

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL
ON THE SITUATION AND OUTLOOK FOR THE COMMUNITY WINE SECTOR

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Following the informal meeting of Ministers of Agriculture held in Angers on 28 and 29 May 1984, the special group of national market directors met on 14 June and 11 July to examine the situation on the Community wine market and to study possible ways of ensuring that the existing legislation was correctly applied.

On the basis of the guidelines which emerged from that high-level meeting the Commission is now presenting the Council with its conclusions concerning the action to be taken in order to improve the way in which the common organization of the market in wine operates. It is proposing two sets of measures:

- urgent measures, in line with the reform of the wine market negotiated in 1982 and intended to remedy defects which have been revealed in practice;
- other measures which are less urgent but nevertheless necessary in order to prevent new crises occurring, intended to restore lasting balance to the market by gradually adjusting output to demand.

I. IMMEDIATE MEASURES

1. Drawing up the forward estimate

The basic Regulation requires production and stock levels to be notified to the competent authorities of Member States, which communicate this information to the Commission so that the forward estimate of availabilities and consumption can be drawn up by 10 December. The forward estimate drawn up by the Commission serves as a point of reference for management of the wine market in general and more particularly for triggering the compulsory distillation at low prices which was brought in by the 1982 reform. In the 1983/84 marketing year the quantities of table wine available in certain Member States were greatly underestimated because the Member States were unable to provide more realistic estimates.

In order to have reliable data concerning availabilities and consumption, which is a prior condition of effective market management, on 13 July the Commission adopted a new Regulation on harvest, production and stock declarations in the wine sector. This Regulation provides in particular, and without prejudice to any sanctions at national level, that persons who have not submitted the necessary declarations or who have submitted declarations containing incomplete or incorrect information will henceforth not qualify for intervention measures which require knowledge of the missing information for their implementation.

The Commission also reserves the right to use, for drawing up the Community forward estimate, not only the statistical data supplied by Member States but also any source of information at its disposal concerning both availabilities (stocks and production) and uses. This approach will shortly be embodied in a Commission Regulation.

2. Link between the different types of distillation

The intervention arrangements worked out in 1982 following the 1981 crisis are based on a balance between two objectives:

- to withdraw surplus availabilities from the market by means of preventive distillation or, where necessary, compulsory distillation at the start of the marketing year;
- thereafter to guarantee producers a minimum price equal to 82% of the guide price.

In 1982/83 as in 1983/84, in view of the moderate harvest, table wine availabilities at the start of the marketing year did not justify compulsory distillation. The Commission, however, decided to provide for support distillation for 5 million hl and there has been an urgent request for it to do the same in respect of the current marketing year. Simultaneously, the volume of table wine distilled, which was 22 million hl in 1982/83 (20% of production) will rise to 32 million (27% of production) in 1983/84, with a corresponding increase in EACGF expenditure.

It is clear that, although the link created by Regulation between compulsory distillation and support distillation has not functioned as intended, preventive distillation has increased beyond all expectations, but without leading to any significant improvement in market prices.

In connection with the agreement on prices and the measures to rationalize the CAP reached on 31 March, the Council introduced three changes designed to give the Commission more flexibility in managing the market:

- the price for preventive distillation was set at 65% of the guide price (previously it was set at 60%, rising to 65% if there was no compulsory distillation),
- preventive distillation could be terminated at any time, which made it possible to curb the conclusion of speculative distillation contracts,
- a link could be made between preventive distillation and support distillation.

Experience has shown that, although it relieves the table wine market, preventive distillation, because it does not involve any limit on the quantities of wine delivered, prevents the triggering of compulsory distillation, whose aim is precisely to place the burden of rationalizing the market at the start of the marketing year on those producers who have obtained the highest yields.

In order to prevent compulsory distillation from missing its goal and so that the rules on preventive distillation are not abused, the Commission is proposing that for the 1984/85 marketing year, in accordance with the management committee procedure:

- the final date for the conclusion of preventive distillation contracts should be set at 5 December 1984, and that the total quantities under contract should be notified to the Commission by Member States within a very short period (48 hours);
- the quantities eligible for preventive distillation should be limited to a certain volume per hectare cultivated.

The Commission thus expects to have the relevant information for drawing up the forward estimate on 10 December and to be in a position, by controlling the quantities being presented for preventive distillation, to initiate compulsory distillation in accordance with the principle of equity underlying the market regulation and stabilization measure adopted in 1982 and not applied since then.

