9

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 2135 final

Brussels, 15 November 1990

COMMISSION REPORT TO THE COUNCIL

ON FORESEEABLE TRENDS IN THE PLANTING AND REPLANTING OF VINEYARDS

IN THE COMMUNITY

AND ON THE BALANCE OF PRODUCTION AND CONSUMPTION IN THE WINE SECTOR

(1987/1988)

SUMMARY

2

3

Conclusions

The data contained in this report reveals the specific problems of the Community wine market. These are the result not only of surpluses caused by bumper harvests of certain varieties, but also of some Community production structures the productivity of which is increasing, and finally the clear downward trend in consumption since the beginning of the 1980s.

Despite the steps taken before 1987 to control the growth of existing wine production potential so as to reduce surplus production of table wine, the implementing provisions adopted between 1985 and 1988 proved insufficiently attractive to producers.

New provisions were adopted in 1988 in view of the growing imbalance on the wine market and of the need to implement stronger measures to cut production to the level of demand in the medium term. With these measures, the Council decided to adjust the common organization of the market in wine by combining encouragement for the abandonment of certain areas under vines with a very large cut in market support by significantly lowering the price for compulsory distillation.

Vine products hold an important position in Community trade, particularly with the United States. The sector must not be neglected, since faster export growth could eliminate some Community intervention.

A better knowledge of how producers' organizations and the wine industry work would aid long-term management of the sector.

INTRODUCTION

Under Article 9 of the basic Regulation - Council Regulation (EEC) No 822/87 of 16 March 1987[1] - the Member States must report to the Commission annually, normally by 1 September, on trends in their wine-growing potential.

Their reports are based primarily on two sets of statistics:

- information collected by Member States from the declarations by wine growers, referred to in Article 8 of the basic Regulation, on grubbing operations, new plantings and replantings actually carried out;

- the results of the annual statistical surveys of areas under vines provided for in Council Regulation (EEC) No 357/79 of 5 February 1979[2]

Using the information supplied by the Member States, the Commission is required to report to the Council each year, normally by 1 December, on the development f the Community's wine-growing potential, assessing the relationship between production potential (area of vineyards in production and yield per hectare) and consumption and to forecast foreseeable trends in this relationship.

That is the purpose of this report covering the 1987/88 wine year. Some Member States, however, have either been late in sending in, or have failed to send in at all, various data needed to draw up this report within the time-limit laid down; there are also difficulties in comparing figures which neither refer to the same things nor cover the same periods, and this means that any forecasting of trends in the Community's wine-producing potential is very uncertain.

The report will deal in turn with developments in the area under vines in the Community, the market, intra-Community and external trade, and the disposal of wine alcohol.

(1) OJ No L 84, 27.3.1987, p. 1.
(2) OJ No L 54, 5.3.1979, p. 124.

I. AREA UNDER VINES IN THE COMMUNITY

The following will be examined in turn:

(a) trends in the overall area under vines in the Community, by major categories of grape (wine grapes, table grapes, grapes for drying, etc);

(b) the area under wine grapes in each of the producer countries, as shown by the figures supplied by the Member States to the Statistical Office of the European Communities (EUROSTAT) or the Commission, under the various reporting procedures provided for in Community rules, including the wine supply balance and the annual intermediate statistical surveys of areas under vines;

(c) the results of the Community's structural policy.

A. Total Community area under vines

1. Vines for wine grapes

Before Council Regulation (EEC) No 357/79 came into force in April 1979, statistical surveys of areas under vines were based mainly on the reports from Member States for the purposes of the final supply balance (Article 31 of Regulation (EEC) No 822/87).

The first basic survey of areas under vines, designed to assess the changing situation on the Community wine market, under Regulation (EEC) No 357/79, took place in 1979 in three Member States (Germany, France, Luxembourg) and was extended in 1982 to the two other producer Member States, Italy and Greece.

The basic surveys cover all holdings having an area under vines normally intended for the production for sale of grapes, grape must, wine or vegetative propagation material for vines. The basic survey is to be carried out every ten year and to record the following particulars:

A. agricultural area in use;

B. area under vines cultivated, broken down according to the normal use of production into:

   a) the area under wine grape varieties, further broken down into:

      - quality wines psr,
      - other wines:
      - including wine compulsorily intended for the manufacture of certain potable spirits with a designation of origin;

   b) the area under table grape varieties;

   c) the area planted with root-stocks for future grafting;

   d) the area cultivated solely for the production of vegetative propagation material for vines, subdivied into:

      - nurseries,
      - parent vines for root-stocks;

   e) the area under varieties of grapes for drying.

The results of the first basic survey were published in May 1985 (1).

In addition, annual intermediate surveys have been carried out on areas grubbed/abandoned, replanted or newly planted with wine grape vines. These surveys were carried out for the first time in 1981 in Germany, France and Luxembourg and cover the two wine years 1979/80 and 1980/81. From 1982/83 annual intermediate surveys have been carried out for all the producer countries, the most recent being for 1987/88.

The latest figures available show the total area under wine-grape vines in the Community of Ten to be 2 060 623 hectares for 1987/88 and 2 081 766 hectares for 1986/87. Taking Spain and Portugal into account, and adopting the figures in the final supply balance, the total area for the Community of Twelve in 1987/1988 was 4041 841 hectares.

For the Community of Ten, the total area under vines in 1987/88 had fallen by some 21 000 hectares, or 1.1%, as against 1986/87.

This is confirmed if we look only at areas not yet in production. These amounted in 1987/88 to 133 000 hectares (see Table 1).

(1) La vigne dans la Communauté europeene, Eurostat, ISEN 92-825-5255-1, 1985.

