

COMMISSION OF THE EUROPEAN COMMUNITIES  
DIRECTORATE-GENERAL FOR AGRICULTURE

# CAP WORKING NOTES 1992



## WINE

C O N T E N T S

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I N T R O D U C T I O N

The information in this document is arranged in three parts:

- the "analysis" part describes the market situation and the mechanisms of the market organization in the product;
- the "statistics" part gives most of the tables appearing for the product in the annual report on agriculture in the Community;
- lastly, the "explanatory memorandum" of the Commission's annual agricultural price proposals seem to us to provide an indispensable illustration of the Community policy.

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DESCRIPTION OF THE MECHANISMS  
OF THE COMMON ORGANIZATION OF THE MARKET  
IN WINE PRODUCTS (\*)

In Regulation No 24 of 4 April 1962 the Council made provision for the progressive establishment of a wine market organization. The basic regulation finally adopted is Regulation (EEC) No 822/87, as last amended by Regulation (EEC) No 3577/90.

It now covers the following products:

- grape juice and must, with or without added sugar;
- grape must, in fermentation or with fermentation arrested; wine of fresh grapes;
- fresh grapes other than table grapes;
- wine vinegar;
- other (piquette, wine lees, grape marc).

The marketing year runs from 1 September to 31 August.

Expenditure on wine varies quite considerably from one year to the next owing to fluctuations in production. In normal years it accounts for between 2,5 and 5,5% of the EAGGF Guarantee total. It accounted for 3,0% of EAGGF Guarantee expenditure in 1990.

#### 1. ECONOMIC BACKGROUND

For the Community of Eleven (i.e. excluding Portugal), harvests for the last two years - of the order of 157 million hl in 1988/89, 167 million hl in 1989/90 and 169 million hl in 1990/91 - can be regarded as small.

The current level of Community consumption, including the trade balance but excluding Community distillation, totals around 153 million hl. Consumption has fallen steadily in recent years due to the decline in consumption of table wine. As far as trade is concerned, the Community of Eleven imported 1,7 million hl of wine in 1989/90 and exported 10,6 million hl.

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(\*) Translated from "Avant-projet de budget général 1992, Commission, sous-section B1, chapitre 16".

The market thus has to contend with a structural surplus, requiring Community distillation to achieve balance. However, despite the relatively small 1990/91 harvest (169 million hl), the quantities distilled still totalled some 31 million hl, given the surpluses inherited from previous marketing years.

The surplus quantities of wine have been distilled, giving rise to over-production of alcohol. At 1 January 1991, stocks of wine alcohol totalled some 8 million hl. Since then, invitations to tender have led to the sale of an almost equivalent volume, although only some of the wine alcohol has actually been removed.

To tackle this situation, agricultural stabilizers have been implemented in accordance with the guidelines laid down by the Brussels European Council on 11 and 12 February 1988. These measures relate to the abandonment of vineyards and reinforcement of the system of compulsory distillation. The aims of this package of measures are to reduce wine-growing potential by 1995 by abandoning a potential of some 40 million hl and, parallel to this, discouraging high yields to make up for the expected fall in demand. The Council has also taken note of the Commission's intention to reduce optional intervention measures by stages. The Commission, accordingly, has not granted restorage aid for table wines and no longer intends to apply this costly measure. It is also reducing the quantities eligible for distillation under the special price support measures for long-term storage contract holders, which should have been phased out completely by 1991/92.

## 2. OPERATION OF THE MARKET

### 2.1. The types of table wine

For the purposes of the price system, table wines are divided into several types:

#### (a) Red table wines:

- Type R I: red table wine, other than of type R III, of an actual alcoholic strength by volume of not less than 10% vol and not more than 12% vol;
- Type R II: red table wine, other than of type R III, of an actual alcoholic strength by volume of not less than 12,5% vol and not more than 15% vol;
- Type R III: red table wine obtained from vine varieties of the Portugieser type.