In connection with the amendments to the general rules on distillation currently being discussed in the Council, the Commission also proposes that the security payable for obtaining the advance on distillation aid be raised from 110% to 130% of the aid, to prevent quantities of wine under distillation contracts disrupting the market in table wines should prices improve.

3. Access to distillation for wines other than table wines (wines made from table grapes, Charentes wines, wines made from grapes for drying)

The intervention arrangements provide for compulsory distillation at 50% of the guide price for certain wines which must not in principle be disposed of on the market in table wines but which, experience has shown, do reach the market in large quantities and are able to qualify for a higher purchase price under the preventive distillation arrangements.

In order to apply the existing rules strictly, the Commission proposes that the exemptions provided for be kept to a minimum and that the criteria of "quantity of wine normally produced" and "quantities of wine put to traditional uses" specified in Article 40(2) of the basic Regulation be revised.

The rules introduced in 1982 do in fact make a distinction between two categories of production for compulsory distillation under Article 40 of the basic Regulation:

- 1) on the one hand, wine made from grapes not listed as wine grape varieties for the administrative unit concerned (Article 40(1)).

All such wine must be distilled before the end of the wine-growing year in which it was produced.

In practice this applies only to the Italian regions of Apulia and Sicily.

- 2) on the other hand, wine produced from a grape variety listed as both a wine grape variety and a variety for use for another purpose (Article 40(2)).

All such wine which is produced in excess of the normal quantity and which is not exported must be distilled before the end of the wine-growing year in which it was produced.

In practice this applies to the following:

- (a) mainly in Italy and to a lesser degree in Greece and France, wine made from grapes classified for an administrative unit as both table grape varieties and wine grape varieties.

The quantities of wine falling within this category normally produced correspond to a yield per hectare in Italy (province of Chieti) fixed by that Member State of 100 hl and in France (Mediterranean region), as fixed by France, of 35 hl.

- (b) in France, wine made from grapes classified for an administrative unit as both wine grape varieties and varieties for the production of wine spirits of designated origin.

The quantities of wine normally produced in this category (Cognac, pineau des Charentes, wine for the production of sparkling wine and table wines) correspond to a yield per hectare fixed by France of 105 hl.

(c) in Greece, wine made from varieties usually used for the production of dried grapes, either dual-purpose varieties (Corinth Black, for drying or wine-making) or triple-purpose varieties (Sultana variety for the production of dried grapes, table grapes or wine).

Experience has led the Commission to conclude that the yields per hectare fixed in Italy for table grapes made into wine and in France for the Charentes region are excessive and should be adjusted downwards (e.g. province of Chieti: 50 hl/ha; Charentes region: 80 hl/ha). The situation in Greece needs to be approached in the same way and a similar limit fixed not for the country as a whole but for individual production areas. The Commission requests the Member States to take a very strict line in the matter and would stress that, if they do not, will be obliged to fix the yields in question itself.

II. MEDIUM-TERM MEASURES

1. Control of wine-growing potential and socio-structural measures

a) Premiums for the abandonment of wine-growing areas (Regulation (EEC) No 456/80)

The Commission will be sending the Council two proposals for Regulations:

- The first Regulation would prematurely repeal the provisions of Regulation (EEC) No 456/80 currently in force providing for aid for the temporary abandonment of vineyards until the end of the 1986/87 marketing year and aid for permanent abandonment until the end of 1994/95. The proposal would restrict the grant of aid for temporary abandonment to the 1984/85 marketing year.
- The second would provide for a new aid scheme for permanent abandonment from the 1985/86 marketing year.

The new scheme, which could run for five years, would cover:

- in the case of wine grape areas
 - = classified in categories 2 or 3: all varieties;
 - = classified in category 1: only authorized varieties, (i.e. excluding recommended varieties).

The amount of the premium would vary depending on the average yield per hectare declared by the wine grower in previous years (e.g. yield < 90 hl/ha, yield between 90 and 130 hl/ha, yield > 130 hl/ha) and the age of the vineyard (e.g. < 15 years, > 15 years).

