

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 21th May 1979

**AMENDING TO THE AMENDED PROPOSAL FOR A COUNCIL REGULATION
ON THE COMMON ORGANIZATION OF THE MARKET IN ETHYL ALCOHOL
OF AGRICULTURAL ORIGIN AND LAYING DOWN ADDITIONAL
PROVISIONS FOR CERTAIN PRODUCTS CONTAINING ETHYL ALCOHOL**

(presented by the Commission to the Council pursuant
to the second paragraph of Article 149 of the EEC Treaty)

EXPLANATORY MEMORANDUM

The initial proposal on the common organization of the market in alcohol was forwarded to the Council on 6 March 1972¹ and was amended on 7 December 1976.

The amended proposal² was presented to the European Parliament and the Economic and Social Committee for their opinions and is being examined by a Council ad hoc Working Party on Alcohol.

When this proposal was examined a number of basic objections were raised with regard to the following :

- the provisions for molasses alcohol
- the financing of the common market organization
- the inclusion of aromatized wines.

1. As regards molasses alcohol, the solution advocated in the amended proposal appeared either inappropriate or premature. If implemented, it would endanger the industry concerned. For this reason, guarantees identical to those granted for other types of alcohol of agricultural origin should be granted in respect of a part of the molasses alcohol production.
2. It was proposed that intervention measures in the alcohol sector should be financed by an intervention charge on spirituous beverages consumed in the Community. This solution consisting in financing a common policy in respect of an agricultural product by the consumers and producers of an industrial product, although economically and legally justifiable, proved impracticable and brought numerous fundamental objections of principle. A more conventional solution must therefore be adopted and the EAGGF must bear the financial cost incurred by this common market organization.

¹ OJ No C 43, 29.4.1972, p.3

² OJ No C 309, 31.12.1976, p. 2

3. The inclusion of vermouths and aromatized wines, although industrial products within the meaning of Annex II to the Treaty, in the list of products covered by this common market organization, alongside spirituous beverages - which are also industrial products - in no way disturbs the overall scheme. Their inclusion would in fact make the measures relating to competing products more consistent.

4. It also seems necessary to analyse the production structures in this sector since some types of distillery may appear to be obsolescent. It should be supposed that, after study, proposals for some restructuring may later be made. The financial impact of those measures will be set out then.

In view of the foregoing, it is proposed that the amended proposal be further amended as follows :

amending the amended proposal for a Council Regulation on the common organization of the market in ethyl alcohol of agricultural origin and laying down additional provisions¹ for certain products containing ethyl alcohol¹

(presented by the Commission to the Council pursuant to the second paragraph of Article 149 of the EEC Treaty on).

I. Amendments to the recitals

The eighth and twenty-fourth recitals are deleted.

II. Amendments to the Articles

A. Article 1

Article 1(1) and (2) is amended to read as follows :

Article 1

Products covered

1. This Regulation shall apply to the following products :

CCT heading No

- | | |
|---|--|
| a) 22.08 A I | Denatured ethyl alcohol of any strength, of agricultural origin |
| 22.08 B I | Undenatured ethyl alcohol of a strength of 80° or higher, of agricultural origin. |
| 22.09 A I | Undenatured ethyl alcohol of a strength of less than 80°, of agricultural origin. |
| b) 22.07 B II b) | Other fermented beverages (e.g. cider, perry and mead), other, still, of an actual alcoholic strength by volume exceeding 15% vol, |
| c) 20.06 B I b) | Fruit otherwise prepared or preserved, other, containing added spirit, with an actual alcohol content exceeding <u>11.85 % mas.</u> |
| 22.05 C IV a) 2
and
22.05 C IV b) 3 | Wine fortified for distillation, within the meaning of Additional Note 4 b to Chapter 22. |
| 22.05 C V | Wine of fresh grapes ; grape must with fermentation arrested by the addition of alcohol, other, of an actual alcoholic strength by volume exceeding 22% vol. |

¹ OJ No C 309, 31.12.1976,

- d) 22.09 B Compound alcoholic preparations (known as "concentrated extracts") for the manufacture of bevarages.
- 22.09 C Spirituous beverages.
- e) 22.06 Vermouths, and other wines of fresh grapes flavoured with aromatic extracts.

