

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1984-1985

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2 April 1984

DOCUMENT 1-52/84 /B.

## Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (COM(83) 639 final - Doc. 1-1231/83) for a regulation amending Regulation (EEC) No. 337/79 on the common organization of the market in wine

Rapporteur: Mr M. MARTIN

PART B: EXPLANATORY STATEMENT

PE 89.466/fin. /B.



## B. EXPLANATORY STATEMENT

### INTRODUCTION

1. The common organization of the market in wine is based on Regulation (EEC) No. 337/79. This regulation has been frequently amended, especially in the recent past.

Regulation (EEC) No. 2144/82 substantially altered the rules governing distillation.

Regulation (EEC) No. 1595/83 amended Article 3a of the basic regulation so as to guarantee a minimum price on the market for table wines equal to 82% of the guide price.

2. In preparation for the European Council meeting in Athens, the Commission submitted its proposals for the reform of the CAP in document COM(83) 500 final of 28 July 1983. In the wine sector, it envisaged changes in the Community rules, particularly those governing planting, aids and intervention measures. These changes were given formal shape in the proposal for a regulation submitted to the Council on 25 November 1983 (COM(83) 639 final).

After the failure of the Athens summit, at which none of its proposals was accepted, the Commission nevertheless incorporated them into its measures related to agricultural prices for 1984/85, supplementing them with further amendments submitted in a fresh proposal for a regulation (COM(84) 20 final).

### THE COMMISSION'S PROPOSALS

3. The proposal for a regulation of 25 November 1983 (COM(83) 639 final) substantially alters the provisions concerning the quality of wine and certain intervention measures.

#### 4. Quality and aids

##### 4.1 Enrichment (Arts. 14 and 33)

The Commission considers that the aid scheme for concentrated must is linked to the authorization for sucrose to be used to enrich vintages. It proposes to ban the use of sucrose as from 1990 and in return to discontinue aid for concentrated must.

The present system would continue to apply until the 1988/89 marketing year, but with aid being restricted 'to producers who can prove, in respect of the grapes or grape must used, that the yield per hectare was not more than a figure to be determined, differentiated if necessary according to wine-growing zone' (Art. 14).

##### 4.2 Minimum natural strength (Art. 32)

In order to limit yields, improve quality and reduce the need for enrichment, the Commission is proposing to increase the required natural strength by 1% in the northern zones A and B and 0.5% in the other zones (and in the Mosel-Saar region).

#### 5. Intervention measures

##### 5.1 Short-term storage (Arts. 7, 8, 9 and 10)

The Commission considers that short-term storage (3 months) no longer plays any role in stabilizing the market, given the availability of aids for long-term storage, but still places a considerable strain on the Community budget.

It therefore proposes simply to abolish aid for short-term storage.

##### 5.2 Support distillation (Art. 15)

The changes here are minor ones. It would be possible in future to restrict this type of distillation not only to one or more wine-growing zones but also to parts of such zones. An amendment to paragraph 8 provides for the Council to adopt the criteria for fixing the amount of

the aid, so as to enable the products obtained to be disposed of. The price derived from aid for distillation could therefore vary according to the decisions of the Council, acting by a qualified majority.

### 5.3 Wine deliveries (Art. 39)

The rate for wine deliveries, which was reduced to 8% in 1982, would be brought back to 10%.

### 5.4 Compulsory distillation (Art. 41)

The criteria for activating and applying compulsory distillation were amended in 1982.

After a few months' experience, the Commission is going back on these provisions and proposing that stricter criteria should be laid down for activating this type of distillation. It plans to eliminate the present one-month margin of assessment so as to make the activation of compulsory distillation more automatic. Regional differentiation according to yield would take account of parts of wine-growing zones as well as entire zones.

## 6. Effects on the Community budget

Over a period of 12 months, with all these measures being applied, the budgetary savings would amount to 183 m ECU, broken down as follows:

- enrichment	- 115 m ECU
- short-term storage	- 24 m ECU
- wine deliveries	- 7 m ECU
- compulsory distillation	- 37 m ECU

For 1985 and 1986, the annual savings would be 68 m ECU.