(b) White table wines:

- Type A I: white table wine, other than of types A II and A III, of an actual alcoholic strength by volume of not less than 10% vol and not more than 13% vol;
- Type A II: white table wine obtained from vine varieties of the Sylvaner type or of the Müller-Thurgau type;
- Type A III: white table wine obtained from vine varieties of the Riesling type.

## 2.2. Price arrangements

Each year the Council fixes a guide price for each type of table wine.

The guide price is fixed at a level which ensures a fair income for producers, on the basis of the average of prices recorded during the two preceding marketing years and the trend of prices during the current marketing year.

The activating price is the threshold for activating the intervention mechanism and corresponds, for each type of table wine, to 92% of the guide price [Article 28 of Regulation (EEC) No 822/87].

The Commission establishes two types of price:

- (a) Representative price: Every week in respect of each type of wine the Commission determines an average producer price for each representative market and a Community representative price equal to the weighted mean of the average prices.
- (b) Reference price: Every year the Commission fixes a reference price for a number of products. This is calculated on the basis of the guide price and acts as protection at the Community frontier since it represents the minimum entry price of imported wines.

## 2.3. Specific market instruments

### 2.3.1. Import and export arrangements

There is no restriction on imports from non-member countries, which pay customs duties according to the alcoholic strength of the products. If the reference price is not reached, a countervailing charge is applied, unless special agreements have been made with non-member countries under which they comply with the reference price.

Refunds may be paid to facilitate exports. They may vary according to intended use/destination.

2.3.2. Private storage aid for table wine and grape must (Article 32)

The aim is to freeze existing supplies on the market for a certain period by encouraging winegrowers to store their products in return for aid:

There are two possibilities for concluding private storage contracts:

- long-term contracts:

These contracts may be concluded for wine whenever, at the beginning of the marketing year, supplies available exceed foreseeable requirements by at least four months.

As regards musts, such contracts may be concluded when long-term storage for wines is decided on. Aid is conditional on the conclusion of storage contracts valid for a period of nine months for wine. The contracts for table wine must be concluded between 16 December and 15 February;

- Four-month contracts, supplementing long-term contracts (Article 42):

This possibility is available when long-term contracts expire whenever market prices fail to match the activating price for three successive weeks. This facility may be combined with the distillation supplementary to long-term storage contracts (price support guarantee).

2.3.3. Re-storage aid (Article 34)

This assists winegrowing carrying heavy stocks to clear their cellars before harvesting begins, by storing the available wine elsewhere. This aid is optional. It is a management measure for which the Commission is responsible and which it has not implemented for several years.

2.3.4. Aid for the use of must (Articles 45 and 46a)

This aid is intended to improve the competitive position of must produced in the EEC. It is granted for:

- the production of grape juice from grape must and from concentrated grape must,
- the production of 'British', 'Irish' and 'home-made' wines from grape must and from concentrated grape must,
- the use of concentrated grape must to enrich certain wines.

The amount of the aid is fixed annually before 31 August for the following wine year. Part of it is used for the organization of promotional campaigns for grape juice. There is also aid for the use of concentrated grape must in livestock feeding. The amount of the aid may not be more than that paid for preventive distillation.

### 2.3.5. Distillation

In the case of all distillation reserved for producers there is a guaranteed minimum purchase price for the wine delivered to distillers. Where a distiller supplies proof that the minimum price has been paid, he receives aid to dispose of the alcohol produced or, in the case of compulsory distillation, he may deliver his alcohol to an intervention agency, which then receives financial compensation for taking over the alcohol.

The purchase price of wine for each type of distillation (except those referred to in Articles 35 and 36) is reduced to take account of the economic advantage obtained by producers who have enriched their harvest with sucrose or concentrated must on which the aid provided for in Article 45 has been paid (Article 44).

#### 2.3.5.1. Voluntary distillation

- Distillation supplementary to long-term storage contracts (price support guarantee, Article 42)

The aim is to guarantee winegrowers that their wine will not be disposed of at a price below the activating price provided that they have concluded long-term storage contracts.

If it is observed at the end of the marketing year that representative market prices have failed to match the activating price for at least three successive weeks, wines under long-term contracts or some of such wines may be distilled at a price close to the activating price valid when the storage contracts were concluded. A maximum of 18% of production may be distilled.