- in the case of table grape areas: all varieties. The amount of the premium would depend on the variety (these would be classified into two groups: large-grape varieties and small-grape varieties) and the method of training (either on a pergola or by another method);
- in the case of the Charentes vineyards: all varieties;
- in the case of areas under grapes for drying: all varieties.

The aid could be increased in the case of wine growers who abandoned all of their wine growing area.

There could be compensation for wine cooperatives whose members received an abandonment premium. The amount of compensation would be proportional to the reduction in deliveries as a result of abandonment.

In order to make these measures attractive and for them to produce the maximum result, it would be particularly advisable, in addition to increasing the premiums, to provide for an appreciable increase in the Community contribution (e.g. 60% instead of 40% as at present) and, more important, to arrange for this contribution to be paid directly against proof of grubbing and not, as at present, in the form of a reimbursement against proof of payment.

The figures relating to the various measures are shown in the table annexed hereto.

b) Aids for collective projects for the restructuring of vineyards
(Regulation (EEC) No 458/80)

The common measure in question is planned to run until 31 August 1986. Collective projects for vineyards restructuring may be submitted until that date and the beneficiaries have ten years from when the Commission approves the projects during which to replant.

In the present situation and given the need not to encourage with public money measures which would indeed help to improve the quality of output but would also inevitably lead to an increase in quantity, the Commission proposes that the measures provided for in Regulation (EEC) No 458/80 should not be rolled over.

Restructuring measures specific to certain mountain or hill vineyard areas might be considered.

• Under Directive 78/627/EEC on Languedoc-Roussillon

The Commission will propose that this common measure be continued until 31 December 1985, but only for certain hill vineyard areas.

c) Aid for improving processing and marketing structures (Regulation (EEC) No 355/77)

In view of the milk sector's serious problems of surpluses, it was decided to exclude the financing of installations for processing and marketing milk from the scope of the Regulation. The situation in the wine sector has become so bad that it is now necessary to consider a similar step. Producers of wines for which there is proper market demand will have no great difficulty in themselves finding finance for up-to-date marketing structures. On the other hand, growers who produce without worrying too much about finding outlets for their wine will be forced either to reduce their output or to make the necessary effort to adapt.

The Commission therefore proposes that the wine sector be excluded from the scope of the Regulation, although some flexibility might be allowed in individual cases where there is no danger of output increasing, the aid being for marketing structures only.

d) Limiting the exercise of the right to replant

The structural measures proposed, and those recently adopted by the Council, for banning new planting will not be enough to bring production down quickly to the level of current normal utilization.

The Commission will therefore propose, for ten years, a reduction in replanting rights varying from 30% to 50%, according to whether the new vineyards are to be irrigated or not, when the aim of consistent irrigation is in fact to increase production. The proposals will provide, where necessary, for compensation to be paid.

Such a measure would be accompanied by a provision making it more widely possible to transfer replanting rights from one holding to another.

The present rules lay down that rights may be so transferred only when the planting is for quality wines psr, subject to authorization by national authorities.

The scope of such transfers should be widened to include table-wine vineyards with long-term prospects of commercial outlets.

The Commission is not unaware of the difficulties which such a reduction might cause in areas producing quality wines psr, especially in the more northern parts of the Community, where vineyard plots are more rigidly divided and there may be difficulties in effecting transfers. It is nonetheless convinced that the Community must adopt the general rule that replanting rights be reduced.

Solutions for specific cases, which are likely to be very small in number, could be sought under Community procedures.

2. Enrichment

The aim of enrichment is to compensate for inadequate levels of sugar in the grapes harvested due to poor weather. Proper use of this technique presupposes that the yield per hectare remains normal for the region in question, and that the price of the product used for enrichment is at least equal to that of achieving the same result through the grapes harvested. Otherwise it will be in the producer's interest to maximize his yields, as the increased output for sale more than makes up for the low cost of increasing the wine's alcoholic strength.

As only the regions where chaptalization is allowed enjoyed this economic advantage, the Council decided in 1982 to put all producers on the same footing by granting aid for the use of concentrated must or rectified concentrated must to producers not allowed to resort to chaptalization.

In so doing the Council did exactly the opposite of what the Commission had proposed, which was to get rid of the discrimination involved by increasing the price of sucrose. The result was that it became in all producers' interest to enrich, as the price per degree of alcohol from the addition of sucrose or Community-aided must is now well below the market price of a degree of alcohol, and even that of the least expensive distillation. In view of this, and being convinced that the situation can only be normalized if the price of products used for enrichment is equal to, if not higher than, that of the extra alcohol from grapes alone, the Commission has proposed to the Council that both chaptalization and the system of aid for using concentrated must and rectified concentrated must should be simply done away with from the 1989/90 wine year.