## 7. Other measures related to agricultural prices

These proposals were supplemented by the Commission in its measures related to agricultural prices for 1984/85 (COM(84) 20 final of 17 January 1984), particularly with regard to preventive distillation and the limitation of plantings. The main points of its new proposals are as follows:

## 7.1 Distillation (Arts. 11, 15 and 41)

The price for preventive distillation is currently raised from 60 to 65% of the guide price where compulsory distillation has not been decided upon. To remove the uncertainty as to whether compulsory distillation will be initiated, and as a form of incentive, the Commission proposes to fix the buying-in price for wines delivered for preventive distillation at 65% of the guide price (Art. 11).

In addition, the support distillation provided for in Article 15 could be restricted to producers who had delivered wine for preventive distillation.

In determining the volume available for compulsory distillation, account would be taken of the quantity subject to preventive distillation (Art. 41).

The procedures for laying down rules on the disposal of alcohol are set out more precisely, as are the sectors to which alcohol may be disposed, in particular for use as fuel (Art. 40a).

## 7.2 Planting (Arts. 30 and 31)

Since present production potential exceeds requirements, the Commission is proposing to extend the ban on new planting to all vines (Art. 30). There would be a change in the time limit for eliminating varieties which have been authorized temporarily (Art. 31).

## 7.3 Other measures

These concern:

- the activating price (Art. 3), which would be fixed as a constant proportion of the guide price (93%)
- the reference price (Art. 17), based on the capacity of the containers
- additional acidification (Art. 34)
- the definition of grape marc, wine lees (Art. 39) and rectified concentrated must
- the making of sparkling wines

#### 7.4 Budgetary implications

Viewed in the overall context of the measures related to the fixing of agricultural prices, these measures would have no effect on the Community budget in 1984 or 1985.

#### ANALYSIS OF THE COMMISSION'S PROPOSALS

8. In July 1982, the Council adopted major changes to improve the rules governing the wine sector, providing in particular for a guaranteed price and a pre-emptive rationalization of the market.

In its vote on the COLLESELLI report<sup>1</sup>, the European Parliament welcomed these changes, but noted that they would not be capable of providing a definitive solution to the crisis in the wine-growing sector (see paragraph 2 of the resolution).

The improvements made have in fact proved inadequate or been wrongly applied.

9. The Community's forward estimates for the marketing year 1983/84 predicted:

- a wine harvest of around 165 million hl, 5% down on that of 1982
- an increase in end-users due to exports
- no change in the levels of imports and end-of-year stocks
- a significant fall in the self-supply rate from 130.1% to 122.1%

Despite these factors, which seem on the whole favourable, wine-growers have witnessed no tangible improvement in their situation, which remains a matter of concern. Prices have lagged below the guaranteed price. The volume of trading is still too low. Their liquidity problems have become worse.

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<sup>1</sup> OJ No. C 238, 13.9.1982, p. 87 - report by Mr COLLESELLI (Doc. 1-412/82)

The shortcomings of the rules in force and also their mis-application are to a large extent responsible for this.

10. In drawing up its proposals to reform the CAP, the Commission could have reviewed the application of these new provisions and drawn conclusions for their improvement. However, it has opted for an entirely different course. Instead of providing for the regulation to be improved and better applied, the Commission's new proposals form part of a narrow budgetary approach of which we are unable to approve.

They risk having serious effects on the already precarious market balance and on wine-growers' incomes. Let us consider these proposals and their likely impact in greater detail.

#### 11. Enrichment

Chaptalization by the addition of sucrose involves an artificial increase in the volume of wine produced. It is true that this makes possible the abuse of enriching poor vintages and thus artificially maintaining vines on land not naturally suited to wine-growing. It is also true that the practice creates distortions between wine-growers in regions where chaptalization has always been prohibited and those in other regions.

However, enrichment with sugar is also a traditional technique hallowed by local usage and legal in many regions which produce high-quality wines.

It is therefore difficult to conceive of this method of enrichment simply being abolished, even with a period of transition and adaptation.