7

This significant fall in the area under vines, as indicated by the figures reported by the Member States under the procedure for drawing up the supply balances, is confirmed by the results of the annual statistical survey of areas under vines, as the comparative table below demonstrates:

Area in production, broken down by Member State

(in hectares)

	Source	F	D	I	L	Gr	EUR 10
1979-1980	Final supply balance	1.177.771	95.578	1.159.678	1.283	104.701	2.539.018
	R. 357/79	998.715	93.858	Survey postponed	1.273	Survey postponed	
1980-1981	Final supply balance	1.138.784	95.686	1.157.530	1.313	101.395	2.494.715
	R. 357/79	978.003	95.511	Survey postponed	1.313	Survey postponed	
1981-1982	Final supply balance	1.121.110	97.797	1.141.748	1.309	95.557	2.457.528
	R. 357/79	960.636	96.728	1.031.229	1.309	90.143	2.180.099
1982-1983	Final supply balance	1.102.000	97.822	1.123.034	1.316	94.223	2.418.402
	R. 357/79	954.397	98.294	1.031.229	1.306	89.631	2.174.857
1983-1984	Final supply balance	1.069.000	100.763	1.053.630	1.306	90.248	2.314.947
	R. 357/79	947.700	99.529	1.014.793	1.334	89.518	2.152.874
1984-1985	Final supply balance	1.082.000	101.387	1.048.314	1.334	89.242	2.322.715
	R. 357/79	940.031	99.730	994.643	1.322	88.913	2.124.639

/

	Source	F	D	I	L	Gr	EUR 10
1985-1986	Final supply balance	1.053.000	99.806	1.022.310	1.322	87.739	2.283.791
	R. 357/79	927.720	99.230	981.596	1.318	87.883	2.097.747
1986-1987	Final supply balance	1.020.202	101.000	1.012.685	1.318	87.144	2.214.408
	R. 357/79	923.634	99.262	970.468	1.326	87.074	2.081.766
1987-1988	Final supply balance	994.000	101.000	1.003.530	1.326	86.500	2.186.843
	V. 357/79	911.755	99.650	961.512	1.346	86.360	2.060.623

Although some of these figures are partial or provisional, a comparison of the results of the two methods - the final supply balance on the one hand and the basic and intermediate surveys on the other (Regulation 357/79) - shows a definite discrepancy between the figures for the area under vines. This is because the survey under Regulation (EEC) No 359/79 is limited to areas for production for sale, thuse excluding very small vineyards producing wine for consumption by the growers' families; also excluded are vines under glass and vineyards in Member States with a total area of less than 500 hectares. Annual reporting of wine-growing potential as provided for in Article 9 of Regulation (EEC) No 822/87 covers all areas under vines, whatever the purpose of production and irrespective of who it is produced by. The vineyard register established under Regulation (EEC) No 2392/86 will lead to more accurate figures on the areas under vines in the Community.

9

Wine survey (Regulation 357/79) : intermediate surveys of wine grape vines

	In production 1.9.85	1.9.1985 - 1.9.1986			In production 1.9.86	1.9.1986 - 1.9.1987			In production 1.9.87	1.9.1987 - 1.9.1988			In production 1.9.88
		Grubbing/ Abandonment	Re-planting	New plantings		Grubbing/ Abandonment	Re-planting	New planting		Grubbing/ Abandonment	Re-planting	New planting	
FR Germany													
quality wines psr	99.730	4.328	3.737	91	99.230	4.097	4.054	75	99.262	3.405	3.723	70	99.650
other wines		-	-	-	-	-	-	-	-	-	-	-	-
total	99.730	4.328	3.737	91	99.230	4.097	4.054	75	99.262	3.405	3.723	70	99.650
France													
quality wines psr	491.928	8.935	9.107	2.308	494.408	8.833	11.555	3.347	500.477	9.200	11.043	1.368	505.234
other wines	448.103	19.443	4.578	74	433.312	16.222	5.980	92	423.157	22.381	7.214	74	406.521
total	940.031	28.378	13.685	2.382	927.720	25.055	17.635	3.439	923.634	31.851	18.257	1.442	911.755
Italy													
quality wines psr	211.214	6.564	1.109	4.623	210.382	5.121	3.558	364	209.183	4.448	3.025	1.004	208.764
other wines	783.429	17.530	1.073	4.242	771.214	14.566	2.395	2.242	761.285	14.343	3.950	1.856	752.748
total	994.649	24.094	2.182	8.865	981.596	19.687	5.953	2.606	970.468	18.791	6.975	2.860	961.512
Luxembourg													
quality wines psr	1.322	63	1	58	1.318	32	40	-	1.326	21	39	2	1.346
other wines		-	-	-	-	-	-	-	-	-	-	-	-
total	1.322	63	1	58	1.318	32	40	-	1.326	21	39	2	1.346
Greece													
quality wines psr	31.048	286	117	-	30.879	254	153	-	30.778	265	145(1)	-	30.658
other wines	57.865	1.770	909	-	57.004	1.305	598	-	56.298	1.305	653(1)	-	55.704
total	88.913	2.056	1.026	-	87.883	1.559	751	-	87.074	1.559	798	-	86.360
EUR 10													
quality wines psr	835.242	20.176	14.071	7.080	836.217	18.337	19.360	3.786	841.026	17.339	17.975(1)	2.444	845.652
other wines	1.289.397	38.743	6.560	4.316	1.261.530	32.093	8.973	2.334	1.240.774	37.971	11.817(1)	1.930	1.214.973
total	2.124.639	58.919	20.631	11.396	2.097.747	50.430	28.333	6.120	2.081.766	55.310	29.792	4.374	2.060.623

N.B. Includes new planting in Greece

As average yield of wine-grape vineyards in the Community of Twelve has recently been around 53.4 hectolitres per hectare, a decrease in vineyard area of 100 000 hectares may be estimated as involving a fall in production of some 5.3 million hectolitres (see Table 2).

2. Other vineyards

2.1. For table grapes

Table 3 shows the area under table grape vines in the Community to be falling.

In 1971/72 it amounted to some 227 774 hectares (including 12 912 not yet in production) and by 1978/79 it was only 219 789 hectares. Since then the figure for France has continued to fall: 32 526 hectares in 1981/82 and 23 000 in 1987/88. In Italy, however, there was a distinct rise over the same period, from 72.015 to 79.820 hectares.