- Preventive distillation (Article 38)

The Commission may introduce preventive distillation at the start of each wine year, at 65% of the guide price for each table wine. For wines suitable for yielding table wine the price is 65% of the AI guide price.



- Support distillation (Article 41)

Producers of table wine receive a minimum guaranteed price of 82% of the guide price for each type of wine. However, in its 1991/92 prices package, the Commission has proposed that this percentage be cut to 70%.

In a wine year during which compulsory distillation has been introduced, the Commission will ensure automatic access to distillation at the guaranteed price.

If compulsory distillation has not had to be introduced, the Commission may, if necessary, authorize distillation at the guaranteed price.

The quantities to be distilled may not exceed 6,2 million hl without the Council's authorization.

In order to maintain the guaranteed price, appropriate measures other than distillation may be resorted to.

2.3.5.2. *Compulsory distillation*

- Compulsory distillation of the by-products of winemaking (Article 35)

These compulsory distillation measures are intended to prevent the overpressing of marcs and lees and the marketing of inferior-quality wines with a low natural alcohol content.

- Compulsory distillation of wines other than table wines (Article 36)

This distillation measure applies to surplus wine in the Cognac area, to wines made from table grapes or from grapes for drying, etc.

- Compulsory distillation of table wines (Article 39)

This is decided upon by the Commission:

(a) when the availabilities recorded at the beginning of the wine year exceed normal utilization by more than four months;

or

(b) when production exceeds normal utilization by more than 9%;

or

(c) when the weighted average of the representative prices of all types of table wine at the beginning of a wine year is below 82% of the guide price.

The total quantity to be distilled is shared among the various production regions of the Community, grouped by Member State, on the basis of the difference recorded between production in the region during the wine year in question and 85% of the average production in that region for 1981/82, 1982/83 and 1983/1984. Each producer legally so obliged distills a certain quantity according to his yield, taking into account the different yields in the various production regions of the Community.

The quantities delivered for preventive distillation by a given producer may be deducted from the quantities to be delivered for compulsory distillation by that producer. Producers who have permanently abandoned an area used for the production of table wine also qualify for exemption from the obligation laid down in Article 39 when the decrease in wine-growing potential is at least 20%.

#### 2.3.6. Marketing of alcohol offered for intervention

For wine delivered for Community distillation, distillers are eligible for aid to help market the alcohol produced. In cases of compulsory distillation, distillers may either receive aid or deliver the alcohol produced to an intervention agency.

Net financial losses on alcohol taken over under Article 39 (compulsory distillation of table wine) are borne in full by the EAGGF (Article 37).

The marketing of alcohol taken over under Articles 35 and 36 must not disturb the Community market in alcohol and spirituous beverages. If necessary, the alcohol will be marketed in other sectors, in particular the fuel sector. Any additional costs in excess of the financial compensation will also be borne by the EAGGF (Article 37).

In 1989 the Commission launched a disposal programme resulting by the end of 1990 in the sale by tender of 8,5 million hl outside the Community for purposes other than spirituous beverages.

The Commission has also sold 4,8 million hl by tender to the fuel industry in the Community.

#### 2.3.7. Measures to expand the market (Article 49)

The Commission may adopt such measures where necessary.

2.3.8. Permanent abandonment premiums in respect of areas under vines (Regulation (EEC) No 1442/88)

The aim is to reduce vine-growing potential. All areas under vines are eligible. The amount of the premiums varies, according to yield, type of cultivation and variety from ECU 1 200 to 10 200/ha. Up to the end of 1989, 30% of the expenditure was charged to the Member States. For the 1988/89 and 1989/90 wine years, the Community contribution to abandonment premiums was drawn 50% from guarantee appropriations and 50% from guidance appropriations. However, since this financing system did not enable premiums to be paid rapidly, the Council decided, as part of the 1990/91 prices package, that from 1 January 1990 all the expenditure connected with this scheme would be borne by the EAGGF Guarantee Section.