2. This Regulation establishes in respect of the products specified in paragraph 1 :

- under (a) and (b), a common organization of the market in ethyl alcohol of agricultural origin,
- under (c), rules supplementing the provisions applicable to these products in connection with the respective common organizations of the market in fruit and vegetables and in wine,
- under (d) and (e), rules concerning conditions for marketing and arrangements governing trade and the possible introduction of an intervention and price system.

B. Article 3

Article 3 is amended to read as follows :

Article 3
Target prices

1. A target price shall be fixed for each type of ethyl alcohol of agricultural origin. The target prices shall be valid for unpackaged goods of a standard quality, ex-factory, loaded on the means of transport chosen by the purchaser. They shall be fixed for one marketing year. "Marketing year" means the period running from 1 July of one year to 30 June of the next.
2. The target prices shall be determined by reference to the price of the corresponding alcohol-producing agricultural product and to fixed amounts, valid throughout the Community, representing :
 - (a) the processing margin, established in the light of the need progressively to modernize and rationalize the Community production potential,
 - (b) the yield,
 - (c) the receipts of distillers from the sale of the by-products of distillation.

For each alcohol-producing agricultural product which is covered by an intervention system under a common market organization, the price to be taken into consideration may not exceed the intervention, withdrawal or activating price or the minimum price applicable under that system.

The target prices shall be so fixed as not to lead to increased production as long as the production cost of such alcohol is not competitive with the market price for synthetic alcohol.

3. By way of derogation from paragraph 2, the target price for alcohol obtained from wine under the intervention measures in the wine sector shall be fixed at the level of the selling price for the oral consumption sector referred to in Article 10(2).
3. Special target prices may be fixed by reference to the size of the distillery during an adjustment period in the course of which the exercise of such option shall be progressively reduced. This period may not exceed 10 years.
4. The standard qualities and the target prices shall be fixed annually before 1 January for the following marketing year. They shall be fixed in accordance with the procedure laid down in Article 43(2) of the Treaty.

C. Article 4

Article 4 is amended to read as follows :

Article 4
Marketing guarantee

1. A limited quantity of ethyl alcohol of agricultural origin produced in the Community shall be guaranteed an outlet on the Community market in accordance with the following provisions.
2. Every three^{marketing} years before the first of January preceding the end of the third^{of such} marketing year and for the first time before 1 April 1980, a target quantity shall be fixed for each type of ethyl alcohol of agricultural origin. It shall be valid for the whole of the period covering the five marketing years following the date on which it is fixed.

The target quantity shall be calculated on the basis of the quantities produced during the five preceding marketing years, and of prospects in the reserved sectors over the five subsequent marketing years.

However :

- for the types of ethyl alcohol of agricultural origin obtained from alcohol-producing products other than molasses and those in respect of which distillation measures have been implemented under the relevant common market organization, the target quantity shall be equal to the total produced in the five preceding marketing years ;

- for molasses alcohol, the target quantity shall be based on the quantities of that type of alcohol marketed over the five preceding marketing years in the reserved sectors specified in Article 9(1).

3. A guaranteed quantity valid for the following marketing year shall be fixed annually before 1 January for each type of ethyl alcohol of agricultural origin.

The guaranteed quantity must be established within the limits of the target quantity fixed for the particular type of alcohol. It shall be determined by reference in particular to the quantities actually produced and sold during the marketing years preceding the period under consideration and to the production and sales prospects in the current marketing year for the alcohol-producing agricultural product or products in question.

4. The guaranteed quantities relating to those alcohol-producing agricultural products in respect of which distillation measures have been implemented under the relevant common market organization may be adjusted at the end of the marketing year, within the limits of the target quantity.
5. The target quantities and the guaranteed quantities shall be fixed in accordance with the procedure laid down in Article 43 (2) of the Treaty.
6. Detailed rules for the application of this Article, including the adjustments referred to in paragraph 4, shall be adopted in accordance with the procedure laid down in Article 35.

D. Article 6

The words "other than molasses alcohol" in paragraph 1 are deleted.

E. Article 7

This Article is deleted.