In Greece there was a slight increase from 19 816 hectares in 1971/72 to 20 498 in 1981/82 and 20 000 in 1987/88.

The area under table grape vines in Spain was 65 141 hectares in 1987/88. The figure for Portugal for that year had increased to 9 000 hectares.

2.2. Grapes for drying

Table 4 shows that, rather like other areas under vines, that under vines for grapes for drying is tending to fall.

In 1987/88, in Greece, the main producer country, the figure was 58 000 hectares, that for Spain being only 11 811 hectares.

B. Areas under wine-grape vines in the main producer countries

1. Germany : steady

The basic survey and subsequent intermediate surveys show the total area under wine-grape vines, at 1 September 1987, to be 99 262 hectares, as against 99 730 in 1985, a fall of 0.5%.

The figures for 1987/88 show a rise of 388 hectares.

	Total	Quality wines psr			
		Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	IV > 110
	1	2	3	4	5
1.9.1985	99.730	14.370	53.773	31.569	-
Grubbing/Abandonment	4.328	983	2.457	888	-
Replanting	3.737				
New planting	91				
1.9.1986	99.230	1	393	60.042	38.777
Grubbing/Abandonment	4.097	4	169	2.666	1.258
Replanting	75				
New planting	4.054				
1.9.1987	99.262	84	7.270	63.744	28.164
Grubbing/Abandonment	3.405	0	139	1.933	1.333
Replanting	3.723				
New planting	70				
1.9.1988	99.650	7	1.392	72.635	25.601

12

2. France : decline

The data in the basic statistical survey updated from the interim surveys with regard to quality wines psr and other wines show an expansion since 1985 in the area under quality wines psr of 2.7% but a contraction for other wines of 9.3%.

Situation on :	Quality wines psr			
	Together	Yield classes (hl/ha)		
		I < 30	II 30-70	III 70-110
1.9.1985	491.928	44.514	405.201	42.213
Grubbing/Abandonment	8.935	512	7.126	1.297
Replanting	9.107	306	7.743	1.058
New planting	2.308	24	1.713	571
1.9.1986	494.408	44.332	407.531	42.545
Grubbing/Abandonment	8.833	549	7.296	988
Replanting	11.555	265	9.888	1.402
New planting	3.347	30	2.480	837
1.9.1987	500.477	44.078	412.603	43.796
Grubbing/Abandonment	9.200	479	7.765	956
Replanting	11.043	353	9.629	1.061
New planting	1.368	33	1.141	194
1.9.1988	505.234	43.986	417.312	43.936

Unit : hectares

Situation on	Together	Other wine				
		Yield classes (hl/ha)				
		I < 40	II 40-70	III 70-100	IV 100-130	V > 130
1.9.1985	448.103	7.427	85.426	247.012	60.614	47.624
Grubbing/Abandonment	19.443	169	3.914	13.562	1.666	132
Replanting	4.578	9	804	3.465	260	40
New planting	74	-	23	51	-	-
1.9.1986	433.312	7.267	82.339	236.966	59.208	47.532
Grubbing/Abandonment	16.222	311	3.263	9.796	1.430	1.422
Replanting	5.980	11	906	3.716	779	568
New planting	92	2	46	44	-	-
1.9.1987	423.162	6.969	80.028	230.930	58.557	46.678
Grubbing/Abandonment	22.381	364	4.432	13.583	2.077	1.925
Replanting	7.241	27	920	4.643	1.026	598
New planting	74	6	25	38	5	-
1.9.1988	406.521	6.630	76.548	220.481	57.511	45.351

The total area in production in France at 1.9.1988 was, according to the statistical surveys, about 911 755 ha, while the reports for the final supply balance indicate an area of 994 000 ha, giving a discrepancy of about 82 245 ha, which should represent the area producing wine not for sale.

This decline is confirmed by the figures submitted for the final supply balance (Table 1 of the Annex).

14

3. Italy : decline

In Italy the first basic survey was carried out in 1982, and updated by the first interim survey in 1984. The results show a decrease in areas under quality wine psr of about 1.4% between 1985 and 1988 and for other wines of about 3.9%.

Situation on:	Quality wines psr				
	Together	Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	V > 110
	2	3	4	5	6
1.9.1985	211.214				
Grubbing/Abandonment	6.564	1.280	1.209	2.986	1.089
Replanting	1.109				-
New planting	4.623				-
1.9.1986	210.382				
Grubbing/Abandonment	5.121	493	1.862	2.672	94
Replanting	3.558				-
New planting	364				-
1.9.1987	209.183				
Grubbing/Abandonment	4.448	493	1.545	1.988	422
Replanting	3.025				-
New planting	1.004				-
1.9.1988	208.764				

Situation on:	Together	Other wines				
		Yield classes (hl/ha)				
		I < 40	II 40-70	III 70-100	IV 100-130	V ¦ 130
	7	8	9	10	11	12
1.9.1985	783.429					
Grubbing/Abandonment	17.530	5.037	4.395	5.671	1.854	573
Replanting	1.073					
New planting	4.242					
1.9.1986	771.214					
Grubbing/Abandonment	14.556	4.376	3.438	3.680	753	2.319
Replanting	2.395					
New planting	2.242					
1.9.1987	761.285					
Grubbing/Abandonment	14.343	3.363	5.615	3.166	1.694	505
Replanting	3.950					
New planting	1.856					
1.9.1988	752.748					

The wine survey showed 752 748 hectares under other vines in 1987/88 and 208 764 hectares under quality wine psr, i.e. a fall in total of 10 000 hectares compared with 1986/87.

16

4. <u>Luxembourg : steady</u>

According to the wine surveys, areas changed between 1985 and 1988 as follows:

in ha

Situation on:	Together	Quality wine psr			
		Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	V > 110
1.9.1985	1.322	-	-	436	886
Grubbing/Abandonment	63	-	-	14	49
Replanting	1	-	-	-	1
New planting	58	-	-	29	29
1.9.1986	1.318	-	-	451	867
Grubbing/Abandonment	32			3	29
Replanting	40			16	24
New planting					
1.9.1987	1.326			464	862
Grubbing/Abandonment	21			1	20
Replanting	39			19	20
New planting	2				
1.9.1988	1.346			482	864

Thus, the data on the basis of the final supply balance, given in Table 1 in the Annex, confirm the stability of wine-growing areas in Luxembourg.