2.3.9. Other measures (Article 51)

Measures in respect of products other than table wine may be taken if necessary to support the table wine market. For example, the Council decided to grant special storage aid for quality wine of the 1982 vintage.

Trend of appropriations (\*)

(ECU)

Article	Heading	Appropriations 1992	Appropriations 1991
B1-160	Refunds on products of the vine-growing sector	58.000.000	59.000.000
B1-161	Intervention for products of the vine-growing sector	542.000.000	579.000.000
B1-162	Taking over of alcohol from compulsory distillation	436.000.000	328.000.000
B1-163	Aid for the use of must	153.000.000	157.000.000
B1-164	Permanent abandonment premiums in respect of areas under vines	573.000.000	445.000.000
B1-165	Other intervention	13.000.000	13.000.000
TOTAL OF CHAPTER B1-16 (Products of the vine-growing sector)		1.775.000.000	1.581.000.000

(\*) Extracted from "Final adoption of the general budget of the European Communities for the financial year 1992" - OJ L 26, 3.2.1992.

THE SITUATION OF THE MARKETS (\*)

There was a marked drop in wine production in 1988 due to the weather. Production increased slightly (1 %) in 1989, but was still below the five-year average (1981-85). World production in 1990 was around 300 million hl. Against a background of general growth, Community production appears to be declining slightly. As regards the trend in wine consumption, this has been a downward one since 1980, with a slight upturn in 1987, 1988 and 1989.

The table below shows the figures of the International Vine and Wine Office (IWO) on world production and consumption of wine:

(1 000 hl)

		Average 1981-85	1988	1989	1990 (estimate)
Production:	Total world	332 676	277 877	290 148	295 275
	Europe	261 956	209 057	224 052	225 875
	EUR 11 (excluding Portugal)	188 552	155 327	167 637	172 849
Consumption:	Total world	281 876	245 636	248 448	—
	Europe	218 325	185 424	188 333	—
	EUR 11 (excluding Portugal)	141 924	131 133	132 240	125 245

*NB:* The figures of the IWO for EUR 11 are not the same as those of Eurostat but are used as a means of comparison with those of other countries.

In the Community, the latest data <sup>(1)</sup> regarding the 1990 harvest (for EUR 11) of all wines suggest output will be 176 million hl, i.e. 3 million hl up on 1989. Due to climatic conditions, the 1990/91 harvest, like the two previous ones, was relatively low compared with the production levels recorded over the last 10 years.

The 1991 harvest (for EUR 12), put at 165 million hl, is expected to be well down (- 11 %) on 1990 (184 million hl for EUR 12), mainly on account of the low production expected in France (45 million hl) as a result of the spring frosts.

Total internal consumption, including distillation, is put at 172 million hl:

- (i) Direct human consumption (125 million hl) is well down on the previous year, although industrial use remains the same.
- (ii) The quantities processed should be of the order of 45.5 million hl, compared with 27.1 million hl the previous marketing year. This figure covers the quantities distilled under Community intervention measures (preventive, compulsory and support distillation and distillation under special price support measures for long-term storage contract holders) during the 1990/91 marketing year (33 million hl compared with 24 million hl distilled in 1989/90).

Trade was adversely affected by US measures curbing imports of Community table wines containing procymidone (a fungicide widely used against grey rot). The possible

<sup>(1)</sup> Rectified forward estimate established on 3 July 1991.

(\*) Extracted from "The agricultural situation in the Community. 1991 report".

introduction by the American authorities of a tolerance limit for lead in wine could limit exports still further.

Imports totalled 2.7 million hl and exports 9.8 million hl (compared with 10.7 million hl in 1989/90).

At the beginning of 1990/91, stocks with producers and the trade amounted to 121 million hl, as against 107 million hl at the beginning of 1989/90. Under the conditions described above, stocks at the end of the wine year are expected to be of the order of 115 million hl equivalent to 10 months' consumption in the Community (resulting in very substantial quantities being available at the beginning of 1991/92). This quantity includes 37 million hl of table wine and the remainder is made up mainly of quality wines.