The ending of aid for concentrated must would mean an intolerable increase in users' production costs. For all these reasons, it is undesirable to prohibit enrichment by the addition of sucrose. The use of concentrated must should be given preference through Community aid, with such aid being restricted to wine-growers whose yield per hectare does not exceed a certain level.

Continued authorization for the addition of sugar must be accompanied by a similar restriction and by the strengthening of Member States' controls on wine-making operations, particularly enrichment, in order to correct distortions and to penalize cases of abuse.

It would also be desirable for the Commission to submit a detailed report on the whole problem of enrichment before drawing up new proposals.

## 12. Increasing the minimum alcoholic strength

The great majority of wine-growers and their trade organizations consider the present minimum strengths to be adequate for the various wine-growing zones.

Experience shows that improvement in quality is not necessarily linked to an increase in minimum alcoholic strength.

Such a measure is therefore inadvisable in present circumstances. On the other hand, some new provisions could be introduced, e.g. limiting the enrichment margins for certain wine-growing zones and laying down rules on coupage.

### 13. Short-term storage

The organization of the market in wine is based on short and long-term storage coupled with the satisfactory-outcome guarantee. Contrary to what the Commission states, short-term storage (3 months) continues to play a role in stabilizing the markets. This measure, which has been applied since the market organization came into force in 1970, is still much in use since it enables pressure on the market to be relieved by postponing the sale of large quantities, especially in periods of crisis; it takes effect when the representative market price is lower than the activating price. In the marketing year 1981/82, 10.4 million hl benefited from aid for short-term private storage; for the first ten months of the marketing year 1982/83, the figure was 15 million hl.

The abolition of this measure would thus have serious consequences for the balance of the market and for the cash flow of wine-growers and producers. Nor would it involve budgetary savings, since it would certainly result in an increase in the quantities for which long-term contracts were concluded (9 months).

It is also to be feared that the abolition of short-term storage might represent the first move towards calling into question long-term storage and the satisfactory-outcome guarantee.

For all these reasons, it is inappropriate to abolish short-term storage and the Commission's proposal should be rejected.

### 14. Wine deliveries

For purely budgetary reasons, the Commission wishes to return to the rate of 10%, which was reduced to 8% in 1982. The Commission itself states that the rate of 8% 'appeared sufficient to achieve the "quality" objective of the measure'.

An increase in the rate would have the effect of calling into question the improvements derived from the 1982 regulation and imposing on wine-growers a new 2% co-responsibility levy.

For these reasons, this proposal by the Commission should be rejected.

#### 15. Compulsory distillation

By making the decision on compulsory distillation more automatic, the Commission wishes both to encourage preventive distillation and to forestall the support distillation provided for in Article 15, as the Commission acknowledges in the annex to its proposal.

It may be of benefit to define more precisely the conditions for applying compulsory distillation, but the Commission must give further guarantees as regards the use of support distillation.

#### 16. Support distillation

Although its application may prove difficult, the Commission's proposal to restrict aid to a specific area or to certain types of wine deserves attention. It should help to resolve isolated local crises more easily and to prevent them spreading. It would be worth supplementing the proposal with a differentiation of aid according to yield.

In fixing the amount of aid for distillation, it is important that a minimum base level should be established.

#### SUPPLEMENTARY PROPOSALS

17. A study of the application of the regulation, as amended in 1982, shows that it is possible for improvements to be proposed, firstly to ensure that the regulation is better applied, but also to remedy its shortcomings and make good its deficiencies, the dual aim being to provide a worthwhile guaranteed minimum price and to promote a genuine policy of quality.

18. It first seems necessary to respond to the Commission's arguments concerning the 'very large amount' of EAGGF expenditure attributable to the wine sector.

It is true that expenditure on the wine sector has risen from 132 m ECU in 1976 to 300 m ECU in 1980 and 600 m ECU in 1983, but this still only represents 4% of total EAGGF spending. The rapid increase is wholly justified by the move towards a new balance in recent years in favour of Mediterranean products. This movement is under way, and must be continued.