//

5. Greece : decline

According to the basic statistical survey carried out in 1982 and updated in 1986, areas growing quality wine psr in Greece declined by a total of 390 hectares in the period 1985-88.

Situation on:	Together	Quality wine psr			
		Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	V > 110
	2	3	4	5	6
1.9.1985	31.048				
Grubbing/Abandonment	286	118	121	34	13
Replanting	117				
New planting					
1.9.1986	30.879				
Grubbing/Abandonment	254	77	120	37	20
Replanting	153				
New planting					
1.9.1987	30.778	53	155	46	11
Grubbing/Abandonment	265				
Replanting	145				
New planting					
1.9.1988	30.658				

The areas growing other wines declined from 57.865 ha in 1985 to 55.704 ha in 1988, a decrease of 2.161 ha.

6. Spain: decline

Table 1 shows the total area under wine grapes of 1 445 834 hectares in 1987/88 (1 395 965 hectares in production and 49 869 hectares not yet in production), as against 1 507 043 hectares in 1985/86, i.e. a fall of 4.1% over three years.

7. Portugal: decline

The area under wine grapes fell by 2 000 hectares between 1986/87 and 1987/88 (from 381 000 hectares in production to 379 000 hectares).

C. Structural policy

In order to reduce surpluses of table wine, Community measures have given priority to encouraging the conversion of areas under vines the disposal of whose production is proving particularly difficult.

This structural policy in effect since 1976 breaks down into two basic aspects: measures to restructure vineyards, and the grubbing-up of vineyards.

(ha)

Type of measure Legal instrument	Area concerned in hectares by end of 1983	1984	1985	1986	1987	1988
Conversion premium Regulation 1163/76	78.041,92					
Special premium for						
- restructuring	9.461,07	12.813,7	20.043,13	28.652,60	31.152,84	31.191,86
- conversion	11.357,96	14.777,5	18.306,30	19.037,38	19.169,25	19.169,25
- irrigation	396,71	820,7	1.167,13	1.517,77	1.517,77	1.517,77
Directive 78/627/EEC						
Abandonment of vineyards:						
- temporary	23.810,51	32.514,74	42.043,28	52.367,30	54.343,98	75.545,03
- permanent	26.965,09	34.237,52	41.554,96	51.765,55	54.444,92	69.286,94
- renunciation of replanting	7.128,96	7.134,74	7.134,74	7.134,74	7.134,74	7.135,75
Regulation 456/80						
Vineyard restructuring Regulation 458/80	606,41	2.526,17	6.866,48	13.309,90	18.817,83	28.260,84
Permanent abandonment premium Regulation 777/85					16.854,72	27.633,16

The aim of the measures provided for in Regulation (EEC) No 1163/76 was to remove from the market inferior products from wine-grape vine varieties. By 1983 a total of 78 041.9 hectares had been converted.

Directive 78/627/EEC provided for special premiums for restructuring, conversion and irrigation in Languedoc-Roussillon and some neighbouring areas. Up to the end of 1988, 31 191.86 hectares had been restructured, 19 169.25 had been converted and 1 517.77 hectares devoted to crops other than vines. Under Regulation (EEC) No 456.80, 151 967.72 hectares of vineyard had by 1988 been abandoned, the figure for Regulation (EEC) No 458/80 being 28 260.84 hectares and that for Regulation (EEC) No 777/85 27 633 hectares.

This rather modest fall in area under vines is confirmed by the intermediate surveys under Regulation (EEC) No 357/79; between 1982 and 1988 the area under wine-grape vines fell by only 120 000 hectares.

The persistent imbalance on the Community market in table wine, despite the financial incentives for the abandonment of vineyards adopted since 1976, led to the strengthening of the existing socio-structural instruments intended to reduce the Community's wine-producing potential.

Following the European Council Meeting in Dublin in 1984, the principal aim of the common organization of the market in wine has been the reduction of production potential, which can be achieved either by restricting yields or by reducing the area under vine.

To speed up the reduction of wine-producing potential, a more attractive scheme guaranteeing that abandonment would be permanent was introduced to apply from 28 March 1985 (Regulation (EEC) No 777/85).

To take account of the special features of the Spanish wine sector, Regulation (EEC) No 777/85 introduced grubbing-up grants based on yields and vine varieties. Experience showed, however, that the scheme was insufficiently attractive.

Following the decisions of the Council meeting on agriculture of 28 and 29 March 1988, agricultural stabilizers were applied to deal with two aspects of the wine sector, markets and structures.

As regards structures, because of the constant growth of the imbalance on the wine market and the vital need to apply more wide-ranging measures, new provisions were adopted which, it is hoped, will lower production to the level of demand in the medium term.

Council Regulation (EEC) No 1442/88 on the granting, for the 1988/89 to 1995/96 wine years, of permanent abandonment premiums in respect of vine-growing areas introduces a new grubbing-up scheme to replace that laid down in Regulation (EEC) No 777/85 covering all vineyards, i.e. unlike the measures contained in the earlier Regulation, it applies to vineyards producing both table wine and quality wines psr.

To take account of special situations, in particular the likelihood of desertification and environmental problems (soil erosion), Member States may be authorized not to apply the grubbing-up scheme in up to 10% of their area under vines where natural conditions, the risk of depopulation, the potential threat to the quality policy or the granting of premiums for the restructuring of the vineyards concerned under Regulation (EEC) No 458/80 make it inadvisable to reduce production levels.

Permission not to apply the measures laid down in Regulation (EEC) No 1442/88 in certain areas was given in Regulation (EEC) Nos 1328/89 (Italy), 3782/88 (Germany and France), 1327/89 (Spain) and 1314/89 (Greece).