The guide prices for 1990/91 were fixed at ECU 3.21/hl for table wines of types AI, RI and RII, down on 1989/90. Quotations for table wines in the Community of Ten have for a long time been stable, with a very slight tendency to crumble. The movement of average prices during the wine year was as follows in relation to guide prices:

- (i) for RI table wines, between 81 and 106 %;
- (ii) for RII table wines, between 80 and 93 %;
- (iii) for AI table wines, between 81 and 109 %.

In Spain the stability was even more striking, especially for RI and RII red wines, <sup>(1)</sup> for which the quotations remained close to 70 and 75 % respectively; only the quotations for white wines became slightly firmer, rising from 47 to 61 % of the guide price.

Special provisions relating to management of the market in table wines (special distillation) are applicable in Portugal in 1991, whereas the Community rules on wine applied in Spain from 1 March 1986. The figures below relate to the integrated market of EUR 11 and cover the 1990/91 wine year, i.e. 1 September 1990 to 31 August 1991, including estimates for 1991.

As regards management of the table wine market in 1991, the Commission—for the last time—made arrangements for distillation with the special guarantee for long-term storage contract holders, for 3 % of their production. Compulsory distillation, involving a total volume of 17.95 million hl included large quantities in Spain (14.7 million hl). The support distillation, opened for 4.7 million hl, was broken down by region of production for the first time, given the large volumes accounted for by Spain.

The intensification of grubbing arrangements, introduced in 1988, continued, with the Community budget bearing 100 % of the cost of the permanent abandonment premium.

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<sup>(1)</sup> The prices in Spain were multiplied by the coefficient 1.14 for the 1990/91 marketing year.

The results (1989/90) and estimates (1990/91) as regards the grubbing of vineyards look like this:

*(ha)*

	Spain	France	Greece	Italy
1989/90	12 000	12 000	8 000	14 500
1990/91	20 000	10 000	8 000	22 000

It is estimated that between 1988 and 1991 some 160 000 hectares will have been grubbed.

In 1989 the Commission implemented a programme for the disposal of stocks of wine alcohol obtained from compulsory distillation. All these stocks were disposed of in the fuel sector, either sold on the internal market (4.8 million hl) or exported to the Caribbean (2 million hl) and Brazil (7.5 million hl).

During 1990/91, all forms of intervention were applied:

- (a) a total of 17 950 000 hl of table wine was withdrawn for compulsory distillation;
- (b) the figures available suggest that withdrawals of table wine for other forms of distillation were as follows:
  - (i) distillation with the special price guarantee for long-term storage contract olders: around 1 million hl;
  - (ii) support distillation: 4.7 million hl, a limit imposed because of the expected effects of compulsory distillation;
  - (iii) distillation of wine made from dual-purpose grapes: 2.9 million hl of wine;
  - (iv) distillation of the by-products of wine making: 5.8 million hl of wine.

