of vineyards for the production of table wine.

The second is action to improve vineyard structures in areas which are well-suited to producing quality wines, by means of collective restructuring operations to be put into effect over a seven-year period (it was expected that this operation would affect around 240 000 hectares).

Both kinds of measure are in line with the general trend of Community wine policy towards improving quality, in that they depend on the natural suitability for wine-growing of the vineyards concerned. Vineyard land is divided into three categories in order of merit, on the basis of a new classification taking into account technical, economic, and social criteria. Furthermore, Regulation No 457/80 instituted a premium for the permanent abandonment of wine-growing in France and Italy which was applicable for the subsequent seven years.

Lastly, the need to intensify efforts to reduce wine-growing potential was recognized and Regulation No 777/85 introduced a new 'permanent abandonment premium' for areas under vines, applicable for five years (until 1990) and varying according to vineyard productivity.

10. From one crisis to another

Following the first major turn-round in 1976 the question of Community policy regarding the wine market, after a period of crisis as bumper harvest succeeded bumper harvest, remained unsettled.

Cicumstances made it possible to devote the necessary time to a thorough examination of the question because for four successive harvests, from 1975 to 1978, availabilities of wine within the EEC remained substantially in balance with requirements and there was no need for any exceptional distillation measures.

The Commission, after having introduced new ideas in its report on planting presented to the Council on 15 February 1977, which looked forward to genuine planning for the wine sector as a whole (as referred to in the previous chapter), presented in August 1978 an action programme 1979-85, which suggested other measures concerning both market management and the consumption side (of particular significance was the decision to go for grape sugar as enrichment agent, to replace sucrose in future). However, its proposals, drawn up in time for the end of 1978, did not receive a timely response from the Member States.

There then occurred the exceptionally abundant harvest of 1979, which set a new record in the history of Community wine production — 182.4 million hectolitres — and the market plunged into a new crisis, every bit as serious as the previous ones, before the necessary instruments could be adopted for bringing efficiency to the market organization for wine.

Something had to be done, and at the beginning of 1980 the Council approved a series of new regulations whereby not only were the Commission proposals for

planning wine-growing on the basis of natural suitability accepted, but also a totally new instrument was adopted in the form of a guaranteed minimum price for table wine in times of serious crisis.

With the succeeding bumper harvest of 1980 — 163.9 million hectolitres — the serious crisis had arrived but the minimum price system was not applied, owing both to objective technical difficulties and to the reluctance of certain countries to meet expenditure which they perhaps considered excessive and at all events was difficult to forecast in advance.

Instead, yet again, the system of exceptional distillation was applied. It relieved the market of 8.3 million hectolitres in 1980 (3 million in France and 5.3 million in Italy) and 6.2 million hectolitres in 1981 (0.6 in France, 5.4 in Italy and 0.2 in Greece, the latter having joined the Community on 1 January 1981). However, at the same time the system of distillation with special price maintenance for long-term storage contracts, which was the only form of partial price guarantee up to then applied to wines in the Community, and was perhaps easier for producers than exceptional distillation, took off the market 6.8 million hectolitres in 1980 (3 in Italy, 3.8 in France), and no less than 14.3 million in 1981 (6.9 in France and 7.4 in Italy).

Nevertheless, in the face of two extraordinarily abundant harvests in 1979 and 1980, like those of 1973 and 1974, the wine market was unable to pull itself out of the crisis.

The 'wine war' between Italy and France, or rather of France against Italy, flared up anew. The port of Sète was once again the scene of agitation by the wine-growers of the Midi. Cargo boats carrying wine were attacked, tanker lorries had their loads spilled out on the roads and dealers' premises were raided. Thus once again the free circulation of wine within the Community was interrupted or seriously hampered, from early August to halfway through December, while the authorities in Paris resorted yet again to the imposition of a tax (of FF 15 per hectolitre) on wines obtained by blending in order to combat the competition from Italian wine.

Even the 'almost small' harvest of 1981 (140 million hectolitres) did not obviate the need for further exceptional distillation in spring 1982.

Let us now examine the new instruments which the Community has implemented to regulate the wine market and to protect wine-growers from recurring crises of overproduction.

E — How the common market in wine is currently organized

1. The 1982 reform

The Council of the European Communities was forced to acknowledge that the basic problem of bringing together the Italian and French wine industries within a single, free market had not been solved, as had been hoped in 1970, and had to admit that the instruments available for regulating the wine market were not sufficient to avoid a succession of surplus crises, while the time was drawing closer when two new major wine-producing countries, Spain and Portugal, would be following Greece in joining the Community.

Consequently, on 18 May 1982 the Council adopted a new series of amendments to Regulation No 337/79, supplemented by other regulations in subsequent years, *which established distillation no longer as intervention of an exceptional nature,* as was originally intended when the common market in wine was launched, *but as the basic,* if not the only, *instrument for regulating the market and eliminating surpluses.*

The new principles now governing the Community market in wine may be summarized as follows:

(i) in theory at least, Community intervention must *guarantee a price for table wine of not less than 82% of the guide price;*

(ii) there may be *automatic opening of optional 'preventive distillation'* from 1 September each year, with producers being paid 65% of the guide price;

(iii) all producers *may be required to distil a proportion of their production,* where given crisis conditions obtain on the market. The price to be paid to producers was 60% of the guide price, subsequently reduced to 40-50%, of which more below. The proportion of production to be distilled varies with the yield per hectare;

(iv) there is automatic opening of *voluntary distillation,* termed 'support' distillation, at 82% of the guide price, where compulsory distillation is resorted to. However, the quantity may not exceed 5 million hectolitres (6.2 million hl after the accession of Spain), save where the Council decides otherwise.

Wine fermentation in modern cooperative winery in Spain.

Other provisions were introduced subsequently (31 March 1984), such as a reduction of the aid for the distillation of wine enriched with sucrose or subsidized concentrated must, and *the discontinuation of Community aids for short-term storage* (3 months), with the possibility for the individual States of bearing the cost, and in particular *a total ban on any new planting of vines until 1990* (although the exemption for quality wines psr with real sales prospects in practice provides a convenient way of circumventing this).

This constituted the first actual implementation in the wine sector of the principle adopted by the Council on 31 March 1984, that the levels of guaranteed prices and market support measures were to be reduced for products in surplus.

The adoption of this principle was undoubtedly sensible and justified, a decisive argument for it being the Community budget's inability to bear the increasing expenditure on managing agricultural markets. It was consequently implemented progressively in 1984-86 in the wine sector by reducing the quantities of table wine eligible for the three forms of optional distillation: preventive distillation, support distillation and the special price support guarantee for long-term storage contract holders ('distillation de bonne fin').

2. *The Dublin agreement*

Furthermore, worries concerning the chronic surplus of wine, aggravated by the gradual decline in consumption in Italy and France, which were already serious in 1981/82 when Community wine production stood at 140 million hectolitres, provided no alternatives nor gave any scope for hesitation regarding the new policy to keep down production in subsequent years, when a series of plentiful harvests was recorded: 171 million hl in 1982, 168 million hl in 1983, 148 million hl in 1984 and 143 million hl in 1985.

The different forms of distillation subsidized by the EAGGF reached giddy heights: 13 903 000 hl in 1981/82, 22 913 000 hl in 1982/83, 37 153 000 hl in 1983/84, 29 929 000 hl in 1984/85, 24 288 000 hl in 1985/86 and 36 million hl in 1986/87.

The Heads of Government of the 10 Member States had to come personally to discuss the case of the wine sector, the sick man of agriculture: in Dublin on 4 December 1984 they took certain drastic but inevitable decisions.

In the form of appropriate provisions under Regulation No 822/87, the basic Regulation on wine, those decisions still give a major role to distillation, no longer in order to support the market but with the clear aim of *deterring surplus wine production,* which is seen as coming mainly from vineyards with excessive yields per hectare, through uneconomic withdrawal prices and compulsory distillation.

The decisions taken at the Dublin Summit may be summarized as follows:

(a) reduction in wine-growing potential by aids to grubbing-up and restriction of replanting rights (no practical decision has yet been taken on the latter point);

(b) implementation of a restrictive prices policy;

(c) investigation by 1990 of the possibilities of using concentrated must and rectified concentrated must in place of sucrose;

(d) stepping-up of compulsory distillation of table wine where there is a serious imbalance in the sector, as follows:

   (i) there is taken to be a serious imbalance when prices remain below 82% of the guide price for some time, or when stocks at the end of the year are in excess of four months' normal utilization or when a year's production is more than 9% above normal yearly consumption;

   (ii) the Commission establishes the quantity to be distilled so as to restore normal conditions on the market and allocates it to the various regions, grouped by Member State, in line with each region's surplus by reference to 85% of its average table wine production in the three years 1981-83 (another reference period may be used from 1990);

   (iii) within each region, the amount each individual producer must distil is worked out on the basis of the yield per hectare, according to criteria laid down by the Commission;

   (iv) producers may subtract quantities voluntarily sent for preventive distillation from the quantity of wine for compulsory distillation;

   (v) for 1985/86, 1986/87 and 1987/88, the price of wine for compulsory distillation is 50% of the guide price for the first 12.5 million hl and 40% for further quantities (before the accession of Spain, the limit was 10 million hl).

The conditions laid down for the triggering of compulsory distillation mean in practice that it will be resorted to every year, if only because stocks amounting to four months' normal consumption are less than the minimum needed to keep businesses running.

Average table wine production for the three years 1981-83, which was taken as a reference, was 110 389 000 hectolitres, 85% of which is 93.83 million hl. That is

A wine village on the Moselle, in Luxembourg. The sun-bathed slopes lie close at hand. (Photo Institut Viti-Vinicole de Remich, Luxembourg)

approximately equal to normal table wine requirements in the Community at the time of the Dublin agreement (1984). After the accession of Spain, the figures rose to approximately 138 and 117 million hectolitres.

These measures show clearly the political determination of the Community Heads of Government to impose compulsory distillation at deterrent price levels for all excess table wine production, without leaving any scope for the disposal of part of the surplus by means of more costly optional distillation such as the special price support guarantee for long-term contract holders, support distillation and, in part, preventive distillation.

3. Compulsory distillation — a cautious beginning

However, the mechanism devised in Dublin very quickly showed itself to be difficult to apply, both socially, because the producers opposed such a drastic slashing of

1986/87 wine estimate in the Community of Eleven

(1 000 hl)

	All wine			Quality wine psr			Table wine			Other wine		
	Total	Red and rosé	White	Total	Red and rosé	White	Total	Red and rosé	White	Total	Red and rosé	White
Total production	195 458	99 399	96 059	47 888	25 484	22 404	134 496	72 970	61 526	13 074	945	12 129
— grape juice	3 255	230	3 025				2 030	150	1 880	1 225	80	1 145
— wine-making	192 203	99 169	93 034	47 888	25 484	22 404	132 466	72 820	59 646	11 849	865	10 984
Stocks at beginning of wine year	123 432	65 241	58 191	57 906	26 750	31 156	60 472	37 272	23 200	5 054	1 219	3 835
— producers	86 729	48 873	37 856	43 086	20 691	22 395	42 837	28 035	14 802	806	147	659
— traders	36 703	16 368	20 335	14 820	6 059	8 761	17 635	9 237	8 398	4 248	1 072	3 176
Availabilities at beginning of wine year	315 635	164 410	151 225	105 794	52 234	53 560	192 938	110 092	82 846	16 903	2 084	14 819
Imports												
— intra-Community												
— extra-Community	2 800									2 800		
Total availabilities	318 435			105 794			192 938			19 703		
Internal uses	171 501			36 183			119 601			15 717		
— human consumption	128 479			34 187			88 822			5 470		
— processing of which	41 686			1 630			29 905			10 151		
distillation	38 320			1 630			26 995			9 695		
— wine spirits	6 300									6 300		
— Reg. (EEC) No 337/79	28 060[1]			950			24 085[1]			3 025		
— Other	3 960			680			2 910			370		
of which vinegar	1 161						860			301		
of which vermouth	2 205						2 050			155		
— Losses	1 336			366			874			96		
producers	709			174			474			61		
traders	627			192			400			35		
Exports												
— intra-Community												
— extra-Community	14 478			7 310			7 025			143		
Stocks at end of wine year												
— producers												
— traders	132 456			62 301			66 312			3 843		
Changes in stocks	9 024			4 395			5 840			−1 211		
Self-sufficiency rate	1.34			1.36			1.39			0.93		
Consumption (litres per capita)	41.08			10.93			28.40			1.75		

[1] Distillation already decided. Not including quantities for compulsory and support distillation.