Farmers having the right to draw the permanent abandonment premium for a vineyard under table wine also receive, at their request, total exoneration from compulsory distillation (Article 39 of Regulation (EEC) No 822/87) if the cut in table wine production potential is more than 50% or partial exoneration if it is between 20% and 50%.

2. THE MARKET

Before analysing trends in production, overall demand for wine in the Community, prices and Community intervention during the year and the Community's degree of self-sufficiency, we should take a quick look at world market trends.

A. The world wine market

A study of world trends and movements in areas under vines and in wine production and consumption shows that, overall, supply is outstripping demand and structural surpluses exist.

Statistics gathered by the OIV (International Vine and Wine Office) reveal the difficulties in disposing of wine year after year.

For almost a decade, the total area under vines worldwide has fallen, yet production has continued to increase, only starting to fall in 1986 and 1987. The situation is shown in the tables given below:

WORLD AREA Average (in hectares)				WORLD PRODUCTION Average (in hectorlitres)		
1951-1955	-	8.854.130	:	1951-1955	-	210.634.285
1971-1975	-	9.961.000	:	1971-1975	-	313.115.000
1976-1980	-	10.213.000	:	1976-1980	-	326.646.000
1981-1985	-	9.696.000	:	1986	330.196.000	-
1986	9.478.000	-	:	1987	316.370.000	-

Source : O.I.V. | Source : O.I.V.

WORLD CONSUMPTION (in hectolitres)

	Average		Difference
1956-1960	189.307.875	-	-
1961-1965	217.608.200	-	+ 28.300.325
1971-1975	280.356.000	-	+ 62.747.800
1976-1980	285.746.000	-	+ 5.390.000
1981-1985	279.326.000	-	- 6.510.000
1986	-	279.923.000	- 4.313.000
1987	-	257.120.000	- 17.803.000

Source : O.I.V.

WORLD EXPORTS (in hectolitres)

1966-1967	29.297.000
1971-1975	39.644.000
1976-1980	46.534.000
1984	52.115.000
1985	54.080.000
1986	45.690.000

Source : O.I.V.

Estimated consumption in 1979 was 286 560 000 hectolitres. By 1987 this was 257 120 000 hectolitres. At the same time as consumption was falling (down 29 440 000 hectolitres), there appeared what were considered to be structural surpluses.

THE GROWTH OF SURPLUSES

Production-consumption (average in hectolitres)

	Production	Consumption	Difference
1956/1960	221.512.747	189.307.875	32.204.872
1976/1980	326.646.000	285.746.000	40.900.000
1981/1985	337.302.000	274.661.000	62.641.000
1981/1986	331.291.000	278.517.000	52.774.000

Source : O.I.V.

Foreign trade continued to increase however, falling off only in 1986.

Various indications show that countries producing wine of designated origin benefited from favourable market developments for these quality products (in 1987 in France there was an overall fall of 1.5 million hectolitres in the consumption of table wine but at the same time the consumption of wine of designated origin increased by 0.5 million hectolitres).

To understand this development and place it in its context we must take a look at the different regions of the world:

EUROPE. The area under vines has fallen by 1.1% in 25 years whilst production has increased by 3% and consumption by only 7.55%. The existence of surpluses is most obvious in the three major producer countries.

Country	Production 1971/75-1981/85	Consumption 1971/75-1981/85	Difference
Italy	+ 3.3 Mhl	- 14.2 Mhl	- 17.5 Mhl
France	- 0.3 Mhl	- 11.3 Mhl	- 11.3 Mhl
Spain	+ 9.1 Mhl	- 8.3 Mhl	- 17.4 Mhl
		TOTAL	- 46 Mhl

AMERICA. The area under vines has increased by 28% in 25 years whilst production has increased by 43.5% and consumption by 23.8%.

AFRICA (South Africa only). The area under vines has increased by 50.6%, production by 126.44% and consumption by 136.6%.

AUSTRALIA (Oceania). The area under vines has increased by 18.5%, production by 191% and consumption by 485%.

B. Production and overall demand for wine in the Community

1. Production

Table 5 shows that average world production of wine between 1985/86 and 1987/88 was 311.1 million hectolitres, the average for 1982/84 being 314.6 million. Average total production in the Community of Twelve for the period 1983/88 was 200.3 million hectolitres.

In 1987/88 the Community of Twelve accounted for 66.1% of total world production, the figure for 1986/87 being approximately 65.4%.

Table 6 shows that the Community of Twelve's average output over the last three years has been 201 million hectolitres, whereas that of the Community of Ten for the three year 1981/84 was 160.3 million, the average over the years 1971/80 being 154 million.

Wine production in the Community of Twelve in 1987/88 showed only a slight change from 1986/87 (up by 672 000 hectolitres).

Table 7 (Community of Twelve) shows that production breaks down into 67.5% table wine, 26% quality wines psr and 8.5% other wines. Of these, 55% are red and rosé and 45% white. Of table wines, 37.9% are white and 62.1% red and rosé.

23

Of quality wines psr, 48% were red and rosé and 52% white. Other wines were 90.6% white and 9.4% red and rosé

In Italy, Tables 8 and 9 show wine production in 1987/88 to have been 75.1 million hectolitres, 1.1 million less than in 1986/87.

In France, the 1987/88 harvest, at 68.3 million hectolitres, was 4.5 million down on the previous year. The decrease was both in quality wines (down 1.5.million) and in other wines (down 2 million), as well as in table wines (down 1 million).

In 1987/88 wine production in Germany fell sharply by 1.2 million hectolitres compared with 1986/87. Production of quality wines psr was down by 0.9 million hectolitres and that of table wine by 300 000 hectolitres.

Total production in Greece in 1987/88 was 4.5 million hectolitres. This was 140 000 hectolitres or 3.23% up on 1986/87.

Production fell in Luxembourg in 1987/88 to 142 000 hectolitres against 160 000 hectolitres in 1986 (down 11.25%).