Unfortunately, that is not the course chosen by the Commission, which is persisting in a narrow budgetary approach, not hesitating to call into question the recent improvements to the regulations, whether on wine or fruit and vegetables. This is presumably its way of preparing for enlargement to take place at the least possible cost to the Community.

19. There is a contradiction between the present proposals from the Commission and the principle laid down in 1982 that the rules on prices and intervention should be designed to ensure the balance of the market and to guarantee a minimum price. This principle must be forcefully restated and given practical expression; that is the object of our supplementary proposals.

## 20. RULES GOVERNING DISTILLATION

In enabling poor wine to be disposed of at the start of the marketing year, preventive distillation is the most effective and economical means of preserving market balance (since it avoids subsequent and far more costly intervention).

Experience shows that it can only play this role if the price offered is sufficiently attractive. Moreover, the uncertainty as to whether compulsory distillation will be decided upon (which governs the price for preventive distillation) certainly acts as a disincentive.

The Commission is aware of this situation and quite rightly proposes, in its measures related to agricultural prices, to make voluntary distillation independent of compulsory distillation and to fix the buying-in price for wine delivered for preventive distillation at 65% of the guide price.

This is a useful first step, but there is a risk that it may not provide sufficient incentive. Given the advantages of this measure for

rationalizing the market, the price level should be raised to 75%.

The possibility of withholding from compulsory distillation the quantities delivered for preventive distillation should also encourage use of the latter.

Compulsory distillation, which amounts to a form of producer co-responsibility, must be coupled with a strengthening of the support measures so as to guarantee producers at least the minimum price provided for by the regulations.

However, precautions should be taken to ensure that high yields are penalized, with ceilings to be fixed and differentiation according to regions and vineyards.

As for support distillation, its application should be more automatic and totally independent of compulsory distillation. The maximum amount of 5 million hl authorized by the regulation should be increased, as should the price, which could initially be set at 85% of the guide price.

In addition, it would be desirable for all expenditure connected with distillation operations to be directly chargeable to the EAGGF.

## 21. RULES GOVERNING PLANTING

Whatever its form, however, distillation must not become the only means of controlling the market.

The problem of plantings must be dealt with more effectively, if only to correct the evident distortions in planting trends between regions and Member States (see table).

### TREND IN AREAS UNDER VINES (in hectares)

	1971 - 72	1980 - 81	Trend (%)
France	1,267,000	1,159,000	- 10%
Italy	1,129,000	1,157,000	+ 2.5%
FRG	92,070	94,200	+ 2.4%
Greece	116,830	101,400	- 13%
Total	2,606,120	2,513,440	- 4.2%

The Commission tackles this question in its measures related to agricultural prices.

It must be ensured that structural policy in the wine sector is not limited to providing indiscriminate incentives for grubbing-up, as has too often been the case in the past.

In particular, steps should be taken to tighten the rules on quality wines p.s.r., which are completely free from planting restrictions in several Member States.

It is worth emphasizing once again the need for a viticultural land register to be put into effect in all the producer countries of the Community. The last report by the Court of Auditors also points out that the lack of a proper viticultural land register prevents any valid monitoring of production potential.

It is also disturbing to note that the Commission recently decided, for the marketing year 1983/84, to validate harvest declarations without an indication of yield per hectare. This decision is liable to encourage negligence, to penalize those wine-growers who observe the strict rules on production and management and to cause disruption of the Community provisions.

## 22. CONSUMER INFORMATION

Some progress has been made towards a better definition and more effective control of wine quality, but such progress remains inadequate in view of what is required. The Commission should apply itself to proposing more precise rules on labelling so that the consumer can be informed of the origin of the wine, its appellation and any blending, in particular through an exact definition of rosé wines.

## 23. BROADENING THE MARKET

- Excise duties: following the adoption by the Committee on Agriculture of the LIGIOS report on the taxation of wine, there is no point in returning to this question except to call on the Council to harmonize excise duties without delay.

the misuse of which in certain Member States is curbing the growth of wine consumption.

- Exports: a more active export policy vis-à-vis third countries can be introduced by means of adequate refunds, which should be extended to new countries.