Port wine carries the name of Oporto far beyond Portugal. The photograph shows racking in the Port Wine Institute. (Photo Belga)

their income, and technically, because the allocation of the quantities to be distilled is intended to be in line with any surplus production for the year in each region, while a state of serious crisis may also be established simply on the basis of surplus stocks, or in regions other than those with surplus production. Furthermore, the criteria on which overall quantities for compulsory distillation in a region are allocated among individual producers on the basis of yields per hectare, together with exemptions and deduction of quantities sent voluntarily for preventive distillation, may easily produce statistical results at variance with the forecasts worked out on the basis of overall regional figures.

Specifically, in the first year of compulsory distillation (1984/85), while the surplus over normal consumption (1981/83 average) plus surplus stocks could be put at 30 to 35 million hectolitres, it was decided that only 12 million would be distilled compulsorily, and amounts sent for preventive distillation, amounting to approximately 6 million hectolitres, were to be deducted.

In the second year (1985/86), the theoretical surplus in production and stocks was assessed at approximately 20 million hectolitres, but it was decided that only 7.5 million hl, from which up to 4.65 million hl for optional distillation was to be deducted, should be sent for compulsory distillation. In fact, when the overall quantities for compulsory distillation were broken down into individual quantities, while the results in 1984/85 came substantially up to expectation, in 1985/86 quantities of table wine sent for compulsory distillation were much lower than anticipated.

In the third year (1986/87), which also involved Spain, faced with overall production surpluses and stocks of 35 to 40 million hectolitres, the Community decided to put the brakes on. Even so there was compulsory distillation of only 22 773 000 hectolitres (with the usual deduction for optional preventive distillation), plus support distillation of 4 million hectolitres. Consequently, the market did not come back to normal and table wine prices in Italy and France stayed below 82% of the guide price.

The fact is that in the first three years of application of compulsory distillation, as it was a new, very costly measure which was also to apply for the first time to Spain, the Commission of the European Communities considered it expedient and perhaps also inevitable to proceed cautiously and not include in its calculations of surpluses table wine sent for distillation from long-term storage at a guaranteed price (9 to 11 million hectolitres per year on average), nor to restrict stocks to only four months' normal requirements as against the usual six or seven months.

However, in order to tackle realistically the problem of the now unsustainable imbalance between wine supply and demand in the Community, it has to be remembered both that statistics of production and stocks at the end of the year are not always fully reliable and that normal consumption of table wine is no longer that of the three reference years selected in Dublin (1981-83), i.e. approximately 117.2 million hectolitres per year, including Spain, but unfortunately much lower, at around 103 million hectolitres.

Those two aspects of the problem, i.e. the unreliability of statistics and the continuing market imbalance, deserve some consideration, which we intend to provide by way of a conclusion to this brief survey.

4. Detailed rules for production and trade too

While the main aim of this survey is to outline the Community's economic policy in the wine sector, it should also be mentioned that much has been done in the areas of production and the circulation of products, standardizing labels and thus making them clearer to understand, and promoting quality products.

Of special importance in this context are the rules on the classification of vine varieties (Regulations Nos 347/79 and 3800/81), harvest declarations (Regulation No 2102/84), the accompanying document (Regulation No 1153/75), oenological practices and processes (Annex III to Regulation No 337/79), sparkling wines (Regulations Nos 2893/74, 2593/74, 2152/75, 358/79, 3309/85, etc.), and the description and presentation of wines (Regulations Nos 335/79 and 997/81).

Equally important for the wine sector are Directives Nos 106/75 and 107/75 on prepackages and measuring containers for use for various liquid foodstuffs or beverages.

Lastly, special emphasis should be given to the complex rules on quality wines produced in specified regions (quality wines psr), at present governed by Regulation No 823/87, which lays down a standard framework applying throughout the Community, with uniform production rules for all wines whose qualities and registered designations of origin put them in this premium category.

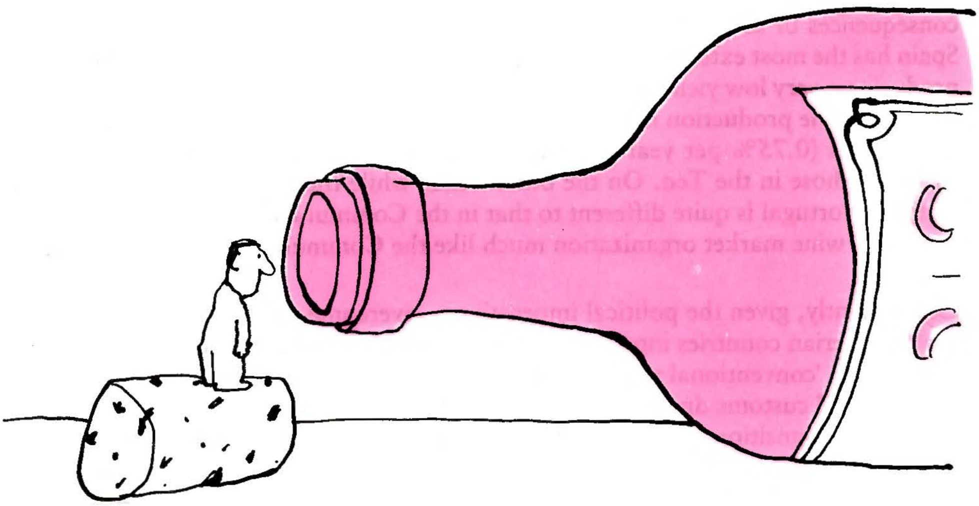
There are over 400 registered designations in France, over 200 in Italy, approximately 60 in Greece, 11 main regions in the Federal Republic of Germany, 24 main regions in Spain, 8 in Portugal, plus the Luxembourg wine-growing region. They account for a total of 45 to 50 million hl. There are also geographical subdesignations and names of vine varieties. Provision is also made in the table wine sector for a category of products governed by regulation, the 'typical wines'.

Other aspects are still to be covered by Community rules, including semi-sparkling wine, which is increasingly popular with young people, and liqueur wines, which make up a fairly substantial proportion of Community wine production, particularly following the accession of Spain and Portugal.

F — Objectives achieved and problems outstanding

1. The accession of Spain and Portugal

The accession of the new Community Member States, Spain and Portugal, has been referred to several times in the preceding chapters. We will now see how and when this historic event took place — an occurrence of exceptional importance from the viewpoint of the general history of the Community and also a turning point of special significance, a great objective achieved, for the wine sector more specifically.



The Community, set up in 1958 with six members (Belgium, France, FR of Germany, Italy, Luxembourg and the Netherlands) underwent an initial enlargement on 1 January 1973 with the accession of the United Kingdom, Denmark and Ireland, and a second one with that of Greece on 1 January 1981. The third enlargement, bringing in Spain and Portugal, took place at the beginning of 1986; the original Community of Six became one of Twelve.

From the point of view of the wine market, however, while the first enlargement had marginal effects (in particular there was a strange impact on statistics as the entry of the United Kingdom brought down exports of wine to non-member countries and increased imports from non-member countries), the second and more especially the third enlargement involved three major wine-producing countries, bringing about a considerable change in the overall conditions of the market organization in wine. The tables of statistics in this survey suffice to indicate the scale of this change.

However, the main source of preoccupation is not so much the spectacular increase (from 45 to 60%) in the proportion of the world's wine industry accounted for by the Community through the accession first of Greece and then of Portugal and Spain, but rather the particular features of the Spanish wine sector (Portugal, where the scale of production appears to be in line with the scope for its disposal, causes few worries).

While the area under vines in all the other wine-producing countries of the Community and their wine production figures, although showing an overall surplus, may be considered to be relatively stable or at least not liable to rapid, overwhelming changes, there is no way of knowing with certainty in the case of Spain what the consequences of arrangements to support the wine market will be. To start with, Spain has the most extensive area under vines in the world with 1.7 million hectares, producing a very low yield (on average barely one third of the overall yield in Italy or France), while production is tending to rise faster than the average for the Community of Ten (0.75% per year compared with 0.58%) and wine prices are slightly over half those in the Ten. On the other hand, while the organization of the wine sector in Portugal is quite different to that in the Community, for many years Spain has had a wine market organization much like the Community one.

Consequently, given the political imperative to overcome any obstacles to bringing the two Iberian countries into the Community, provision was made for two distinct procedures: 'conventional transition' for Spain, with a period during which the gaps in prices and customs duties are gradually narrowed and Community measures applied; and a transition by stages in the case of wine- growing in Portugal, with an initial five-year preparatory stage, ending on 31 December 1990 and leading automatically into the second stage, ending on 31 December 1995.

In the first stage Portugal will not take part in the market organization but will make preparations for participating by, amongst other things:

(a) the liberalization of domestic trade, the State bodies at present governing such trade (Junta Nacional do Vinho) being abolished and storage and distillation being made the task of producers themselves;

(b) the institution of rules on vine planting similar to those in the Community;

(c) the classification of vine varieties and the institution of a survey of areas under vines;
(d) the prohibition of irrigation of vineyards and of new planting on irrigated land, with no increase in the area under vines producing wine of less than 7% vol. natural alcoholic strength;
(e) the organization of the distillation centres required for compulsory deliveries for distillation;
(f) the organization of the administrative and information services required to manage the market and gradually to bring prices in Portugal into line with those in the Community;
(g) the reduction of the maximum sulphur dioxide content to Community levels.

However, there is provision for certain derogations: the Community will be eliminating customs duties on Portuguese quality liqueur wines produced in specified regions by 1 January 1988 (in three stages), those on Vinho Verde and Dão by 1 January 1989 (in four stages) and those on other Portuguese quality wines psr by 1 January 1991 (in six stages).

The Community will progressively reduce customs duties on all other Portuguese wine products, abolishing them by 1 January 1994, while Portugal will reciprocate in respect of Community wine products by 1 January 1996.

From 1 January 1991, with the (automatic) triggering of the second stage of the transitional period, Portuguese vine products will be subject to regulations which are practically the same as those which have been in force for Spain since 1 March 1986 (under the 'conventional transition').

Meanwhile, by 1 January 1993, Portugal will have finished aligning itself on the Common Customs Tariff in trade with non-member countries.

2. *Spain: in at the shallow end of the common market in wine*

We will now outline the way the gradual integration of Spain into the common market in wine has been organized.

It was decided to apply the conventional procedure to customs duties on trade in either direction between the Community of Ten to Spain. This involves a reduction in the duties each year for eight years, commencing on 1 March 1986, and culminating in their total elimination on 1 January 1993.

Famous houses called 'trulli' and vineyards stretching as far as the eye can see in Apulia (southern Italy).