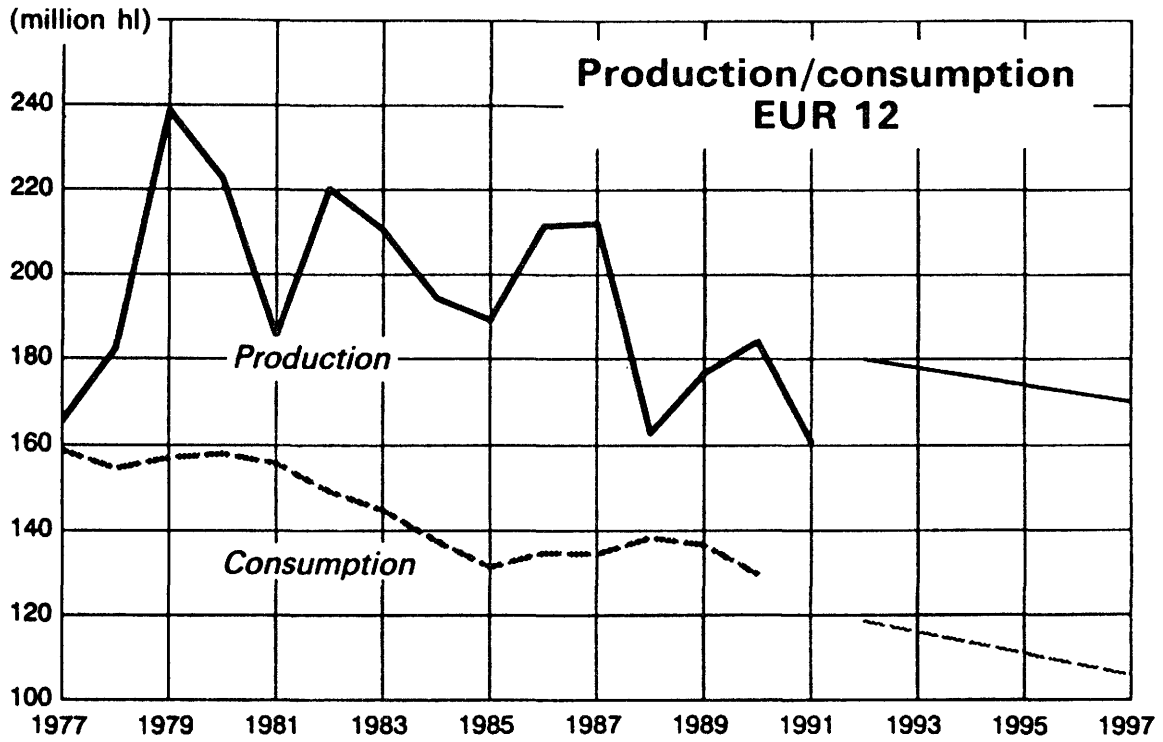
As in previous wine years, aids were granted for:

- (1) the long-term storage of wines and grape must;
- (2) the use of must for increasing the alcoholic content of wine, for the production of grape juice and for the preparation of British and Irish wines and home-made wines.

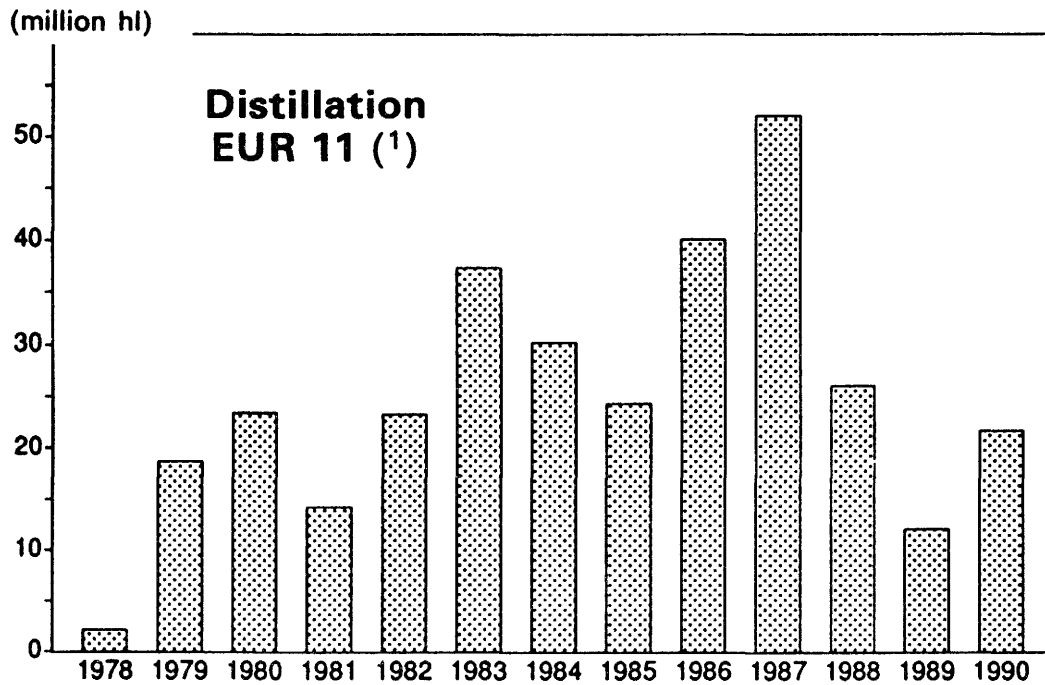
The Commission is to draw up a proposal on adjustments to the common organization of the market in wine, to be presented during 1992.