In Spain, production in 1987/88 was 40.2 million hectolitres, an increase of 12.1% on the previous year. This is accounted for by increases of 2 million hectolitres in table wine, 2.1 million hectolitres in quality wine psr and 150 000 hectolitres in other wine.

In Portugal, 1987/88 production was 3 million hectolitres up on 1986/87 at 11 million hectolitres.

2. Demand

Table 24 shows that from the period 1971-80 up to 1984/85, internal consumption in the Community of Ten, excluding the quantities distilled under intervention measures, fell markedly from 144.9 million hectolitres in 1971-1980 to 121.8 million in 1984/85. Total internal consumption in the Community of Twelve was 151.7 million hectolitres in 1987/88.

These figures do not include quantities of wine distilled which, according to reports from the Member States (see Table 29), were 52.1 million hectolitres in 1987/88, a considerable increase of 12.1 million hectolitres on 1986/87.

Table 30, on the trend shown by the supply balances, reveals that in 1987/88 direct human consumption in the Community of Twelve increased by 3.1 million hectolitres over 1986/87 to reach 140.3 million hectolitres.

Since 1971, however, there has been a constant downward trend in the per capita consumption of table wine in the Community of Ten.

This sizeable fall in direct human consumption is accounted for mainly by the decrease in per capita consumption in the two main producer Member States, in France up to the latest year considered and in Italy up to 1985/86, which has not been made up for by small increases in the non-producer countries.

Table 25 shows that average per capita consumption of wine in the Community of Twelve was 41 litres in 1985/86, 42 litres in 1986/87 and 43 litres in 1987/88. The German figure rose from 23 litres per head in 1985/86 to 26 litres in 1986/87 and 1987/88, whilst consumption in France fell from 80 litres per head in 1985/86 to 76 litres per head in 1986/87 and to 75 litres per head in 1987/88. After a significant fall between 1984/85 and 1985/86, per capita consumption of wine in Italy increased in 1986/87 (66 litres per head) and 1987/88 (72 litres per head). Consumption in the Netherlands is stable (14 litres per head) whilst in Belgium, after having fallen in 1985/86, consumption in 1987/88 was above the 1984/85 level (litres). Consumption in Luxembourg fell by 2 litres in 1987/88 to 56 litres per head. Per capita consumption in the United Kingdom rose from 9 litres in 1985/86 to 10 litres in 1986/87 and 1987/88. The figure in Denmark for 1987/88 remained at 19 litres per head per year.

The Greek figure increased from 28 litres in 1986/87 to 30 litres in 1987/88 whilst in Spain consumption fell slightly to 47 litres in 1987/88. In Portugal consumption was up at 63 litres per head in 1987/88 whereas in Ireland the figure was 4 litres per head per year.

Table 30 shows that, for the Community of Ten, quantities distilled without Community aid amounted to 6.5 million hectolitres in 1985/86 as against 6.1 million hectolitres in 1984/85 (up 7.9%). The figures for the Community of Twelve were 10.2 million hectolitres in 1986/87 (up 57% on the previous year) and 8.6 million hectolitres in 1987/88 (down 15.7% on the previous year).

On the other hand, quantities distilled with Community aid, which in 1985/86 amounted to 24.3 million hectolitres for the Community of Ten, were 44.5 million hectolitres for the Community of Eleven in 1986/87, an increase of 83.1% on the previous year, and 50.6 million hectolitres in 1987/88, an increase of 13.7% over 1986/87.

C. Community prices and intervention

1. Prices

For 1987/88 guide prices for the various types of table wine were reduced by 2% over 1986/87.

As regards red table wines of type R I, French prices increased slowly to reach 75% of the guide price at the end of the year, compared with 71% during the previous year.

Italian prices were more unstable although these increased steadily, ending the year at around 78% of the guide price.

No Greek prices were included.

Spanish prices also fluctuated, but picked up strongly towards the end of the year to reach approximately 80% of the guide price. The representative Community price followed French levels very closely. Spanish prices were multiplied by a correcting coefficient corresponding to the ratio between Community and Spanish guide prices. This coefficient was fixed at 1.47 as from 1 September 1987.

For red table wines of type R II, the only French price quoted, Bastia, was fairly stable and was 75% of the guide price at the end of the year.

Italian prices were very low throughout the year and ended at barely 60% of the guide price.

The few Greek prices recorded were around 86% of the guide price.

Spanish prices gradually strengthened during the year to reach 83% of the guide price by August 1988.

The trend in the representative Community price was irregular, but since Spanish prices have been included it has tended to follow them.

As regards white table wines of type A I, prices in France weakened at the beginning of 1987/88, falling to 81% of the guide price, before recovering at the beginning of 1988 to reach 92% of the guide price by the end of the marketing year.

27

Italian prices were significantly lower than those in France, fluctuating around 70% of the guide price throughout the year.

Few prices were reported from Greece during 1987/88. The average was 100% of the guide price, slightly up 3% on the average for the previous year.

Spanish prices weakened further reaching their lowest point in November (59%) before recovering at the end of the marketing year to 89% of the guide price. The Community representative price was much affected by Italian prices throughout the year.

As regards German table wines, prices for white wines were very weak throughout the year fluctuating between 48% and 60% of the guide price for wines of type A II and between 66% and 88% for wines of type A III.

Red wine prices fell slightly during 1987/88, but still remained high at 190% of the guide price.

2. Community intervention

The price system and the rules governing intervention and other measures to improve conditions on the Community wine market are covered by Title III of Regulation (EEC) No 822/87 and by the implementing rules adopted according to the procedure laid down in Article 83 of that Regulation. Most Community intervention concerns the following products: grape juice and must, concentrated grape must, rectified concentrated grape must, table wines and other products referred to in Regulation (EEC) No 822/87.

2.1. Market management

- Import levies

Levies ("countervailing charges") were unchanged from the previous year. Their role is in any case limited since they are not applied to the 18 principal suppliers of the Community which have agreed to respect the reference prices.