Spain is to apply most of the external Common Customs Tariff in like stages, but for vine products for which the Community has fixed a reference price the external Common Customs Tariff has been applied fully as from 1 March 1986.

The right to refunds on the export of must and wine has also been extended to Spain from that date. The structural measures (premiums for the abandonment of wine-growing, etc.) were thus also implemented from 1 March 1986. The participation of Spain in the market organization in wine commenced with full effect, on the other hand, only from 1 September 1986.

However, the most important novelty in trade in wine between Spain and the Community is the introduction of regulatory amounts. These are equal to the difference between the guide prices for table wine in Spain and those in the Community of Ten. A derived regulatory amount may also be fixed for Spanish wines with a registered designation of origin or such wines from the Community of Ten exported to Spain. However, the regulatory amounts must not alter normal trade flows, nor be less favourable than the reference price applied to Spanish wine before accession.

The guide price for table wine in Spain is not the same as that applying for the Community of Ten, but is twice the pre-existing price of the *entrega obligatoria de regulacion* for white wine in Spain. In practice, for the 1986/87 wine year Spain began with a guide price of 1.75 ECU (% vol./hectolitre) for white wine as against 3.17 ECU for the Community of Ten (for red wine the guide prices were 1.89 and 3.42 ECU respectively).

Once the guide price is established, the other Community prices are calculated according to a percentage grid: support distillation at 72% (82% in the Community), special price support guarantee for long-term storage contract holders at 80% for white wine and 81.5% for red (90 and 91.5% in the Community of Ten); preventive distillation at 65% (as in the Community); compulsory distillation at 50/40% (as in the Community; however, the lower price of 40% is to be introduced gradually where applicable).

This percentage grid specifically for Spain will be brought into line with that for the rest of the Community over five years. Consequently, only from the 1990/91 wine year will the percentages of the guide price to be paid for the various types of distillation be equal throughout the Community.

In absolute terms, however, prices will still be different for a further two years because the Spanish guide price will be aligned on that for the Community not in five but in seven years, commencing from 1 September 1986.

Thus a single system of prices for wine will apply throughout the Community, including Spain but not Portugal, from the 1992 harvest only.

As regards the rules on compulsory distillation, which the Community of Ten reviewed and reinforced at the time of the Dublin agreement in 1984 with a view in particular to their forthcoming application to Spain, it was decided that the average table wine production for Spain in the three reference harvests (1981-83) was to be taken to be 27.5 million hectolitres. As a consequence the threshold in excess of which Spain is required to eliminate its surpluses, 85% of the reference average, is 23 375 000 hectolitres.

Lastly, a certain number of technical matters needed to be dealt with, particularly as regards liqueur wines, which are of special importance in Spain (one need only think of sherry) and are produced by specific traditional methods which are different from those in the Community of Ten.

With regard to sherry, it is worth mentioning that British, Irish and Cyprus sherries were not prohibited following the entry of Spain into the Community, but were authorized provisionally until 31 December 1995.

Thanks to the instruments which we have briefly described, it has been possible to get over the initial hurdle represented by Spanish wine, which appeared extremely awkward, and proceed with the integration of Spain and Portugal into the Community, in line with a political choice of fundamental importance for Europe.

However, the problems have by no means been solved and only the future will show all the implications and complications, particularly as regards the development of Iberian wine production under a market price support system. There are also unknown quantities which may cause problems, such as the reliability of statistics, the potential of Spanish wines with a registered designation of origin, the absence of limitations on replanting (throughout the Community), the Treaty's silence regarding irrigation of vineyards, etc.

3. *Replanting, sucrose, controls and the vineyard register*

The Dublin agreement (1984), which was designed to solve the problem of the structural surplus in Community wine production and to prepare the common organization of the market in wine for the entry of Spain into the Community, appears to have settled the outline of the Community's wine rules as a whole.

However, while it is true that the basic instruments now exist for dealing with any future development of the wine sector in the Community, it is also true that many specific aspects of the rules on wine, which are liable to have a significant impact on the problem of surpluses, still have to be dealt with.

Among the most obvious is the matter of replanting. As mentioned above, thanks to the development of cultivation techniques average wine production per hectare has been increasing every year by 0.60 to 0.70%, despite the impact of incentives for the abandonment of vine-growing. Consequently, the reduction of wine-producing potential, which was seen as a basic factor in the Dublin agreement, cannot be achieved by voluntary measures alone, but must be sought through compulsory measures, such as the restriction of replanting rights. However, while everyone agrees that production must be reduced, no one appears ready to accept a reduction in the area under vines. So it is still possible that over the years, under a wine price support system, the vast area under vines in Spain (and also many Italian, French and Greek vineyards) may be replanted in such a way as to lead to an increase in production beyond what may be regarded as possible today.

There is a similar outlook as regards irrigation, which is not subject to regulations as yet and could therefore be extended in particular in semi-arid regions where a warm sunny climate ensures maximum production potential. A further point is the use of sucrose in wine-making, any decision regarding which has been postponed to 1990. It is clear that allowing ordinary sugar to be added to must (some 700 000 to 800 000 tonnes is probably legally added at present) means not using an equal quantity of grape sugar and consequently failing to re-absorb a part of the production surplus which may be put at 4 to 5 million hectolitres of wine at least. Furthermore, if the use of sucrose is not prohibited after 1990, it will be very difficult to prevent it being extended to other regions too (e.g. in Italy or Spain) where it is currently prohibited.

The matter of controls also calls for decisive action by the Community authorities and the Commission has been drawing up specific proposals on the subject for some time.

If a market is subject, as is that in wine, to a common organization which shields it from total freedom of competition and protects it with price support under complex, detailed and precise rules, then any inadequacy in administrative controls will make it impossible to achieve the objective of stopping production rising and so thwarting the price support arrangements.

This is exactly what is happening in the wine sector, where illicit sweetening has not been overcome (there are hopes for a new, sophisticated method of analysis, but it will never be possible to analyse all the wine produced), there is still planting of vines here and there despite the general ban, harvest declarations are often incomplete and unchecked, and so on.

In fact, precisely because it has been found that figures on areas under vines and on wine production are not sufficiently reliable throughout the Community, the Council of the European Communities has decided, on a proposal from the Commission, to set up a full vineyard register over six years (Regulations Nos 2392/86 and 649/87).

This vineyard register is to provide for the precise identification of all wine-growing holdings, all processing and bottling undertakings and possibly all distilleries, so laying the foundations for computerized monitoring of all movements of grapes, must and wine and making the management of the wine market effective and precise.

Other outstanding problems are the disturbance caused by wine obtained from table grapes, the lack of generalized checks on natural minimum alcoholic strength, the unsatisfactory system for ascertaining the suitability of land for vine-growing, with a view to the application of rules on the planting of vines, etc.

To meet all these needs, specialized corps of wine sector inspectors are clearly required in each Member State, with staff and resources in line with the scale of vine-growing in each country and coordinated by a central Community office.

There are another two major problems which are still outstanding: taxes on wine, and alcohol from voluntary or compulsory distillation. These problems should be described in detail, and are outlined in the following chapters.

4. *From a wine surplus to an alcohol surplus*

When in 1970 the decision was taken to adopt distillation as the instrument for regulating the wine market — and it was a farsighted and beneficial decision — the inevitable consequence was that when a wine surplus occurred new problems arose on the alcohol market.

Similarly, making wine out of surplus table grapes did resolve certain difficulties in the fruit and vegetable markets from time to time, but this was at the expense of the wine market (and this problem in turn was resolved by the compulsory distillation of wines derived from vines not classified as producing wine grapes, thus creating further problems on the alcohol market).

In the case of wine as we have seen, the total volume of alcohol produced as the result of distillation measures — now equivalent to around 20 to 30 million hectolitres of wine per year — has reached a level taking a not inconsiderable share of the market away from other alcohol products, especially molasses or synthetic alcohol. These sectors therefore set up fierce political resistance, particularly in certain countries not producing wine, to any increase in these distillation measures to support the wine market.

It is for this reason, among others, that the proposal for a regulation on the common organization of the market in alcohol, which was put by the Commission to the Council on 6 March 1972, has never had any hope of success and is now totally in limbo.

Moreover, the transfer of wine surpluses on to the alcohol market is a very costly operation for both the Community and the Member States.

The mechanisms applied for this purpose are essentially three, which differ according to who becomes the owner of the products obtained from the distillation.

In the case of certain compulsory distillation interventions — compulsory deliveries ('prestations viniques') and distillation under Article 40 — the wine is bought from the producers at a reduced price established by the Community and the alcohol then remains the property of the intervention agencies, which receive from the EAGGF flat-rate aid to cover the costs involved in the processing of the wine, storage and handling.

In the case of compulsory distillation under Article 41, the alcohol derived is delivered to the intervention agencies, which take it over on behalf of the EAGGF, the latter assuming ownership and having to pay all the costs of processing, storage and handling, as well as paying the producers the price laid down by Community rules.

In the case of optional preventive distillation, support distillation and distillation at guaranteed price to long-term contract holders, the alcohol and the distillates remain the property of the distillers themselves, while the EAGGF grants them a subsidy per hectolitre of wine distilled which allows them to pay a fixed price to the growers and at the same time allows a production cost of the alcohol which is such as to permit the distiller to put it on the market at a competitive price.

However, seeing that the distillers are private concerns who without profits obviously cannot operate and that the Community distillation measures are compulsory, certain wine-producing countries arrange for their intervention agencies to relieve the distillers of the commercial risk and take over the responsibility for products resulting from Community distillations.

In this case, however, there is a cost burden for the country concerned and at the same time a conflict of economic interests arises between the intervention agency which has taken over the alcohol and the private distillers who, once having delivered the products to the agency concerned, aim to continue with their own production without having to suffer any further interference on the market.

It can occur, therefore, as is happening in Italy, that only a very small proportion of the alcohol from Community distillation held by the intervention agency is put on to the free market, while the greater part remains in storage, with a consequent increase in cost and deterioration in quality, to the point where the alcohol is no longer saleable without further processing and at a considerable loss.

In Italy, for example, the stocks of wine alcohol, which at the end of 1973 stood at 1 060 000 hectolitres of pure alcohol, at the end of 1978 at 1 630 000 hectolitres, and at the end of 1980 at 2 506 000 hectolitres, reached 9.4 million hectolitres at the end of 1986, as against a normal consumption of around 600 000 to 700 000 hectolitres per year, which is about equal to normal annual production without Community distillation measures.

A good percentage, over 4 million hectolitres, is raw alcohol which is totally unusable without further processing.

Procedures have been set in train for the sale of approximately 5 million hectolitres to non-Community countries for use as fuel, but the proceeds are estimated at 8 000 to 10 000 Italian lire per hectolitre while the cost borne by the intervention agency on buying in is around 135 000 lire per hectolitre.

The cost of storing the alcohol alone amounts to 6 000 to 8 000 lire per hectolitre per year.

The situation in France, albeit less serious thanks to the capacity for reducing stocks of alcohol derived from wine which is guaranteed by the Société Alcool de Vin, is nevertheless disturbing: at the end of the 1985/86 wine year the stocks resulting from the various distillation measures amounted to a total of almost 2 million hectolitres of pure alcohol. There were stocks of another 560 000 hectolitres of pure alcohol in Greece.

Spain too, a new member of the common market in wine, normally distils 5 to 7 million hectolitres of wine per year and has stocks of alcohol amounting to almost 1 million hectolitres.

What can be done with this alcohol without paralysing the distilling industry for years ahead or draining the funds of the Member States or of the Community?