Over the next few years current trends are expected to continue, leading gradually to consumption of approximately 170 million hl, whilst the combined effects of the restrictions applied to distillation and the grubbing measures could limit production to 109 million hl. In spite of this reduction, the gap between production and consumption should remain rather large—at around 60 million hl in 1997—particularly because of an expected significant fall in consumption.

### Wine



Estimated level of production and consumption for 1991.



(1) Compulsory and optional distillation, excluding Portugal.



PRICE PROPOSALS - EXPLANATORY MEMORANDA (\*)

**Prices**

The Commission proposes to maintain the same guide price in 1992/93 as in 1991/92.

**Related measures**

The Commission intends to present proposals in the course of this year for the reform of the common organization for wine. However, it does not consider it opportune to open this discussion whilst the attention of the Council is concentrated on the major series of reform already proposed in other areas of the common agricultural policy. It therefore proposes to extend certain deadlines set out in existing legislation, that is to say:

- the submission of reports on the definition of vine-growing zones, enrichment, the effectiveness of structural measures on compulsory distillation, the sulphur dioxide content of wine, sparkling wine and dessert wine (in preparation) and measures to enable groups of producers to be treated in the same way as producers for compulsory distillation contracts;
- determination of the rules for calculating the quantities to be distilled in each production region (uniform percentage and reference year), agreed to following the Dublin agreement but held over until 31 August 1992, and the derogation given to allow the compulsory distillation scheme to be applied according to special rules in Greece;
- setting of the trial period for certain deacidification practices soon to expire;
- fixing of the period during which that part of the aid intended to promote the use of grape must for the production of juice may be earmarked for the promotion of grape juice (already extended last year until 31 August 1992).

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(\*) Extract from "Commission proposals on the prices for agricultural products and on related measures 1992/93 - Explanatory memoranda" [COM(92) 94 final - Vol 1]

Price proposals

Product and type of price or amount (Period of application)	1991/92 Decisions		Proposals 1992/93	
	Amounts ECU/t	% change	Amounts ECU/t	% change
1.9.92-31.8.93				
Table wine (1)				
- Guide price Type R I	3,21	0	3,21	0
- Guide price Type R II	3,21	0	3,21	0
- Guide price Type R III	52,14	0	52,14	0
- Guide price Type A I	3,21	0	3,21	0
- Guide price Type A II	69,48	0	69,48	0
- Guide price Type A III	79,35	0	79,35	0

- (1) R I, R II and A I expressed in ECU%/hl.  
R III, A II and A III expressed in ECU/hl.

Product and type of price or amount (Period of application)	Spain			Portugal (2)		
	Amounts in ECU/t		% change	Amounts in ECU/t		% change
	1991/92	1992/93		1991/92	1992/93	
1.9.92-31.8.93						
Table wine (1)						
- Guide price Type R I	3,01	3,21	+ 6,64	3,21	3,21	0
- Guide price Type R II	3,01	3,21	+ 6,64	3,21	3,21	0
- Guide price Type R III	48,81	52,14	+ 6,82	52,14	52,14	0
- Guide price Type A I	3,01	3,21	+ 6,64	3,21	3,21	0
- Guide price Type A II	65,04	69,48	+ 6,83	69,48	69,48	0
- Guide price Type A III	74,28	79,35	+ 6,83	79,35	79,35	0

- (1) R I, R II and A I expressed in ECU%/hl.  
R III, A II and A III expressed in ECU/hl.

- (2) For Portugal including price alignment (1st alignment) carried out in 1991/92.

### **Council decisions**

On 21 May 1992, the Council, on the basis of a compromise put forward by the Presidency, adopted the 1992/93 agricultural prices. This agreement is closely linked to the agreement on the reform of the common agricultural policy, which was also adopted by the Council at the same meeting, 18-21 May, on the basis of a compromise proposed by the Presidency and accepted by the Commission.