- Export refunds

In the Community of Ten, the size of export refunds was adjusted at the beginning of 1988 to take account of movements in the prices of wines and concentrated grape musts in the Community and on the international market. Refunds for Spain were increased because of developments in prices on its internal market following the application of the rules on price compensation and moves towards price alignment laid down in the Treaty of Accession. In 1987, the quantities receiving the refund increased, due in particular to Spanish exports. The quantities benefiting in Spain amounted to 1.79 million hectolitres out of a total of 2.38 million hectolitres. At the end of May 1988, the figures were 1.88 million hectolitres including 1.46 million for Spain. In 1987, refunds amounted to ECU 46 million against ECU 11.2 million in 1986, an increase of 310.7%.

- Intervention measures:

As in the previous year, the following intervention measures were implemented:

. aid was granted for:

- the conclusion of supplementary storage contracts for table wine and musts involving 15.4 million hectolitres, including 3.5 million hectolitres in Spain, 5.2 million in France, 5.5 million in Italy, 1.1 million in Greece and 18 000 hectolitres in Germany,

- the conclusion of short-term storage contracts (four months) involving 1.4 million hectolitres (0.9 million hectolitres in Italy and 0.5 million in Spain),

- the use of musts for increasing the alcoholic strength of wine and the production of grape juice, and of British, Irish and home-made wines,

. compulsory distillation proper (Article 39 of Regulation (EEC) No 822/87) withdrew 14.4 million hectolitres of table wine from the market(3.6 million hectolitres in France, 6.5 million in Italy and 4.2 million in Spain);

. other forms of compulsory distillation, i.e.:

- the distillation of the by-products of winemaking ("prestations viniques") (Article 35) amounted to 7.4 million hectolitres of products (lees and wine)

- the compulsory distillation of wines other than table wine (Article 36) amounted to 4.2 million hectolitres, of which 429 000 hectolitres were wine fortified for distillation.

. the quantity of table wine disposed of by optional distillation is estimated as follows:

- "garantie de bonne fin" distillation (Article 42): 7 800 000 hectolitres (2 700 000 hectolitres in France, 3 870 000 in Italy, 1 176 000 in Spain, 58 000 in Greece and 10 000 in Germany). This measure, which is intended to support prices, was limited to a decreasing percentage of the contract-holder's total production of table wine (15% in 1984/85, 13% in 1985/86, 10% in 1986/87 and 6% in 1987/88).

- preventive distillation (Article 38): 14 700 000 hectolitres (3 115 000 hectolitres in France, 5 508 000 in Italy, 5 763 000 in Spain, 225 000 in Greece and 65 000 in Germany);

- support distillation (Article 41): the quantity here was limited to 3 630 000 hectolitres in view of the anticipated results of compulsory distillation.

A distillation measure to complement support distillation limited to 2.2 million hectolitres was introduced during the year but had no practical result (916 hectolitres distilled in France).

Distillation is the main way of disposing of wine surpluses in the Community. During 1987/88, 52 118 000 hectolitres of wine or 37% of the total production of table wine were distilled under Community rules according to reports from Member States.

2.2. Budgetary cost

EAGGF Guarantee Section expenditure in the wine sector amounted to ECU 1 580.3 million in 1988 (4.04% of total EAGGF Guarantee Section expenditure), broken down as follows: ECU 45.7 million on export refunds (2.8%), ECU 92 million on private storage aid (5.7%), ECU 649.4 million on "garantie de bonne fin" and support distillation and the compulsory distillation of table wine and wines other than table wine (41.1%), ECU 98.9 million on "prestations viniques" (6.2%), ECU 99.3 million on aid for the use of musts (6.3%) ECU million on the taking over of alcohol obtained from compulsory distillation (22.3%), ECU 250 million on the depreciation of stocks of alcohol (15.7%) and ECU 2.4 million of other expenditure.

2.4. The degree of self-sufficiency in the Community

On the basis of the final supply balance for 1987/88, processing removed 60 600 000 hectolitres from the market including 6 600 000 hectolitres intended for the production of potable spirits obtained from wine of designated origin, 50 615 000 hectolitres distilled with Community aid and 3 300 000 hectolitres intended for the production of other products such as vinegar. If we disregard the various distillation measures funded by the Community, the degree of self-sufficiency in the Community of Eleven was 138% in 1987/88, and if these distillation measures are taken into account the rate becomes 102.1%.

3. INTRA-COMMUNITY TRADE AND EXTERNAL TRADE

Before looking at intra-Community trade and external trade at Community level, the international situation should be analysed so as to put Community trends in the proper context.

The international context - the world wine trade

Wine exports
('000 hl)

	Average 1971-75	Average 1976-80	Average 1981-85	1986	1987
Europe	30 903	41 068	46 582	42 004	41 622
The Community of Twelve	n.a.	n.a.	n.a.	10 941	10 596
America	150	666	n.a.	627	587
Africa	8 516	4 237	n.a.	n.a.	n.a.
Asia	497	505	n.a.	n.a.	n.a.
Oceania	75	58	n.a.	n.a.	n.a.

Source: O.I.V.

Overall, exports did not increase. In 1987, France improved its position of leader with 12.7 million hectolitres, followed by Italy with 11.6 million and Spain with 5 million. The Federal Republic of Germany moved up the table, then came Bulgaria, Hungary, Portugal, Greece and Yugoslavia. The United States exported 246 000 hectolitres in 1987 and Argentinian exports fell by 50% compared with the previous year (130 000 hectolitres), whilst Chile increased its exports by 30% to 145 000 hectolitres.

	Average 1971-75	Average 1976-80	Average 1981-85	1986	1987
Europe	35 210	37 102	40 761	40 362	40 354
America	2 760	4 725	6 262	6 037	5 214
Africa	1 790	1 715	n.a	n.a	n.a
Asia	220	382	n.a	n.a	n.a
Oceania	157	200	n.a	n.a	n.a

Source: OIV

Total imports were steady. The largest importer was the Federal Republic of Germany, then came the Soviet Union whose anti-alcohol policy had a strong impact on imports, followed by the United Kingdom, the United States and France.