As far as alcohol from compulsory distillation is concerned (Articles 39, 40 and 41 of Regulation No 337/79), there has since 1982 been provision for sale at the expense of the EAGGF provided that the market for spirituous beverages and alcohol is not disturbed, the alcohol consequently going to the fuel sector.

The aim does not appear however to have been achieved to date, perhaps because the original minimum selling price of 15 ECU per hectolitre of pure alcohol was not attractive. It was in fact reduced to 8 ECU in December 1986.

But rather than selling off cheaply alcohol deriving from the distillation of wine surpluses, might it not be better not to be forced to distil but to find other outlets for grape and wine production?

The idea that has thus emerged is to replace sucrose by rectified concentrated must and to 'invent' new products to be placed on the market for non-alcoholic beverages and juices which do not compete with wine.

Another, albeit partial, solution might be to channel the musts for use in non-traditional market sectors. It has been demonstrated that the amount of aid granted for the distillation of wine is sufficient to enable grape musts to be used in livestock feed. The Council provided in the regulation governing wine a legal basis which has enabled the financing of research to be stepped up, and recently successfully concluded.

At all events this is one of the problems not yet resolved, and one which is becoming more and more acute, both because it seems that the saturation point of the alcohol market is not far off and because under these circumstances, as was seen at the time of the 1982 reform of the common organization of the market in wine, the interests of the distilling industry are by now weighing seriously upon the entire system of measures to support the wine market, which is still based precisely on distillation despite the restrictions on the Community budget.

5. Aids with one hand and taxes with the other

A second problem which is perhaps simpler but equally, or even more, serious consists in the burden of taxes levied upon wine in certain Community countries, which clearly tend to put a brake on consumption.

The tables set out herein, which were drawn up in 1984 but are still representative of the tax burden on wine in the various Member States, show that in some markets, mainly in non-producing countries, taxes on table wine are as high as 30, 40 or 60% of the consumer selling price and as much as 250 and even 800 and 1 400% of the price of the wine at source.

When we take into consideration the fact that, in order to support the basic selling price of wine by about 0.07 ECU per litre during 1984/85 and 1986, the EEC spent on average each year 1 100 million ECU, a figure which is comparable to the total amount collected in taxes on table wine throughout the Community, it is easy to understand how the charges imposed on wine, albeit for perfectly acceptable reasons in terms of national budgets, run completely counter to that expansion in consumption which counts among the objectives of the Treaty of Rome and which would alone be sufficient to eliminate wine surpluses and to boost the budgets of both the wine-growers and the Community.

The taxation on wine, moreover, is not always due to unexceptional budgetary considerations. In some cases taxation is used as a shield to protect the home-based industry producing competing forms of drink (beer, for example) against wine.

A scene from no particular country in one of the numerous vaulted cellars in a European wine-producing region, bearing witness to the wine-grower's love for wine in the north, centre and south of the Community. (Photo Belga)

Impact of tax burden on consumer price of wine in EEC Member States
(Table wine – May 1984 – ECU per litre)

	Producer price[1]	Cost of distribution[2]	Excise duty	VAT %	Consumer price[3]
Belgium	0.30	0.95	0.38 [4]	25	2.04
Denmark	0.30	1.39	1.70 [5]	22	4.14
France	0.30	0.59	0.038 [6]	18.6	1.11
Greece	0.30	0.55	–	–	0.85
United Kingdom	0.30	2.28	1.78	15	5.01
Ireland	0.30	2.43	3.12	23	7.20
Italy	0.30	0.44	–	8 [8]	0.80
Luxembourg	0.30	0.73	0.15 [7]	6	1.25
The Netherlands	0.30	1.41	0.38	18 [8]	2.47
FR of Germany	0.30	0.80	–	14	1.25
Portugal	0.25 [9]	0.30 [9]	–	8	0.60 [9]
Spain	0.18	0.30 [9]	–	12	0.54 [9]

[1] Average representative price at source for red table wine, 11°, type R I (France, Italy, Greece and Spain).
[2] Figure obtained by subtraction. Comprises all costs from production to retail, including transport, bottling, distribution and cost of bottle.
[3] Indicative averages, drawn from information from trade bodies and appearing in specialized publications.
[4] For Luxembourg wines, excise duty is reduced by approximately 40%.
[5] Not including the 1.5% tax on imported wines but including the 'bottle tax' of approximately 0.18 ECU per litre.
[6] Transport duty.
[7] Only for foreign wine; Luxembourg wine is exempt from excise duty.
[8] In 1986: Italy 9%, the Netherlands 19%.
[9] 1986; indicative estimate.

Tax burden as percentage of price of table wine
(1984)

Member State	Percentage of producer price	Percentage of consumer price
Belgium	259.5	38.5
Denmark	809.6	59.1
France	70	19.1
Greece	–	–
United Kingdom	806.7	48.5
Ireland	1 424.2	62
Italy	19.7	7.4
Luxembourg	74.2	17.9
The Netherlands	252.2	30.8
FR of Germany	51.1	12.3
Spain	32	10.7
Portugal	17.6	7.33

The Commission of the European Communities has, of course, made every effort to find a solution to this problem of excessive taxation and included the matter in its action programme 1979-85. It has also put forward three separate proposals.

The first was the proposal to harmonize excise duties on wine, beer and alcoholic beverages, put before the Council on 7 March 1972, but so far held up by continuing profound divergences of opinion and interests between the Member States.

The second was an official recommendation, sent to the Member States in 1975, to the effect that they should not increase and indeed should reduce the taxation on wine. This too proved ineffective, as certain States have since then continued to make periodic increases in the taxes on wine.

The third action consisted in referring to the Court of Justice numerous cases of fiscal discrimination by a number of countries, including the alleged discrimination in the taxation of wine as against beer in the United Kingdom and in Ireland (case of 7 August 1978). But, following a ruling by the Court of Justice on 12 July 1983, this action too has failed to achieve a positive result concerning, as it does, matters which are both arguable and highly political.

Hence, taxation is another problem which cannot be ignored within the framework of a global strategy for the Community designed to protect wine-growers' incomes, especially as it involves a confrontation between the vine and wine, grown and produced in the Mediterranean regions, and the alcoholic beverages industry of the northern countries.

6. *Towards a Community without internal borders in 1992*

With the burden of all the problems mentioned in the previous chapters still outstanding, the first stage of the entry of Spanish wine into the common market took place, which is to lead to the full integration of the Community wine sector over a seven-year period.

The hurdles along the way must be surmounted not through a confrontation between the Community of Ten and Spain but with the full participation of the two Iberian countries, Spain and Portugal, now jointly responsible, together with France, Italy, Germany, Greece and Luxembourg, for the future of the European wine sector and the common market in wine.

As regards the technical side, the proven mechanisms for cooperation operating in Brussels give good reason for expecting the objectives laid down to be achieved.

Politically speaking, however, there are major elements of uncertainty undermining that confidence.

The basic question lies, as has been mentioned several times, in the growing gap between supply of and demand for wine in the Community.

Production is increasing by 0.58% per year, although the area under vines is shrinking, and consumption is falling by 1% per year.

In 1992, the date laid down for the full integration of the Community's wine sector (not including Portugal), production might reach 145-150 million hectolitres, plus that of Spain (perhaps 35-40 million hl), as against demand of 127 million hectolitres, plus that of Spain (perhaps 25-30 million hl), i.e. an overall surplus of 30-40 million hectolitres.

Community intervention involving distillation serves to eliminate the surplus of unsaleable wine and encourages continuing surplus production, at least in certain areas.

Expenditure borne by the EAGGF, which has reached 600 ECU per hectare of table wine vineyard in the Community of Ten, appears to be increasingly unproductive and unsustainable when set against the background of the common agricultural policy as a whole, which has for some time aimed gradually to reduce intervention in surplus sectors.

For several years now the Commission has been promoting new uses for vine sector products, such as the utilization of concentrated must in livestock feed, wine-based beverages with a low alcohol content, non-alcoholic beverages containing fruit juice, extracts for pharmaceuticals, etc.

The Commission has also proposed replacing sucrose in wine-marking with rectified concentrated must. This may enable several million hectolitres of wine to be absorbed.

The outlook is definitely encouraging in those areas, but the impact of the potential new uses of must and wine seems destined to remain marginal and is not liable to reduce substantially the imbalance between supply and demand, which for years has kept prices below 82% of the guide price, considered as a minimum limit to be guaranteed by market intervention.

The area under vines in Europe needs to be reduced by at least 20 to 30%, but that would entail traumatic, dramatic surgery in the social and economic fabric of winegrowing, and indeed the very landscape itself.

Consequently, the risk is increasing that the Community's gradual disengagement as regards guaranteeing the incomes of wine-growers will induce the Member States to take national measures, as has already occurred more than once, thereby leading to an unavowed, partial renationalization of the market.

Major reviews are thus to be expected in forthcoming years, particularly towards the end of the first stage of Spain's integration into the common market in wine in 1992, when wine prices and intervention will have to be the same throughout the Community and there must be no barriers to the free circulation of the product.

If there is still a surplus in the wine sector then, as is likely, a situation like that which long disturbed and continues to disturb trade in wine between France and Italy could perhaps arise, owing to the tendency for wine prices to even out down-

wards in the common market, i.e. an alignment of French and Italian prices on the lower Spanish prices. This is a real danger because it will not be easy to double the prices for Spanish wine (currently more or less half French and Italian prices) in only six or seven years, unless the Spanish economy overall matches that doubling.

There are still five years to go, five years for the governments of the 12 Member States to solve the problems in the wine sector too, however complex and difficult they are, if they make a strong political commitment towards achieving that objective and refuse to leave wine outside that Community without internal borders which the Commission's White Paper, approved by the European Council in Milan in 1985, set as its goal for 1992.

Glossary

Accompanying document

In accordance with Article 71 of Regulation (EEC) No 822/87 wine products and by-products can be put into circulation within Community territory only if accompanied by a document checked by the administrations of the Member States.

The format of the accompanying document and the way in which it is used were laid down by the Commission in Regulation (EEC) No 1153/75 and are thus obligatory upon both the Member States and all operators in the wine sector.

Advisory Committee on Wine

A body set up by the Commission by a Decision of 18 July 1962 to ensure direct and systematic liaison with representatives of organizations in the wine sector. The task of the Advisory Committee is to express opinions on matters put to it by the Commission. Since it does not possess executive powers, no voting procedure is provided for.

Such committees exist for all products covered by the common agricultural policy.

The Advisory Committee on Wine is composed of 48 members: 24 for the wine producers and cooperatives, 7 for the trade, 5 for the industry, 6 for the agricultural and food industry workers, and 6 for the consumers.

Agricultural unit of account

Prices for agricultural products are intended to be uniform throughout the 'common market'. The Community fixes the exchange rates of the ECU to apply, for the purposes of the Community agricultural policy, for the various national currencies.

For 1987/88, the rates for the 'agricultural' ECU, applying from 1 September 1987, were:

46.8712	Belgian francs
46.8712	Luxembourg francs
8.54064	Danish kroner
2.38516	German marks
7.20771	French francs
116.673	Greek drachmas
0.782478	Irish pounds
1554	Italian lire
2.68749	Dutch guilders
0.626994	pounds sterling

145.796	Spanish pesetas
153.283	Portuguese escudos

The exchange rates may be adjusted in line with variations in the official exchange rate for the ECU.

Alcoholic strength

Annex II to Regulation No 822/87 lays down the following definitions of alcoholic strengths:

1. Actual alcoholic strength by volume means the number of volumes of pure alcohol contained at a temperature of 20°C in 100 volumes of the product at that temperature.