F. Article 10(2)

A second subparagraph to be added :

In the case of the pharmaceutical, parfumery and cosmetics sectors the sale price referred to in paragraph 1 shall be fixed taking into consideration the market price of synthetic alcohol.

G. Article 17

This Article is deleted.

H. Article 24

Paragraph 3 is amended to read as follows :

1. (unchanged)

2. (unchanged)

3. The supplementary levy applicable to the products specified in Article 1 (1) (b), (c) and (e) shall be determined by reference to the alcohol content and to the component referred to in paragraph 2 (a). It shall be applied to an alcohol content exceeding an actual alcoholic strength of :

- 15 % vol, in respect of the products specified in Article 1 (1) (b) and (e),
- 18 % vol, in respect of wines fortified for distillation,
- 22 % vol, in respect of the other wines specified in Article 1 (1) (c),
- 11.85 % mas in the case of products falling within CCT subheading 20.06 B I.

I. Article 31

Article 31 is amended to read as follows :

The equalization charges and compensatory payments provided for in Articles 11 and 15 and the amounts levied pursuant to Article 12(2) shall be regarded, for the purpose of the financing of the common agricultural policy, as intervention designed to regulate agricultural markets.

J. Article 41a

Article 41a

1. Before the end of the third marketing year for which this Regulation is in operation, the Commission shall put a report before the Council analysing the production structure for agricultural alcohol in the Community. This report shall also cover the application of this Regulation. On the basis of that report the Council shall adopt, in accordance with the procedure laid down in Article 43(2) of the Treaty, a plan for structural reorganisation in this sector to apply from the end of the first period of five marketing years referred to in Article 4(2).
2. If necessary, the Council shall also adopt the amendments to this Regulation required to take account of the experience gained and of changing economic conditions in the sector, and in particular the production pattern in agricultural alcohol qualifying for the price and outlet guarantees and the pattern of utilization in the reserved sectors.

K. ANNEX

Amendment of the Common Customs Tariff

In the amendments to Chapter 22, heading No 22.06 is amended to read as follows :

Heading number	Description	Rate of duty	
		Autonomous % or levy (L)	Conventional %
1	2	3	4
22.06	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts:		
	A. Of an actual alcoholic strength by volume of 18% vol or less, in containers holding:		
	I. Two litres or less	17 EUA per hl (c)	—
	II. More than two litres	14 EUA per hl (c)	—
	B. Of an actual alcoholic strength by volume exceeding 18% vol but not exceeding 22% vol, in containers holding:		
	I. Two litres or less	19 EUA per hl (c)	—
	II. More than two litres	16 EUA per hl (c)	—
	C. Of an actual alcoholic strength by volume exceeding 22% vol, in containers holding:		
	I. Two litres or less	1.60 EUA per hl and per % vol + 10 EUA per hl (c)	—
	II. More than two litres	1.60 EUA per hl and per % vol (c)	—

(c) In certain conditions a countervailing charge is payable in respect of certain products in addition to the customs duty.

FINANCIAL STATEMENT

DATE : 11.5.1979

1. BUDGET LINE CONCERNED : Article 100, Chapter 72 of the EC Budget

2. ACTION : Proposal for a Council Regulation on the Common organization of the market in ethyl alcohol of agricultural origin (including the amendments proposed by the Commission)

3. LEGAL BASIS : Articles 28, 42, 43, 113, 227 and 235 of the Treaty

4. OBJECTIVES : Establishment of a common organization of the market in ethyl alcohol of agricultural origin.

5. FINANCIAL CONSEQUENCE	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (79) (1)	FOLLOWING FINANCIAL YEAR (80)
5.0 EXPENDITURE -CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) (Staff and operational appropriations)	110 M.u.a. (2) (approx. 132 m EUA)	55 M.u.a. (approx. 66 m EUA)	110 M.u.a. (approx. 132 m EUA)
5.1 RECEIPTS -OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) XXXXXXXX	token entry	token entry	token entry

	YEAR ..1980.....	YEAR ..1981.....	YEAR ..1982.....
5.0.1 PLURIANNUAL PATTERN OF EXPENDITURE	132 m EUA	132 m EUA	132 m EUA
5.1.1 PLURIANNUAL PATTERN OF RECEIPTS	token entry	token entry	token entry