Mention must be made of the important place held by non-producer Community countries which benefit from the easing of movement for wine brought about by the lowering of barriers and obstacles which has boosted trade. Switzerland and Canada also figured amongst the traditional importers.

A. <u>Community trends in the international context</u>

<u>Imports</u>: On the basis of the intra-Community import statistics for the importing Member States, imports were 23 774 000 hectolitres for the Community of Twelve 1987/88. Imports of wine into the Community of Twelve from third countries were 1 700 000 hectolitres in 1987/88.

<u>Exports</u>

The figures for intra-Community imports broken down by exporter Member State showed 23 774 000 hectolitres for the Community of Twelve in 1987/88. Community exports of wines to third countries were 10 596 000 hectolitres.

The Community of Twelve is therefore the world's largest trading block as regards external trade in wine.

B. <u>Intra-Community trade</u>

Tables 10 and 11 show total intra-Community trade in the Community of Twelve to have been 23 774 000 hectolitres in 1987/88 as against 23 016 335 hectolitres in 1986/87. This increase of 3.2% was essentially due to the recovery of Italian exports from 7.9 million hectolitres in 1986/87 to 9.2 million in 1987/88.

France accounted for 9.1 million hectolitres in 1987/88, down 4.24% on the previous year. Italian exports were 9.2 million hectolitres in 1987/88 (38.6% of the total for the Community of Twelve), 16.5% up on the previous year. These break down as follows: to France (4.1 million hectolitres (or 44.5%), Germany (3.7 million hectolitres or 40.2%), the United Kingdom 979 000 hectolitres or (10.6%) the BLEU 209 000 hectolitres or (2.3%) and the Netherlands 137 000 hectolitres (or 1.5%).

German sales in 1987/88 were 1.9 million hectolitres, mainly to the United Kingdom (1.5 million hectolitres or 79%), the Netherlands (234 000 hectolitres or 12.3%) and Denmark (117 000 hectolitres or 6.1%).

Spain, with 1.8 million hectolitres, accounted for 7.8% of intra-Community trade, exporting mainly to the United Kingdom (603 000 hectolitres), the Netherlands (546 000 hectolitres) and Germany (373 000 hectolitres).

Portuguese exports to the Community totalled 982 000 hectolitres and broke down as follows: 336 000 hectolitres to France, 168 000 hectolitres to the BLEU, 152 000 hectolitres to the United Kingdom and 105 000 hectolitres to Germany.

Intra-Community wine purchases in 1987/88 were as follows (by Member State in order of quantities imported): Germany (7.9 million hectolitres or 33.2%), the United Kingdom (5.5 million hectolitres or 23.4%), France (4.6 million hectolitres or 19.5%), the Netherlands (2.1 million hectolitres or 9%), the BLEU (1.9 million hectolitres or 8.3%), Denmark (1 million hectolitres or 4.2%), Italy (0.4 million hectolitres or 1.9%), Ireland (0.1 million hectolitres or 0.4%) and Spain (31 000 hectolitres or 0.1%). Greek and Portuguese imports were almost insignificant.

C. Community external trade

1. Imports

Table No 15 shows that Community imports of wine from third countries reached 1.7 million hectolitres in 1987/88 as against 1.5 million hectolitres in the previous year (up 14.2%). Comparisons with other years show a remarkable difference due to the fact that Spanish and Portuguese figures were not included, since the two countries had not yet joined the Community.

Table 15 shows that in 1987/88 Germany was the main importer country (871 000 hectolitres), followed by the United Kingdom (509 000 hectolitres), France (144 000 hectolitres), the BLEU (83 000 hectolitres), Denmark (54 000 hectolitres), the Netherlands (26 000 hectolitres), Italy (54 000 hectolitres), Ireland (2 000 hectolitres), Spain (6 000 hectolitres) and Greece (1 000 hectolitres).

In 1987/88 Yugoslavia became the Community's main supplier with 624 000 hectolitres or 36.7% of the total, followed by Hungary with 186 000 hectolitres or 10.9% and Bulgaria with 184 000 hectolitres or 10.8%. The Maghreb supplied 237 000 hectolitres or 13.9% of the total.

2. Exports

Tables 18, 19 and 20 show that exports for the Community of Twelve in 1987/88 were 10.6 million hectolitres, a fall of 2.7% compared with 1986/87.

France was the biggest exporter (3 633 000 hectolitres or 33.9%) followed by Spain (3 120 000 hectolitres or 29.4%), Italy (2 375 000 hectolitres or 21.8%), Germany (724 000 hectolitres or 6.6%) and Portugal (557 000 hectolitres or 5.1%).

The biggest markets for Community exports were the United States (2 695 000 hectolitres or 25.5%), Switzerland (1 672 000 hectolitres or 15.3%), Canada (1 000 000 hectolitres or 9.4%), Sweden (744 000 hectolitres or 7%), Japan (428 000 hectolitres or 4%) and the Ivory Coast (415 000 hectolitres or 3.9%).

Conclusions

The developments in intra-Community and external trade for the Community of Twelve in 1987/88 confirmed the dominant place of intra-Community trade in overall trade (93.3%) and the significant fall in Community wine imports from third countries compared with 1985/86, due to the fact that Spain and Portugal were no longer considered as third countries.

The world increase in the area under vines suggests an increase in surpluses between now and 1993 and, consequently, a slowdown in trade. The dangers of an increase in world wine production and how this could limit the growth of Community exports can be imagined.

It is estimated that by 1995 world production of all types of wine taken together could reach 340 to 350 million hectolitres and that total world consumption might not exceed 270 million hectolitres.

If such were the case, 70 million hectolitres would have to be absorbed. Consideration must also be given to the fact that non-member European countries are continuing to increase production, which will add to the wine glut. Similarly, some Latin American countries (Argentina, Brazil and Mexico), South Africa, New Zealand and the United States are doing likewise. The main explanations for the poor results achieved on external markets put forward in the last report (COM(89)138 final) are still valid.