2. Potential alcoholic strength by volume means the number of volumes of pure alcohol at a temperature of 20°C capable of being produced by total fermentation of the sugars contained in 100 volumes of the product at that temperature.

3. Total alcoholic strength by volume means the sum of the actual and potential alcoholic strengths.

4. Natural alcoholic strength by volume means the total alcoholic strength by volume of a product before any enrichment.

5. Actual alcoholic strength by mass means the number of kilograms of pure alcohol contained in 100 kilograms of the product.

6. Potential alcoholic strength by mass means the number of kilograms of pure alcohol capable of being produced by total fermentation of the sugars contained in 100 kilograms of the product.

7. Total alcoholic strength by mass means the sum of the actual and potential alcoholic strengths by mass.

As regards the natural alcoholic strength laid down for wine for human consumption, at present the following minimus apply:

	Table wine	Quality wine psr
Zone A	5	6.5
Zone B	6	7.5
Zone C I a	7.5	8.5
Zone C I b	8	9
Zone C II	8.5	9.5
Zone C III a	9	10
Zone C III b	9	10

Associated countries — see 'Member States'

CAP (common agricultural policy)

This is one of the 11 objectives laid down in Article 3 of the Treaty of Rome, with the aim of fulfilling the general political and economic purposes of the Community, as laid down in Article 2 of the Treaty.

Specific provisions relating to the achievement of a common market in agriculture and to the common agricultural policy are to be found in Title II of the Treaty of Rome, Articles 39 to 47.

The provisions apply to those agricultural products listed in Annex II to the Treaty including, among others, grape musts and wines (to which were later added ethyl alcohol and vinegar).

Commission

This is the executive body of the EEC, initially set up under Articles 155 to 163 of the Treaty of Rome and later reconstituted on the basis of the Treaty of 8 April 1965 merging the executives of the three European Communities.

Its functions within the EEC are largely equivalent to those of the executive, as exercised by the government of each individual State. It serves as the guardian of the application of the Treaty of Rome and hence can have recourse to the Court of Justice.

It participates in the shaping of Council decisions and ensures their implementation. It also possesses powers of its own under the Treaty of Rome. It may make regulations, issue directives, take decisions, make recommendations or deliver opinions.

The Commission is at present composed of 17 members (two members each for Germany, France, Italy, Spain and the United Kingdom, one member each for Belgium, Denmark, Greece, Ireland, Luxembourg, Portugal and the Netherlands). Members are appointed for four years. One President and six Vice-Presidents are appointed from among them.

Each Commissioner has his own specific responsibilities. One Commissioner is responsible for agriculture alone. The Commission takes decisions by simple majority.

To assist it in the performance of its duties there is a Secretariat-General, 22 Directorates-General and seven other services or specialist departments.

Common market

A European common market is one of the principle objectives of the Treaty of Rome, laid down in Articles 2 and 8 of the Treaty itself in a general sense and in Article 39 regarding agriculture in particular. It was duly achieved after a 'transitional period' of 12 years, starting from 1958. In the wine sector the common market was achieved in 1970.

This chiefly involves the free circulation of goods and the abolition of all quantitative restrictions, or measures having equivalent effect, in trade between Member States.

Compulsory deliveries for distillation ('prestations viniques')

This term is usually used to refer to the obligation on wine producers to deliver to the intervention agency a quantity of alcohol corresponding to the presumed alcoholic content of the by-products of winemaking. At present this quantity is set by convention at 8% of the natural alcoholic strength fixed for each wine-growing zone.

The aim of this rule is to compel winemakers to fulfil the obligation to dispose of by-products (marc and lees) without over-exploiting them.

Council

Established in accordance with Articles 145 to 154 of the Treaty of Rome, the Council is the Community's supreme decision-making body. It has the task of ensuring that the aims of the Treaty of Rome are attained and of coordinating the economic policies of the Member States.

The Council's powers within the EEC correspond to those of the legislative in the Member States.

The Council is composed of representatives of the Member States, chosen according to the questions under discussion. It acts by a simple majority, the votes of the members being weighted as follows (total of 76 votes): Germany, France, Italy and the United Kingdom, 10 votes each; Spain, 8 votes; Belgium, Greece, Portugal and the Netherlands, 5 votes each; Denmark and Ireland, 3 votes each and Luxembourg, 2 votes.

Where a qualified majority is called for by the Treaty of Rome, it is of 54 votes out of 76. This applies to certain aspects of the common agricultural policy. An internal procedure laid down for exceptional cases is for unanimity to be required. The Council's debates are prepared not only by the Special Committee on Agriculture but also by various other Committees including the Committee of the Permanent Representatives of the Member States (Coreper). The Council has its own General Secretariat.

Countervailing charge — see 'Reference price'.

Court of Justice

Established under Articles 164 to 188 of the Treaty of Rome, it has the task of ensuring that the law is observed in the interpretation and application of the Treaty of Rome.

It is composed of 13 Judges, who are assisted by six Advocates-General and a Registrar.

The Commission may have recourse to the Court of Justice should it consider that a Member State has failed to fulfil an obligation under the Treaty of Rome (Article 169), as may a Member State which considers that another Member State has failed to fulfil such an obligation, after it has brought the matter before the Commission (Article 170), or indeed any natural or legal person who claims that an act of the Commission or of the Council is unlawful in his regard (Article 173). Article 173 also enables the Council and Commission to bring actions before the Court in respect of any Community act which is held to be unlawful. Furthermore, where the interpretation of the Treaty is raised in a national court, that court may request the Court of Justice to give a 'preliminary ruling' (Article 177).

Customs duty

Tax on goods from non-Community countries when imported into the Community.

Customs duties may vary with quantity (specific duty), as for wine, or with value (*ad valorem* duty), as for grape must and grape juice (tariff heading 20.07).

The list of Community customs duties on products from non-member countries constitutes the Common Customs Tariff, set up for the first time in 1960 and periodically updated by regulation.

The following is a summary of Community customs duties, which are applied to protect wine production in the Community (per hectolitre in European currency units (ECU)):

Sparkling wine	40 ECU
Wine of up to 13% vol.	
● in bulk	10.9 ECU
● bottled	14.5 ECU
Wine of 13 to 15% vol.	
● in bulk	13.3 ECU
● bottled	16.9 ECU
Wine of 15 to 18% vol.	
● in bulk	16.9 ECU
● bottled	20.6 ECU
Wine of 18 to 22% vol.	23 ECU
Must in fermentation	40%

Note: If the total dry extract (in practice the natural unfermented sugar content) is over 90 g/litre, wine of up to 13% vol. is subject to duty as wine of 13 to 15% vol. Similarly, wine of 13 to 15% vol. and 15 to 18% vol. is classified in the higher category if the total dry extract exceeds 130 g/litre.

Decision

This is one of the acts provided for in Articles 189 to 192 of the Treaty of Rome which may be adopted by the Council or the Commission. A Decision is binding upon the State or person to whom it is addressed. When applied to persons it is enforceable.

Definitions

Annex I to Regulation (EEC) No 822/87 defines all the various products and by-products in the wine sector as follows:

1. Fresh grapes: the fruit of the vine used in making wine, ripe or even slightly raisined, which may be crushed or pressed by normal wine-cellar means and which may spontaneously produce alcoholic fermentation.

2. Grape must: the liquid product obtained naturally or by physical processes from fresh grapes. An actual alcoholic strength of the grape must of not more than 1% vol. is permissible.

3. Grape must in fermentation: the product obtained from the fermentation of grape must and with an actual alcoholic strength by volume of more than 1% but less than three-fifths of its total alcoholic strength by volume: however, certain quality wines psr having an actual alcoholic strength by volume of less than three-fifths of their total alcoholic strength by volume but not less than 5.5% vol. is not considered as grape must in fermentation.

4. Grape must in fermentation, extracted from raisined grapes, also called *vino dulce natural:* the product obtained from the partial fermentation of grapes must be obtained from raisined grapes, the total sugar content of which before fermentation is at least 172 grams per litre and the natural alcoholic strength by volume of which may not be less than 8%.

5. Fresh grape must with fermentation arrested by the addition of alcohol:
   a product which:

   (i) is produced in the Community;

(ii) has an actual alcoholic strength by volume of not less than 12% but less than 15%; and

(iii) is obtained by the addition to unfermented grape must having a natural alcoholic strength by volume of not less than 8.5% and derived exclusively from vine varieties referred to in Article 69:

(a) of neutral spirits of vinous origin, including alcohol obtained from the distillation of dried grapes, having an actual alcoholic strength by volume of not less than 95%, or

(b) of an unrectified product derived from the distillation of wine and having an actual alcoholic strength by volume of not less than 52% and not more than 80%.

6. Concentrated grape must: uncaramelized grape must which is:

(i) obtained by partial dehydration of grape must carried out by any authorized method other than by direct heat in such a way that the figure indicated by a refractometer (used in accordance with the method prescribed in Annex III to Regulation (EEC) No 543/86) at a temperature of 20° C is not less than 50.9%;

(ii) derived exclusively from vine varieties referred to in Article 69;

(iii) produced within the Community; and

(iv) obtained from grape must having at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which the grapes were harvested.

An actual alcoholic strength of the concentrated grape must of not more than 1% vol. is permissible.

7. Rectified concentrated grape must: the liquid uncaramelized product which:

(i) is obtained by partial dehydration of grape must carried out by any authorized method other than by direct heat in such a way that the figure indicated by a refractometer (used in accordance with the method prescribed in the Annex to Regulation (EEC) No 543/86) at a temperature of 20° C is not less than 70.5%; Member States may, however, allow a different figure for products used within their territory, provided it is not lower than 51.9%;

(ii) has undergone authorized treatment for deacidification and elimination of constituents other than sugar;

(iii) has the following characteristics:

(a) a pH of not more than 5,

(b) an optical density at 425 nm for a thickness of 1 cm of not more than 0.100,

(c) a sucrose content undetectable by a method of analysis to be defined,

(d) an ethanol content of not more than 0.5 grams per kilogram of total sugars,

(e) a total nitrogen content of not more than 100 milligrams per kilogram of total sugars,

(f) a Folin-Ciocalteau index of not more than 4.00,

(g) a titratable acidity of not more than 10 milliequivalents per kilogram of total sugars,

(h) a sulphur dioxide content of not more than 25 milligrams per kilogram of total sugars,

(i) a sulphate content of not more than 2 milliequivalents per kilogram of total sugars,

(j) a chloride content of not more than 1 milliequivalent per kilogram of total sugars,

(k) a phospahte content of not more than 1 milliequivalent per kilogram of total sugars,

(l) a total cation content of not more than 8 milliequivalents per kilogram of total sugars,

(m) a conductivity at 25° Brix and 20°C of not more than 50 µS/cm,

(n) a hydroxymethylfurfural content of not more than 25 milligrams per kilogram of total sugars;

(iv) is derived exclusively from the vine varieties referred to in Article 69;

(v) is produced within the Community;

(vi) is obtained from grape must having at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which the grapes were harvested.

An actual alcoholic strength of the rectified concentrated grape must of not more than 1% vol. is permissible.

8. Grape juice: the unfermented but fermentable liquid product obtained by appropriate treatment rendering it fit for consumption as it is may be obtained:

   (a) from fresh grapes or from grape must, or

   (b) by reconstitution:

      (i) from concentrated grape must, including concentrated grape must defined in accordance with Article 1(4)(a),

      or

      (ii) from concentrated grape juice.

   An actual alcoholic strength of the grape juice of not more than 1% vol. is permissible.