As regards the threats hanging over wine exports to the United States, the Community must react more firmly and refuse to give in to blackmail.

- New end-users: the Commission tackles this question in its measures related to agricultural prices and sets out new rules for the disposal of alcohol. Research into the use of alcohol as fuel and that of concentrated must in cattle feed should be stepped up and encouraged.

#### 24. IMPORTS FROM THIRD COUNTRIES

Some Member States should demonstrate greater respect for Community preference by taking their supplies as a priority from the Community market.

In order to protect the Community market, it is necessary to keep in force the ban on blending wines from third countries with wines originating in the Community.

It is particularly disturbing to note that the Commission is prepared to authorize imports of American wines which are the subject of oenological practices not permitted in the Community. Before taking a decision on this matter, the Council must consult the European Parliament.

**ANNEX I :**

**SCALE OF STORAGE CONTRACTS**

(marketing year 1982/83)

( in 1000 hl )

	Wine		Must		Concentrated must	
	S.T.	L.T.	S.T.	L.T.	S.T.	L.T.
France	31,651	8,201	311	208	165	229
Italy	19,889	6,289	920	394	2	19
Greece	1,838	600	36	13	-	-
Total	53,575	14,990	1,269	615	167	248

S.T. = Short Term

L.T. = Long Term

\* provisional figures



**ANNEX II :**

**DISTILLATION OF WINE UNDER COMMUNITY RULES**

( in 1000 hl)

Marketing year	Member States	Compulsory distillation	Preventive distillation				Total
			preventive	guaranteed	special	total	
1980/81	FRG	-	1	6	29	36	36
	France	976	114	6,942	628	7,684	8,660
	Italy	1,435	18	7,400	5,200	12,618	14,053
	Greece	2	-	-	177	177	179
	EEC	2,413	133	14,348	6,034	20,515	22,928
1981/82	FRG	-	-	23	15	38	38
	France	1	81	2,555	316	2,952	2,953
	Italy	721	36	4,138	4,942	9,116	9,837
	Greece	-	2	156	865	1,023	1,023
	EEC	722	119	6,872	6,138	13,129	13,851
1982/83 *	FRG	-	837	-	11	848	848
	France	2,502 **	2,113	3,057	2,439	7,609	10,111
	Italy	185	4,383	3,555	***	7,938	8,123
	Greece	3	70	160	147	377	380
	EEC	2,690	7,403	6,772	2,597	16,772	19,462

\* Provisional figures

\*\* Estimate

\*\*\* Not yet issued

OPINION  
of the Committee on Budgets

Letter from Mr H. LOUWES to Mr D. CURRY, chairman of  
the Committee on Agriculture

Brussels, 23 March 1984

Subject: Proposal for a Council regulation (EEC) amending  
Regulation (EEC) No. 337/79 on the common organization  
of the market in wine (COM(83) 639 - Doc. 1-1231/83)

Dear Mr Chairman,

The Committee on Budgets considered the abovementioned  
Commission proposal at its meeting of 22/23 February 1984.

According to the information provided in the financial  
statement and the annex to the proposal, the amendments  
proposed by the Commission to Regulation (EEC) No. 337/79  
will result in savings of initially 68 million ECU p.a.  
and subsequently 183 million ECU p.a., once the use of  
sucrose for enrichment has been completely banned and  
the aid for the enrichment of concentrated grape must  
phased out.

Given that the Commission, with these proposals,  
has not only met the European Parliament's request for  
a specific timetable for the introduction of such measures,  
but also responded to the more general demand for the  
abolition of measures and rules which are untenable on  
grounds of economic and budgetary policy, the Committee  
on Budgets recommends that your committee approve the  
Commission's proposals.

Yours sincerely,

(sgd) Hendrik J. LOUWES

The following took part in the vote: Mr Lange, chairman; Mr Notenboom, vice-chairman; Mr Louwes, draftsman of the opinion; Mr Arndt, Mr Adonnino, Mr Balfe, Lord Douro, Mr Helms (deputizing for Mr Langes), Mr Newton Dunn and Mrs Scrivener.