In the vine-growing sector, the Council has adopted the Commission proposals without any amendments.

STATISTICAL TABLES (\*)

Supply balance — wine

EUR 12

	1 000 hl			% TAV	
	1985/86	1988/89	1989/90	$\frac{1988/89}{1985/86}$	$\frac{1989/90}{1988/89}$
1	2	3	4	5	6
<i>1. Total wine :</i>					
Usable production	185735	158191	178783	- 5,2	13,0
Change in stocks	295	- 20531	12779	x	x
Imports	4614	2430	2953	- 19,2	21,5
Exports	17053	10425	10523	- 15,1	0,9
Intra-EC trade	20597	27174	26293	9,7	- 3,2
Internal uses	173001	170458	159330	- 0,5	- 6,5
— losses -- production	545	1030	475	23,6	- 53,9
— marketing	519	502	424	- 1,1	- 15,5
— processing	40578	33529	27079	- 6,2	- 19,2
— human consumption	131359	135899	130958	1,1	- 3,6
Human consumption (l/head)	40,8	41,9	38,1	0,9	- 9,1
Self-sufficiency (%)	107,4	107,7	124,6	0,1	15,7
<i>2. Quality wines produced in specified regions (Total) :</i>					
Usable production	44665	50343	65230	4,1	29,6
Internal uses	32583	45957	50716	12,1	10,4
<i>3. Table wines (Total) :</i>					
Usable production	120904	95602	100690	- 7,5	5,3
Internal uses of which:	115410	106743	90242	- 2,6	- 15,5
— human consumption	86806	82130	73189	- 1,8	- 10,9
— Community distillation (1)	21929	20804	13129	- 1,7	- 36,9

Source: Eurostat and EC Commission, Directorate-General for Agriculture.

(1) Excluding distillation for the production of wine spirits bearing a designation of origin and national distillation operations.

(\*) Extract from "The agricultural situation in the Community. 1991 report".

Area under vines, yield and production of wine and must

	Area						Yield						Production					
	1 000 ha			% TAV			hl/ha			% TAV			1 000 hl			% TAV		
	1985/86	1988/89	1989/90	1988/89	1985/86	1989/90	1985/86	1988/89	1989/90	1988/89	1985/86	1988/89	1989/90	1985/86	1988/89	1989/90		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
EUR 12	4026	3754	3816	-2,3	1,7	46,1	42,1	46,8	-3,0	11,2	185735	158191	178683	-5,2	13,0			
Belgique/België	0	0	0	x	x	x	x	x	x	x	2	2	2	0,0	0,0			
BR Deutschland	93	93	93	0,0	0,0	65,6	107,3	155,8	17,8	45,2	6097	9976	14486	17,8	45,2			
Ellada	86	82	76	-1,6	-7,3	55,6	57,7	59,6	1,2	3,3	4782	4345	4531	-3,1	4,3			
España	1469	1379	1374	-2,1	-0,4	22,5	16,1	22,8	-10,6	41,6	33103	22252	31276	-12,4	40,6			
France	1011	912	943	-3,4	3,4	69,3	62,0	64,2	-3,6	3,5	70055	57170	60508	-6,6	5,8			
Italia	993	910	952	-2,9	4,6	62,1	69,5	62,7	3,8	-9,8	61690	60360	59727	-0,7	-1,5			
Luxembourg	1	1	1	0,0	0,0	92,0	118,4	232,0	8,8	95,9	107	142	232	9,9	63,4			
Portugal	373	377	377	3,6	0,0	26,5	10,4	20,9	-26,8	101,0	9893	3938	7900	-2,6	100,6			
United Kingdom	0	0	0	x	x	18,3	6,0	21,0	-31,0	250,0	6	6	21	0,0	250,0			

Source : Eurostat.

A n n e x

FROM THE ACCESSION OF SPAIN AND PORTUGAL  
TO THE SINGLE MARKET OF 1992 (\*)

*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).

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(\*) Extract from "Wine in the European Community",  
European Documentation series, 1/1988.

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.

### *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.

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.

## *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 un-saleable 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 wine-growing, 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.



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