9. Concentrated grape juice: uncaramelized grape juice obtained by partial dehydration of grape juice carried out by any authorized method other than by direct heat in such a way that the figure indicated by a refractometer (used in accordance with the method prescribed in the Annex to Regulation (EEC) No 543/86) at a temperature of 20° C is not less than 50.9%.

   An actual alcoholic strength of the concentrated grape juice of not more than 1% vol. is permissible.

10. Wine: the product obtained exclusively from the total or partial alcoholic fermentation of fresh grapes, whether or not crushed, or of grape must.

11. New wine still in fermentation: wine in which alcoholic fermentation is not yet complete and which is not yet separated from its lees.

12. Wine suitable for yielding table wine; wine which:

   (i) is derived exclusively from vine varieties referred to in Article 69;

   (ii) is produced in the Community; and

   (iii) has at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which it was produced.

13. Table wine: wine other than quality wine psr which:

   (i) is derived exclusively from vine varieties referred to in Article 69;

   (ii) is produced in the Community;

   (iii) has, whether or not following application of the processes specified in Article 19, an actual alcholic strength by volume of not less than 8.5% provided the wine derives exclusively from grapes harvested in wine-growing zones A and B and of not less than 9% vol. in other wine-growing zones, and a total alcoholic strength by volume of not more than 15%,

   (iv) has a total acidity content, expressed as tartaric acid, of not less than 4.5 grams per litre or 60 milliequivalents per litre.

   However, in the case of wines from certain wine-growing areas to be determined which have been produced without any enrichment and do not contain more than five grams of residual sugar, the upper limit for the total alcoholic strength by volume may be raised to 17%.

'Retsina' table wine is table wine which has been subjected to the oenological practice referred to in point 1(n) of Annex VI.

14. Liqueur wine, the product which:

(i) is produced in the Community;

(ii) has a total alcoholic strength by volume of not less than 17.5% and an actual alcoholic strength by volume of not less than 15% and not more than 22%;

and

(iii) is obtained from grape must or wine, these products being derived from specific vine varieties, selected from those referred to in Article 69, and having a natural alcoholic strength by volume of not less than 12%;

(iv) by freezing;

or

(v) by the addition, during or after fermentation:

(a) of neutral spirits of vinous origin including alcohol obtained from the distillation of dried grapes, with an actual alcoholic strength by volume of not less than 95%, or

(b) of an unrectified product derived from the distillation of wine and having an actual alcoholic strength by volume of not less than 52% and not more than 80%, or

(c) of concentrated grape must or, in the case of certain quality liqueur wines produced in specified regions and appearing on a list to be adopted of wines for which such practice is traditional, of grape must concentrated by direct heat which, apart from this operation, corresponds to the definition of concentrated grape must, or

(d) of a mixture of these products.

However, certain quality liqueur wines produced in specified regions and appearing on a list to be adopted may be obtained from fresh unfermented grape must which does not need to have a minimum natural alcoholic strength by volume of 12%.

Furthermore, certain quality liqueur wines produced in specified regions and appearing on a list to be determined, obtained in accordance with the previous subparagraph, may have a total alcoholic strength by volume of not less than 15%, if so provided for by national legislation obtaining on 1 January 1985.

The following products shall also form part of liqueur wines:

(a) Quality liqueur wines produced in specified regions, also called *vino generoso,* obtained *sous voile*:

(i) having a total alcoholic strength by volume of not less than 15% and an actual alcoholic strength by volume of not more than 22% and a sugar content of less than 5 grams per litre,

(ii) obtained from white grape must extracted from vine varieties chosen from amongst those referred to in Article 69, the natural alcoholic strength of which is not less than 10.5% vol.,

(iii) manufactured with the addition of wine spirits having an actual alcoholic strength by volume of not less than 95%;

(b) Quality liqueur wines produced in specified regions, also called *vino generoso de licor*:

(i) having a total alcoholic strength by volume of not less than 17.5% and an actual alcoholic strength by volume of not less than 15% and not more than 22%,

(ii) obtained from *vino generoso* with the addition of grape must in fermentation, extracted from raisined grapes, also called *vino dulce natural,* or from concentrated grape must;

(c) Red quality liqueur wines produced in specified regions:

  (i) having a total alcoholic strength by volume of not less than 17.5% and an actual alcoholic strength by volume of not less than 15%, and not more than 22%,

  (ii) obtained from grape must from vine varieties chosen from amongst those referred to in Article 69, the natural alcoholic strength of which is not less than 11% vol.,

  (iii) manufactured with the addition, during or after fermentation, of:

  - either neutral spirits of vinous origin, with an actual alcoholic strength by volume of not less than 95%,
  - or of an unrectified product derived from the distillation of wine and having an alcoholic strength by volume of not less than 70%.

15. Sparkling wine: save for the derogation provided for in the first subparagraph of Article 67(2), the product which is obtained by first or second alcoholic fermentation:

  (i) of fresh grapes,

  (ii) of grape must,

  (iii) of wine, suitable for yielding table wine,

  (iv) of table wine,

  (v) of quality wine psr,

  (vi) or, under the conditions referred to in Article 68, of imported wine,

  which, when the container is opened, releases carbon dioxide derived exclusively from fermentation and which has an excess pressure, due to carbon dioxide in solution, of not less than 3 bar when kept at a temperature of 20°C in closed containers.

16. Aerated sparkling wine, the product which:

  (i) is obtained, subject to the provisions of Article 67(2), from table wine,

  (ii) is produced in the Community,

  (iii) releases, when the container is opened, carbon dioxide derived wholly or partially from an addition of that gas, and

  (iv) has an excess pressure, due to carbon dioxide in solution, of not less than 3 bar when kept at a temperature of 20° C in closed containers.

17. Semi-sparkling wine, the product which:

  (i) is obtained from table wine, quality wine psr, provided that such wine or products have a total alcoholic strength of not less than 9% vol.,

  (ii) has an actual alcoholic strength by volume of not less than 7%,

  (iii) has an excess pressure, due to endogenous carbon dioxide in solution, of not less than 1 bar and not more than 2.5 bar when kept at a temperature of 20° C in closed containers,

  (iv) is put up in containers of 60 litres or less.

18. Aerated semi-sparkling wine, the product which:

  (i) is obtained from table wine, quality wine psr or from products suitable for yielding table wine or quality wine psr,

  (ii) has an actual alcoholic strength of not less than 7% vol. and a total alcoholic strength of not less than 9% vol.,

(iii) has an excess pressure of not less than 1 bar and not more than 2.5 bar when kept at a temperature of 20° C in closed containers due to carbon dioxide in solution which has been wholly or partially added,

(iv) is put up in containers of a capacity not exceeding 60 litres.

19. Wine vinegar, vinegar which:

(i) is obtained exclusively by acetous fermentation of wine, and

(ii) has a total acidity of not less than 60 grams per litre expressed as acetic acid.

20. Wine lees: the residue accumulating in vessels containing wine after fermentation, during storage or after authorized treatment and the residue obtained from filtering or centrifuging this product.

The following are also considered as wine lees:

(i) the residue accumulating in vessels containing grape must during storage or after authorized treatment,

(ii) the residue obtained from filtering or centrifuging this product.

21. Grape marc: the residue from the pressing of fresh grapes, whether or not fermented.

22. Piquette, the product obtained:

(i) by the fermentation of untreated grape marc macerated in water, or

(ii) by leaching fermented grape marc with water.

23. Wine fortified for distillation, the product which:

(i) has an actual alcoholic strength by volume of not less than 18% and not more than 24%,

(ii) is obtained exclusively by the addition to wine containing no residual sugar of an unrectified product derived from the distillation of wine and having a maximum actual alcoholic strength by volume of 86%, and

(iii) has a maximum volatile acidity of 1.50 grams per litre, expressed as acetic acid.

Directive

One of the acts which the Council and the Commission may adopt under Articles 189 to 192 of the Treaty of Rome.

It is addressed to the Member States, who are obliged to adopt national provisions for applying whatever is laid down in the directive but remain free to select the form and methods of implementation within their own territories. The directive does not apply directly to individuals.

EAGGF (European Agricultural Guidance and Guarantee Fund)

Established by Regulation No 25 of 4 April 1962 in accordance with Article 40 of the Treaty of Rome, it is the instrument by which the EEC finances and implements the common agricultural policy. It is divided into two sections: the Guidance Section (expenditure on structural improvements in farming or farming-related activities), and the Guarantee Section (expenditure on supporting agricultural markets).

The EAGGF is funded from the Community's own resources which are derived, *inter alia,* from customs duties, agricultural levies, etc.

Economic and Social Committee

Established in accordance with Articles 193 to 198 of the Treaty of Rome and consisting of representatives of the various categories of social and economic activity: producers, farmers, carriers, workers, dealers, craftsmen and the professional occupations.

It consists of 189 members: Germany, France, Italy and the United Kingdom have 24 members each, Spain 21, Belgium, Greece, the Netherlands and Portugal 12 each, Denmark and Ireland 9 each, and Luxembourg 6.

The Economic and Social Committee is served by a specialized agricultural section, which deals with questions regarding the wine sector.

The Council and the Commission are obliged to consult the Committee in all those cases specified in the Treaty of Rome, and specifically as regards provisions relating to the common agricultural policy.

The opinion expressed by the Committee is not, however, binding.

ECU (European currency unit)

The monetary unit of the European Monetary System (EMS), used by the EEC since 1979 in running that system.

The value of the ECU is at present equal to the sum of the values of the following fixed amounts expressed in national currencies: DM 0.719, FF 1.31, UKL 0.0878, LIT 140, HFL 0.256, DKR 0.219, BFR 3.71, LFR 0.14, IRL 0.00871, DR 1.15.

At the rates set on 12 January 1987, the ECU is weighted for the different participating currency as follows:

German mark	34.9%
French franc	19.0%
Pound sterling	11.9%
Dutch guilder	11.0%
Italian lira	9.4%
Belgo-Luxembourg franc	9.1%
Danish krone	2.8%
Irish pound	1.1%
Greek drachma	0.8%

The incorporation of the Spanish peseta and Portuguese escudo is planned but has not yet taken place. The value of the ECU in the various Community currencies and in the currencies of the main non-member countries is published daily in the *Official Journal of the European Communities.*

However, the unit of account used for the CAP is not the ECU as defined for the purposes of the EMS, but a value adjusted by a coefficient reflecting the trend of the currency which bulks largest in the ECU. The resulting unit of account is called the green ECU.

In addition, agricultural prices fixed in green ECU are converted not at real rates but at special agricultural conversion rates. The differences between these rates and the real ones are made up for by the monetary compensatory amounts.

EEC (European Economic Community)

The EEC was set up by the Treaty of Rome (25 March 1957). On 8 April 1965 a treaty was signed merging the executives of the EEC, the ECSC (European Coal and Steel Community), and the EAEC (European Atomic Energy Community). This Treaty became effective on 1 July 1967. EC is a common abbreviation for European Communities.

European Parliament

According to Articles 137 to 144 of the Treaty of Rome, the 'representatives of the peoples of the States brought together in the Community' constitute the Assembly of the Community, which has deliberative powers, powers relating to budget matters, supervisory powers and the right to take part in the legislative procedure.

The Assembly is commonly called the European Parliament. Currently, following upon agreements concluded in July 1976 among the Member States, and upon the accession of Greece, Spain and Portugal, it is composed of 518 elected members — 81 each for Germany, France, Italy and the United Kingdom, 60 for Spain, 25 for the Netherlands, 24 for Belgium, Portugal and Greece, 16 for Denmark, 15 for Ireland and 6 for Luxembourg.