The technical objection by users of sucrose that rectified concentrated must would "denature" their wines is now without foundation, as is indisputably proved by the conclusions of the study carried out under the "Agrimed" programme in the United Kingdom, Germany, France, Italy and Greece.

The only objection still possible is a socio-economic one. Although the loss of an acquired right is not always welcome, the improved market balance which will come about through the removal of large amounts of must (4 to 5 million hectolitres) to be used for enrichment will quite certainly justify these producers losing the advantage they have enjoyed so far. Apart from compulsory measures this is the only way in which a genuine brake can be put on the rush to excessive yields.

The Commission can therefore only repeat its previous proposal on this matter (1), but with the following concession: from 1985/86 the aid for must would be progressively reduced and a levy would be charged, in regions where chaptalization is allowed, on all wines marketed by those producing more than 80 hl/ha. This levy would peak in the last wine year before chaptalization was banned. Revenue from the levy would go to offset expenditure on the aid for enrichment.

The Commission also considers that, for such time as the use of sucrose is allowed, it should be limited to a fixed quantity per hectare. This would avoid giving an advantage to those producing large quantities of low-strength wine.

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3. Yields for quality wines psr

Under Article 11 of Regulation (EEC) No 338/79 yields for quality wines psr are fixed by the Member States and if exceeded use of the designation claimed is, except where general or individual derogations are given by the Member States, prohibited for the entire harvest.

If a derogation is given a Member State must specify the use to be made of the surplus wine.

It is quite clear from experience that the rules vary very markedly from one Member State to another and that the distinction between table wines and quality wines psr has not always been very clear, particularly when harvests have been very abundant.

In Germany the maximum yields are fixed in hl/ha and vary from one Land to another between 75 and 120 hl/ha.

No provisions are laid down for quantities in excess of these maxima.

In France yields are fixed in hl/ha for each designation. Each defining decree sets a basic yield and a classification ceiling. The basic yield can be altered each year in line with the quality and quantity of the harvest and the modified basic yield is termed the annual yield.

The designation is granted for yields below the annual yield. It may be granted for yields between the annual yield and the classification ceiling under certain conditions. It can even be granted up to the limit of the classification ceiling if this is exceeded, provided that the wine has passed the prescribed analytic and organoleptic tests and the producer has undertaken to have the excess quantities distilled.

The basic yield varies by designation between 30 and 100 hl/ha. The classification ceiling is generally 15 to 20% higher than the basic yield.

In Italy yields are fixed for each designation in quintals of grapes per hectare. In certain cases the designation may be granted if the maximum yield is exceeded by 20% provided that the quantity of grapes to be turned into wine is reduced by selection to the authorized limit. A grape/must conversion coefficient is fixed for each designation and the yields in hl/ha on the basis of these coefficients vary between 28 and 105 hl/ha (except for the "Nuragus di Cagliari" designation, for which the yield is 140 hl/ha).

In Greece the yields for each designation are fixed in kilograms of grapes per hectare. The designation is not granted if the maximum yield is exceeded.

The Greek legislative texts do not specify either the procedure to be adopted where the maximum yields are exceeded or the grape conversion coefficients.

Maximum yields in kg grapes/ha vary from 5.300 to 12.000. On the basis of an average conversion coefficient of 70% they range from 35 to 85 hl/ha.

To give better control of the sector and prevent quality wines psr competing directly with table wines when their traditional outlets are saturated the Commission will propose:

- (a) fixing at 100 hl/ha throughout the Community the maximum quantity of wine per hectare that can be recognized as quality wine psr,
- (b) allowing the granting of the designation, where the top yields fixed by the Member States for each designation are exceeded, only where the excess is not more than 20% (up to a ceiling of 10 hl/ha) and on condition that:

- (i) half of the excess quantity is stored during the production year in question with no possibility of marketing and with a view to its being recognized for the following year,
 - (ii) half is sent for distillation without any public intervention procedure being used;
- (c) publishing in the C Series of the Official Journal of the Communities the yields per hectare fixed by the Member States for each quality wine psr produced on their territory.