5.2 METHOD OF CALCULATION
See details in Annex

6.0 FINANCING POSSIBLE WITH appropriations entered in relevant chapter of current budget XXX
YES/NO

6.1 FINANCING POSSIBLE BY TRANSFER BETWEEN CHAPTERS OF CURRENT BUDGET ? XXX/NO

6.2 NECESSITY FOR A SUPPLEMENTARY BUDGET ? (3) YES/XX

6.3 Appropriations to be written into future budgets YES/XX

COMMENTS :

- (1) Assuming that the date of application will be 1 July 1979. Any further delay would tend to reduce this amount.
- (2) Not taking into account a reduction in expenditure on export refunds amounting to some 32 M.u.a. as part of the COM in cereals.
- (3) Unless appropriations can be released by transfers.

ANNEX TO 5.2. : METHOD OF CALCULATIONDetails of foreseeable revenue and expenditureI. Revenue (own resources)

1. Direct levies (small quantities imported) Token entry

II. Expenditure by the Guarantee Section of the EAGGF

1. Export refund (Art. 25) (not necessary at present) Token entry

2. Production refund (Art. 25) (1)
80% of production from 500 000 t of barley is
exported and will qualify for the production
refund
500 000 t barley x 80% x 80 u.a./t = 32.0 M.u.a. (2) + 32.0 M.u.a.

3. FOD measures (Art. 29). Still to be proposed to the
Council by the Commission Token entry

4. Buying in by intervention agencies (Arts. 6 and 8).
Given the system of guaranteed quantities, the
quantities to be bought in by the intervention agency
should be small. Assuming that 25% of production is
bought in at a net cost of 3 u.a./hl, expenditure will
amount to (1.2 million hl x 3 u.a./hl) + 3.6 M.u.a.
Losses to intervention agencies on sales to non-
reserved sectors +34.8 M.u.a.

5. Equalization charge (Art. 11(1)). On the basis of a
quantity of 1 675 000 hl and an average equalization
charge of 10 u.a./hl, the amounts collected will total -16.75 M.u.a.

6. Grant of the compensatory payment (Art. 11(2)).
On the basis of a quantity of 1 455 000 hl and an
average payment of 22.9 u.a./hl, the amounts granted
will total +33.37 M.u.a.

.../...

7. Equalization charge (Art. 15(1)), applied only if the situation is the reverse of that provided for in Article 15(2)	Token entry
8. Grant of compensatory payments (Art. 15(2)). On the basis of a quantity of 750 000 hl and an average payment of 30.6 u.a./hl, the amounts granted will total	+ 23 M.u.a.
Total expenditure by the EAGGF (3)	<u>110.02 M.u.a.</u>

III - Administrative and operational expenditure

1. For the Commission, the additional duties resulting from the establishment of the common organization of the market in alcohol necessitate an increase in present staff numbers of 1 x A 5/4, 2 x A 7/6 1 x B for the management of the market, 1 x A and 1 x B for the management of expenditure (appropriation + verification) 3 x C.
2. For a period of 12 months from its entry into force, 24 meetings are envisaged; in succeeding years, 12 meetings per year are envisaged.

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- (1) Calculation assumes that inward processing traffic will be maintained and that only Scotch Whisky will qualify.
If Other spirituous beverages which undergo ageing are included in these arrangements this amount will be increased :
- if the distillation aid measures provided for in connection with the Regulation on wine are applicable to the wine in question by :
30 u.a./hl x 13 000 hl PA = 4 M.u.a.
- if the measures are not applicable by : 130 u.a./hl x 130 000 hl PA = 17 M.u.
 - (2) It is to be noted that the production of spirituous beverages from Community barley, which will qualify for the production refund, will correspondingly reduce the quantity of unprocessed barley for export; this will result in a reduction of 32 M.u.a. (400 000 t at 80 u.a./t) in export refunds in the cereals sector.
 - (3) These calculations assume that the total quantity of alcohol with a marketing guarantee is 5.6 million hl, of which 1.35 million hl is alcohol of vinous origin. Each further million hl of alcohol of vinous origin will entail additional expenditure of 30 M.u.a.