Excise duty

Tax on wine or alcoholic drinks, or on other products, levied by individual countries on the quantities released for consumption or manufactured or imported. In the case of alcoholic drinks it is usually proportional to quantity and/or alcoholic content. It is expressed in national currency.

Guide price

In accordance with Regulation No 822/87, the Community fixes a 'guide price', each year before 1 August, for each type of table wine on the basis of the market quotations for the two previous wine-growing years.

This price remains valid from 1 September to 31 August of the following year and is expressed in ECU per % vol./hectolitre or per hectolitre.

The guide price indicates the average wholesale price which has been adopted by the Community as its policy objective in the sector and hence serves as a guide for the producers involved.

It is by reference to the guide price that the intervention price and the reference price are established and certain specific intervention measures decided upon.

Intervention price

More accurately 'the threshold price activating the intervention system', or 'activating price'. Under Article 28 of Regulation No 822/87, this is set before 1 September of each year as a fixed rate of 92% of the guide price. Since the discontinuation of short-term storage aid, it has remained practically unused.

IWO

These initials are widely used for the International Vine and Wine Office, which has its headquarters in Paris and is an intergovernmental body of wine-producing countries.

Established by international arrangement on 29 November 1924, it currently has the following 33 countries as members:

Algeria, Argentina, Australia, Austria, Belgium, Bulgaria, Chile, Cyprus, Czechoslovakia, Denmark, France, Federal Republic of Germany, Greece, Hungary, Israel, Italy, Luxembourg, Mexico, Morocco, the Netherlands, Portugal, Romania, South Africa, Spain, Switzerland, Syria, Tunisia, Turkey, USSR, United Kingdom, USA, Uruguay, Yugoslavia.

Languages

The EEC has adopted as its official languages the following nine national tongues: Danish, Dutch, English, French, German, Greek, Italian, Portuguese and Spanish.

The *Official Journal of the European Communities* is thus published in these nine languages.

Since Greek is one of the official languages of the Community, some Greek indications in use in the wine sector are written in Greek, in Greek characters, even in the other language versions of regulations.

Licences (import and export)

In order to monitor the actual amounts of wine crossing the Community frontiers, Article 52 of Regulation No 822/87 lays down that imports shall be conditional on the production of an import licence and also that exports may be made conditional on production of an export licence.

For those wines and musts which conform with Community rules regarding non-Community products, the import licence is granted without any limits on quantity but requires a security to be lodged which is currently fixed at 1 ECU per hectolitre for table wines and 2 ECU per hectolitre for semi-sparkling and sparkling wines, liqueur wines and concentrated musts.

Wine export licences have so far been applied only in cases where the party concerned intends to claim a refund (security 1 ECU per hectolitre).

Quantities of less than 30 hectolitres do not require either import or export licences.

These licences remain valid up to the end of the fourth month after issue.

Management Committee for Wine

Established by Article 6 of Regulation No 24/62 (now Article 82 of Regulation No 822/87). Like the management committees for other agricultural products, it is composed of representatives of the Member States and is chaired by a representative of the Commission.

It has submitted to it measures to be adopted for the implementation of the common agricultural policy, proposed by the Commission on the basis of regulations approved by the Council. It can also be consulted on initiative from the Commission, or by request from the representative of a Member State.

Within the Management Committee each Member State possesses the same number of votes as laid down by the Treaty of Rome for the deliberations of the Council of Ministers (see 'Council').

The Commission representative does not vote.

The Committee acts by qualified majority, i.e. 54 votes out of 76. Where no opinion is adopted or in the case of a favourable opinion by qualified majority, the Commission adopts the measures. In the event of an unfavourable opinion by qualified majority, the question is passed to the Council, which can amend the proposal made by the Commission.

Member States

The EEC was set up by the Treaty of Rome of 25 March 1957, initially by six States, namely (in order of signing) Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands.

On 1 January 1973, Denmark, Ireland and the United Kingdom entered the EEC. Greece joined on 1 January 1981, bringing the number of Member States to a total of 10, and lastly, on 1 January 1986 Spain and Portugal also joined.

Associated with the EEC are the 22 overseas countries and territories having special relationships with France, the Netherlands and the United Kingdom.

An association agreement has been concluded with Turkey, with a view to its eventual accession to the Community.

Other trade or economic cooperation agreements are in force with countries in the European Free Trade Association, with certain Middle Eastern, North African, Latin American and Asiatic countries, with Yugoslavia, and with more than 60 States of the African, Caribbean and Pacific group, made up of non-member States which in 1975 concluded with the EEC the Lomé Convention (revised on 31 October 1979).

Monetary compensatory amounts (MCAs)

A fundamental principle of the common agricultural policy is that there are common, Community-wide prices for agricultural products. However, since these prices are expressed in theoretical monetary units, that is to say in ECU, while the products are actually traded on the basis of the real exchange rates between the various currencies, the EEC has established 'monetary compensatory amounts' in order to make up for the differences between actual exchange rates among the various currencies and their values as expressed in 'agricultural units of account' (which derive from the ECU).

Consequently in the case of those Member States whose currencies have been revalued and where prices have accordingly risen although in national currency they show no change, the MCAs are collected on imports and paid out on exports. The converse happens in the case of Member States whose currencies have been devalued: the compensatory amounts are paid out on imports and collected on exports.

The level of the compensatory amounts changes as and when the official exchange rates for the purposes of the common agricultural policy are altered (see 'Agricultural unit of account').

Opinion

The 'opinion' and the 'recommendation', provided for by Article 189 of the Treaty of Rome, are acts which the Council or the Commission are free to adopt but which are not binding and do not come under the jurisdiction of the Court of Justice.

Prepackages

These are defined as the combination of the product and the package in which it is prepacked, i.e. closed without the purchaser being present and where the quantity contained in the package has a predetermined value and cannot be altered without modifying the package (Directive (EEC) No 106/75).

If they have a given nominal capacity, they may bear the Community sign 'e'. Prepackages include measuring containers (Directive (EEC) No 107/75), comprising bottles made of glass or other rigid, stable material, of a capacity of between 0.05 and 5 litres, which have a given content when filled to a predetermined level.

Measuring containers may be marked with a Community sign '3' (reversed epsilon).

For table wine and quality wine psr (excluding semi-sparkling wine, sparkling wine and liqueur wine) the prepackages used must be those indicated in the Annex to Directive No 106/75 of a nominal volume of 0.10, 0.25, 0.375, 0.50, 0.75, 1, 1.5, 2, 3, 5, 6, 9 and 10 litres plus others as a transitional measure and 0.187 l for ships and aircraft.

Quality wines psr (quality wines produced in specified regions)

On the basis of the abovementioned definition and Regulation No 823/87, 'quality wines produced in specified regions', also referred to as 'quality wines psr', may be said to mean quality wines meeting the requirements of Regulation No 823/87, as defined by national laws, produced in 'specified regions', i.e. in an area or set of wine-growing areas the name of which is used to designate them and which have special quality characteristics.

The labels for quality wines psr are marked with the traditional indications of each Member State, i.e:

France
Appellation d'origine contrôlée, Appellation d'origine vin délimité de qualité supérieure.
Initials: AOC, VDQS.

FR of Germany
Qualitätswein, Qualitätswein mit Prädikat (Kabinett, Spätlese, Auslese, Beerenauslese, Trockenbeerenauslese, Eiswein).
Initials: Q.b.A., Q.b.A.m.Pr.

Italy
Denominazione d'origine controllata, Denominazione d'origine controllata e garantita.
Initials: DOC, DOCG.

Luxembourg
Marque nationale du vin luxembourgeois.
Initials: MN.

Greece
Onomasia proeleuseos elenchomene, Onomasia proeleuseos apoteras poiotetos (Registered designation of origin, Registered designation of origin of superior quality).
Initials: OPE, OPAP.

Spain
Denominación de origen, Denominación de origen calificada.
Initials: DO, DOC.

Portugal
Denominação de origem, Denominação de origem controlada, Indicação de proveniência regulamentada
Initials: IPR.

Reference price

Under Article 53 of Regulation No 822/87, a reference price is fixed each year before 1 September for red wine, white wine, grape juice, grape must, wine fortified for distillation and liqueur wine.

The reference price is fixed on the basis of the guide price for the most representative Community wines, plus marketing costs. There is an increase for products in bottles. Special reference prices may be fixed in cases where the product has special characteristics or is intended for special uses. The reference price, which is expressed in ECU per hectolitre or % vol./hectolitre, remains valid for one year and constitutes the minimum price, at the Community frontier, for products from outside the Community below which a 'countervailing charge' is applied in order to protect Community production.

The price of non-Community products is, for these purposes, the actual price, that is, as a general rule, the 'free-at-frontier offer price' plus the customs duty actually charged.

To calculate the 'free-at-frontier' price in ECU, a special rate different from both the current prices in ECU and the agricultural unit of account, established by regulation, is applied to the prices of the non-Community liqueur wines expressed in the various currencies of the Community Member States.

Refunds

Article 56 of Regulation No 822/87 establishes a 'refund' on Community table wine exported to certain non-member countries in order to enable Community wine whose prices are influenced by price-support measures under the Community's wine policy to compete on equal terms with produce from non-Community countries on international markets.

The refund is of the order of 1.05 ECU per % vol./hectolitre for concentrated grape musts (for Spain it is 0.55 ECU), 1.55 ECU per % vol./hectolitre for table wines of types RI, RII and AI (for Spain it is 0.70 ECU for white wine and 0.90 ECU for red wine), 5.50 ECU per hectolitre for wines of types RIII, AII and AIII and 17.25 ECU per hectolitre for liqueur wines other than quality wines psr.

Refunds are paid on the above products when exported to any non-member country with the exception of those in the Americas and those exempted from the countervailing charge (see 'Reference price') by Regulation No 2223/70, with the exception of Romania, Czechoslovakia, Bulgaria and Hungary.

(The countries exempted from the countervailing charge, apart from those in the Americas, are: Switzerland, Austria, Yugoslavia, Cyprus, Turkey, Australia, South Africa, Chile, Argentina, Algeria, Morocco, Tunisia, Israel, Bulgaria, Czechoslovakia, Romania and Hungary.)

Registers

Under Article 71 of Regulation No 822/87 and Regulation No 1153/75, all movements of wine products both in and out of, and all processing at the premises of producers, merchants, processors or bottlers must be entered in the appropriate 'registers', with a reference to the accompanying document or any other form of documentation (harvest declarations, invoices, etc.).

Regulation

Provided for by Articles 189 to 192 of the Treaty of Rome, this is the main legal act which both the Council and the Commission may adopt. As regards agriculture, under Article 43 of the Treaty of Rome, regulations regarding market organization or agricultural structures are the responsibility solely of the Council. However, in 1962, the Council, out of practical necessity, delegated to the Commission the power to make certain specific administrative regulations, mainly under the 'management committee' procedure. Consequently, since the Treaty of Rome has been taken into the legal systems of all the Member States, regulations issued by either the Council or the Commission have the full force of law. They are binding in their entirety, and are directly applicable in all Member States, towards whomsoever, including individuals.

Regulations must be published in the *Official Journal of the European Communities.* They come into force on the date laid down in them or, in the absence of such a date, 20 days after their publication in the Official Journal.

Regulatory amounts

These were introduced by the Act of Accession of Spain and Portugal to permit the gradual alignment of wine prices on the Iberian market and in the Community of Ten.

They are equal to the difference between the guide price for table wine in the Community of Ten and that fixed for Spain. Derived regulatory amounts may also be established for quality wines psr and other products.