The Commission will also propose to the Council that the existing situation be frozen by prohibiting the recognition of new désignations of origin except in extremely limited cases where the argument for recognition is overwhelming. Such prohibition is needed to prevent the burdening of a market that is at the moment as a whole manifestly over supplied. From the 1985/86 wine year recognition of new designations by the national procedure will be subject to prior approval by means of a Community procedure to be defined.

4. Establishment of a viticultural register

This is an old idea brought up again when the new basic wine rules introduced by the Council in July 1982 were being discussed. The Commission will propose its establishment, the minimum time needed being five years.

(a) Purpose:

To create a regularly updated register containing full basic information, i.e. providing information on the areas devoted to vines, the various declarations (stocks, harvest, enriching, acidification, deacidification etc.), structural changes (varieties, grubbing up, planting, replanting, abandonment with premium, etc.), intervention (distillation, storage), recognition as quality wine psr, etc.

(b) Methods

The methods, which are already applied in the olive-growing sector, will be essentially as follows:

- aerial photography of the areas concerned, with enlargement of the photographs and their conversion into plans for superimposition on the cadastral maps, so that the relation may be established between the areas photographed and the holdings themselves;
- surveys at ground level to supplement the photographs with agricultural data (varieties, etc.);
- recording of the data on areas and of all data on each producer (declarations, aid applications, recognition of quality wines psr, etc.) in a computer which is sufficiently powerful to do all the necessary cross-checking and to give the position of each operator "in real time".

(c) Cost

The cost cannot be precisely estimated. The preparation of the register of olive-growers in Italy cost about 70 million ECU, covering 2,28 million ha; in Greece, the cost was about 75 million ECU. According to a preliminary Italian estimate, the cost should be about 35 million ECU for Italy alone. This estimate takes account of the fact that in Italy some of the photographic equipment is already available. For the Community as a whole (the Ten), the Commission puts expenditure at about 100 million ECU, spread over five years, with 50% being financed by the EAGGF and 50% by the Member States concerned.

5. Measures to expand markets

The Commission stands by its recommendation of 5 December 1975 in which it proposed that the Member States should reduce the level of the highest excise duties on wine. It appreciates the efforts made in this direction by the United Kingdom which, on 14 March 1984, reduced the excise duties on wine, in line with the Court of Justice's ruling in Case 170/78. Some progress has still to be made in the wider context and in certain countries such as Ireland.

Progress should be assisted by the information and promotion campaigns on behalf of table wine which have been approved in principle by the Council and which should be launched in late 1984 in some of the countries concerned.

As regards other possible outlets for vine products (other than wine), the Commission will propose:

- firstly, that the aid currently granted for the manufacture of grape juice should be adjusted so as to lend support to the promotional campaigns on behalf of such juice;
- secondly, that the research programmes on new uses for vine products should be continued beyond their expiry date in 1985. The Commission also reserves the right to propose, in the light of the results obtained from the present programme, that musts for use as feed should be eligible for withdrawal under the intervention arrangements.

6. Possible introduction of guarantee thresholds

In order to include the wine sector in the general policy of guarantee thresholds, the Commission proposes that the guide prices should be "frozen" and increased only when the quantities going for voluntary distillation or for compulsory distillation under Article 41 of the basic Regulation do not exceed about 10% of average table wine production, i.e. 12 million hl.

Category of vineyard	Amount of premium		Areas concerned (ha)	Total cost (million ECU)	Cost to EAGGF (60%) (million ECU)	Corresponding drop in production (million hl)
	under 15 years	Over 15 years				
A. Areas under wine grapes						
- yield < 90 hl/ha	6 000	5 000	80 000	440		4,8
- yield between 90 and 130 hl/ha	7 500	6 500	50 000	350		5,5
- yield > 130 hl/ha	9 000	8 000	50 000	450		7,5
B. Areas under table grapes						
- pergola; large-grape varieties	10 000	9 000	20 000	200		4
- pergola; other varieties	8 000	7 000	1 000	8		
- other methods of training; large-grape varieties	7 000	6 000	500	3		
- other methods of training; other varieties	6 000	5 000	1 000	5,5		0,1
C. Charentes vineyard						
	7 000	6 000	7 000	45,5		0,7
TOTAL				1 502	900	22,7
Total per year				300	180	