For the last two wine years the most important 'regulatory amounts' on exports of wine from Spain to the rest of the Community are as follows (per % vol./hectolitre):

white table wine of from 9.5% vol. to 15% vol., in bulk	1.22 ECU		1.00 ECU
table wine in bottles of from 0.75 to 2 litres	0.61 ECU	up to 2 litres	0.37 ECU
table wine in bottles of up to 0.75 litres	0.40 ECU		
red or rosé table wine of from 9.5% vol. to 15% vol., in bulk	0.60 ECU		0.50 ECU
table wine in bottles of from 0.75 to 2 litres	0.35 ECU	up to 2 litres	0.25 ECU
table wine in bottles of up to 0.75 litres	0.30 ECU		
wine with a registered designation of origin of from 9.5% vol. to 15% vol.	0.30 ECU		0

white liqueur wine	14.64 ECU	(per hl)	12.00 ECU
red or rosé liqueur wine	7.20 ECU	(per hl)	6.00 ECU
white concentrated must	1.22 ECU		1.00 ECU
red or rosé concentrated must	0.85 ECU		0.70 ECU
rectified concentrated must	1.22 ECU		0.85 ECU

Representative price

In order to establish when and by how much wine prices within the Community diverge from the intervention price and hence require Community support intervention, Article 30 of Regulation No 822/87 provides that the average producer prices realized for the various categories of table wine on the various representative markets are to be recorded each week.

The weighted average of the average producer prices (for wines of types AI, RI and RII only that half of the representative markets are included where prices are lowest, with a minimum number of average prices to be included according to the type of wine) constitutes the 'representative price'. The markets on which the average producer prices are recorded are, for the various types of table wine, as follows:

RI — Bastia, Béziers, Montpellier, Narbonne, Nîmes, Perpignan, Asti, Florence, Lecce, Pescara, Reggio Emilia, Treviso, Verona, Heraklion, Patras, Requena, Reus, Villafranca del Bierzo;

RII — Bastia, Brignoles, Bari, Barletta, Cagliari, Lecce, Taranto, Heraklion, Patras, Calatayud, Falset, Jumilla, Navalcarnero, Requena, Toro, Villena;

RIII — Rheinpfalz, Rheinhessen;

AI — Bordeaux, Nantes, Bari, Cagliari, Chieti, Ravenna, Trapani, Treviso, Athens, Heraklion, Patras, Alcázar de San Juan, Almendralejo, Medina del Campo, Rivadavia, Villafranca del Penedés, Villar del Arzobispo, Villarrobledo;

AII — Rheinpfalz, Rheinhessen, Moselle Luxembourgeoise;

AIII — Mosel, Rheingau, Moselle Luxembourgeoise.

Resolution

This is an act of the Council which is not specifically provided for in the Treaty of Rome and is by way of being a declaration of political intent or of moral commitment. Hence it is not legally binding.

Special Committee on Agriculture (SCA)

Established by the Council to perform a preliminary scrutiny of Commission proposals on agricultural matters or to draft those agricultural provisions which are to be adopted directly by the Council. It is composed of representatives from the Member States themselves. It has been operating since September 1960.

In the case in point, it is the SCA which prepares the Council's deliberations on matters relating to the wine sector and the common organization of the market in wine.

Tariff quotas

Those quantities of certain specified products which may be imported at a lower customs duty than would normally apply.

Tariff quotas in the EEC are currently applied to certain quality wines from Cyprus, Malta, Turkey, Yugoslavia, Morocco, Algeria and Tunisia and some alcoholic beverages imported from the ACP States (Africa, the Caribbean and the Pacific).

Types of table wine

For the purposes of Article 27 of Regulation No 822/87, and with the aim of modulating the guide price and intervention price according to major product categories, table wine was subdivided, by Regulation No 945/70, into the following six 'types':

RI — Red table wine other than type RIII, with an actual alcoholic strength of not less than 10% vol., and not more than 12% vol.;

RII — Red table wine other than type RIII with an actual alcoholic strength of not less than 12.5% vol., and not more than 15% vol.;

RIII — Red table wine from vine varieties of the 'Portugieser' type;

AI — White table wine other than types AII and AIII with an actual alcoholic strength of not less than 10% vol., and not more than 13% vol.;

AII — White table wine from the vine varieties of the Sylvaner or Müller-Thurgau type;

AIII — White table wine from the vine varieties of the Riesling type.

VAT

Value-added tax: a tax expressed as a percentage of the value of goods being traded.

By a series of Directives the EEC has standardized the system whereby VAT is applied in all of the Member States, but so far the actual rate of tax has been left to the individual Member States.

On wine, for example, VAT varies from 5% in Luxembourg to 25% in Belgium.

Wine-growing zones

The rules governing the wine sector within the Community laid down by Regulation No 822/87 vary according to major zones with different environmental and climatic conditions.

These zones are specified as follows in Annex IV to Regulation No 822/87, as amended:

1. Wine-growing zone A comprises:
   (a) in the Federal Republic of Germany: the areas under vines other than those included in wine-growing zone B;
   (b) in Belgium: the Belgian wine-growing region;
   (c) in Luxembourg: the Luxembourg wine-growing region;
   (d) in the Netherlands: the Netherlands wine-growing area;
   (e) in the United Kingdom: the United Kingdom wine-growing area.

2. Wine-growing zone B comprises:
   (a) in the Federal Republic of Germany: the areas under vines in the region of Baden;
   (b) in France: the areas under vines in the departments not mentioned in this Annex and in the following departments:

(i) in Alsace: Bas-Rhin, Haut-Rhin,

(ii) in Lorraine: Meurthe-et-Moselle, Meuse, Moselle, Vosges,

(iii) in Champagne: Aisne, Aube, Marne, Haute-Marne, Seine-et-Marne,

(iv) in the Jura: Ain, Doubs, Jura, Haute-Saône,

(v) in Savoie: Savoie, Haute-Savoie,

(vi) in the Val de Loire: Cher, Deux-Sèvres, Indre, Indre-et-Loire, Loire-et-Cher, Loire-Atlantique, Loiret, Maine-et-Loire, Sarthe, Vendée, Vienne, and the wine-growing areas under vines in the *arrondissement* of Cosne-sur-Loire in the *département* of the Nièvre.

3. Wine-growing zone C I (a) comprises the area under vines:

(a) in France:

(i) in the following departments:
Allier, Alpes-de-Haute-Provence, Hautes-Alpes, Alpes-Maritimes, Ariège, Aveyron, Cantal, Charente, Charente-Maritime, Corrèze, Côte-d'Or, Dordogne, Haute-Garonne, Gers, Gironde, Isère, Landes, Loire, Haute-Loire, Lot, Lot-et-Garonne, Lozère, Nièvre except for the *arrondissements* of Cosne-sur-Loire, Puy-de-Dôme, Pyrénées-Atlantiques, Hautes-Pyrénées, Rhône, Saône-et-Loire, Tarn-et-Garonne, Haute-Vienne, Yonne;

(ii) in the arrondissements of Valence and Die in the department of Drôme (except for the cantons of Dieulefit, Loriol, Marsanne and Montélimar);

(iii) in the department of Ardèche, the whole *arrondissement* of Touron and the cantons of Antraigues, Buzet, Coucouron, Montpezat-sous-Bauzon, Privas, Saint-Etienne de Lugdarès, Saint-Pierreville, Valgorge and la Voulte-sur-Rhône.

(b) in Spain, in the provinces of Asturias, Cantabria, Guipúzcoa, La Coruña and Vizcaya.

4. In Italy, wine-growing zone C I (b) comprises the areas under vines in the Valle d'Aosta region and in the provinces of Sondrio, Bolzano, Trento and Belluno.

5. Wine-growing zone C II comprises:

(a) in France the areas under vines:

(i) in the following *départements:* Aude, Bouches-du-Rhône, Gard, Hérault, Pyrénées-Orientales (except the cantons of Olette and Arles-sur-Tech), Vaucluse;

(ii) in the part of the *département* of Var bounded in the south by the northern limit of the communes of Evenos, Le Beusset, Soliès-Toucas, Cuers, Puget-Ville, Collobrières, La Garde-Freinet, Plan-de-la-Tour and Sainte-Maxime;

(iii) in the *arrondissement* of Nyons and the cantons of Dieulefit, Loriol, Marsanne and Montélimar in the *département* of Ardèche not listed in point 3 (iii);

(b) in Italy: the areas under vines in the following regions: Abruzzo, Campania, Emilia-Romagna, Friuli-Venezia-Giulia, Lazio, Liguria, Lombardia excluding the province of Sondrio, Marche, Molise, Piemonte, Toscana, Umbria, Veneto excluding the province of Belluno, including the islands belonging to those regions, such as Elba and the other islands of the Tuscan archipelago, the Ponziano archipelago and Capri and Ischia.

(c) in Spain, the areas under vines:

(i) in the following provinces:

- Lugo, Orense, Pontevedra,
- Avila (except for the communes which correspond to the designated wine 'comarca' of Cebreros), Burgos, León, Valencia, Salamanca, Segovia, Soria, Valladolid, Zamora,
- La Rioja,

- Álava,
- Navarra,
- Huesca,
- Barcelona, Gerona, Lérida,

(ii) in that part of the province of Zaragoza which lies to the north of the river Ebro,

- in those communes of the province of Tarragona included in the Penedès registered designation of origin,
- in that part of the province of Tarragona which corresponds to the designated wine 'comarca' of Conca de Barberà.

6. In Greece, wine-growing zone C III (a) comprises those areas under vines in the following *nomoi:* Florina, Hematheia, Kilkis, Grevena, Larissa, Ioannina, Levkas, Achaea, Messenia, Arcadia, Corinth, Herakleion, Chania, Rethymno, Samos, Lassithi and the island of Thira (Santorini).

7. Wine-growing zone C III (b) comprises:

(a) in France, the areas under vines:

(i) in the *département* of Corsica;

(ii) in that part of the *département* of Var situated between the sea and a line bounded by the communes (which are themselves included) of Evenos, Le Beausset, Solliès-Toucas, Cuers, Puget-Ville, Collobrières, La Garde-Freinet, Plan-de-la-Tour and Sainte-Maxime;

(iii) in the cantons of Olette and Arles-sur-Tech in the *département* of Pyrénées-Orientales;

(b) in Italy, the areas under vines in the following regions: Calabria, Basilicata, Puglia, Sardegna, and Sicilia, including the islands belonging to those regions such as Pentelleria, Eolie and the Lipari, Egadi and Pelagian Islands;

(c) in Greece the areas under vines not listed in point 6.

(d) in Spain, the areas under vines not included in 3 (b) or 5 (c).

8. The demarcation of the territories covered by the administrative units mentioned in this Annex is that resulting from the national provisions in force on 15 December 1981 and, for Spain, from the national provisions in force on 1 March 1986.

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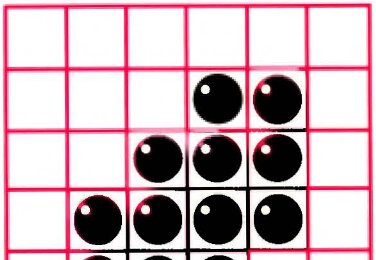
EN

The vine, which was already in existence more than a million years before the birth of Christ, has been of importance throughout the history of mankind. Viticulture followed the extension of Mediterranean civilization from the Middle East to Greece and then to Rome.



Although the need to organize production and marketing became apparent centuries ago, it is only in the seventeenth century that we find the first serious indications of commercial organizations embracing both growers and producers. These generally arose through the initiative of large estates belonging to the nobility or religious organizations. And it is only at the end of the nineteenth century that a new agricultural structure, the wine cooperative, appears on the major wine markets.

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