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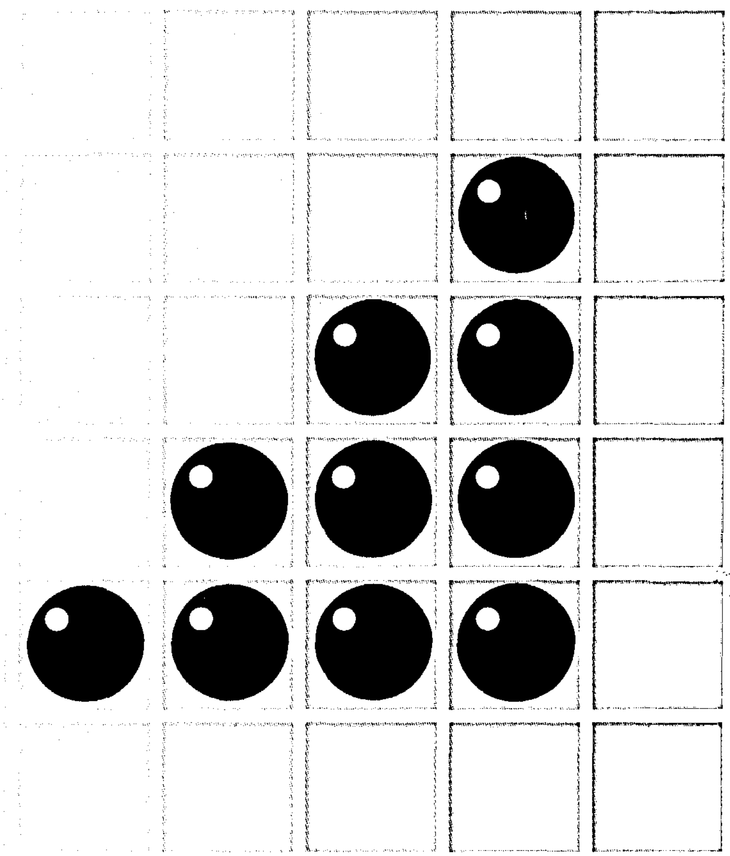
WINE IN THE EUROPEAN COMMUNITY



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Wine in the European Community

Manuscript by Antonio Niederbacher, completed in September 1982

Contents

A — The story of the vine and of wine — a brief outline

1. *Origins*

The vine, such an important plant in European history and culture and one of such great economic and social significance, is a species native to the territory of the European Community.

There are some indications that the genus *Vitis* was already in existence in the Pliocene epoch (from ten to one million years BC) of the Tertiary period, in Asia Minor, Western Europe and perhaps even in America. However that may be, *Vitis silvestris* was certainly present in the spontaneous flora of Greece, Italy, France, Germany and Spain from the beginning of the Quaternary period (one million to 600 000 years BC) and *Vitis vinifera* (or *Vitis sativa)* was unquestionably being grown in the Bronze Age (3 000-1 500 BC) in Egypt and on the islands of the Aegean Sea, now part of Greece, and from the Iron Age (1 500-1 000 BC) onwards in Italy and in other parts of Europe where cultivation has continued down to the present time. Along with the indications that *Vitis vinifera* was being cultivated there also appears, as far back as the Bronze Age, evidence of the production of wine in the form of vessels for holding wine (casks, earthenware jars, amphorae, carafes, glasses, cups and goblets), wine presses and cellars.

2. *Wine and European culture*

Since that period the entire history of humanity in what is now the Community and over the whole Mediterranean area has been inextricably bound up with the vine and with wine. Mythology, painting, sculpture, poetry, dress, eating habits, trade, medicine, even religion, in short the whole fabric of life of the European Mediterranean peoples bear the immemorial imprint of the vine and wine. We need only recall the god Bacchus (or Dionysus) depicted and sung of on countless occasions, and even sculpted by Michelangelo, Etruscan tomb furnishings, the drinking scenes at Pompei and those of Rubens, Velazquez, Murillo, Le Nain, and Jordaens and the other Flemish painters, the remains of ancient Roman taverns, the wine storehouses at Ostia, Byzantine mosaics, the activities of the monastic orders of the Middle Ages, the histories of Herodotus, Xenophon and Tacitus, the poetry of Homer, Anacreon, Horace, Omar Khayyam, Rabelais, Baudelaire and Carducci, the writings on agriculture of Pliny, Columella and Cato, the medical rules of the School of Salerno, folk songs, Biblical mentions of wine and the symbolic use of wine in Christianity. The history of the Mediterranean countries of the Community is shot through with the vine and wine: in their museums, libraries, art galleries and theatres, in their archaeology and in their architecture.

3. *A viticultural society and countryside*

Wine and the vine have not only permeated the culture of these countries. They have throughout history helped to determine the type of society to be found in them. The vine is above all a plant of settlement. It forced man to give up his nomadic wanderings and to establish himself on the land, founding permanent settlements and going on from hunting and fishing to a more developed use of the resources of the land. To plant a vine is to choose a place in which to live for many decades, building homesteads, villages and machinery — infrastructures in a word — and taking on a much more binding commitment than that imposed by the earlier types of agriculture involving only the grazing of animals and the growing of seasonal cereals.

Cultivation of the vine marked a turning point in the history of mankind and was a direct factor in the shaping of new agricultural landscapes, those that we still see in France, Greece, Italy, Spain, Luxembourg, Germany and throughout the Mediterranean area of the European Community: vines trained on trees, planted in rows, grown on pergolas; peasant cottages; wineries, including cooperative ones today; and the workshops of craftsmen building casks and making tools.

4. *Wine and food in the Mediterranean*

The spread of cultivation of the vine meant that wine became part of the general diet. Sweet or alcoholic, it was not only an energy-giving food that supplemented the modest diets of those times but also, and perhaps primarily, it offered a sense of well-being and happiness and, for the better off, new pleasures of the table. It is a reasonable assumption that the success of this magical drink, which according to Biblical tradition was discovered by Noah, also owed a great deal to the fact that no alternative means of distraction were available to the mass of the people until a few decades ago. In the time of the Greeks, Egyptians and Romans the cinema, cars, radio and television, discotheques, popular novels, illustrated magazines, comics, newspapers, tobacco, weekends free of work and so on just did not exist.

Thus, although the powers that be took care to give the people 'bread and circuses' and although perhaps the ancients did not get bored as easily as we do, food and wine were among the essential pleasures of life and an area in which there was scope for the parading of status symbols.

Wine and bread consequently became staples of agriculture, irreplaceable in the diet of the mass of the people, and a symbol of hospitality. It was thus with good reason that they were sanctified by Christianity in the mystery of the Eucharist. But above all wine more than any other drink, whether fermented or not, offers by reason of its different levels of quality and its varying characteristics such a range of choice and price that it has been drunk by rich and poor alike at all times. Many names of wines have become celebrated and have passed into gastronomic history. In this wine is distinguished from all other drinks. Reputed, in ancient Greece for example, were the wines of Chios, Cos, Pramnios, Cyprus, Lesbos, Rhodes, Samos and Heraklion, in Italy Mamertine, Caecuban, Falernian, Rhaetian and Picene, in France the wines of Narbonne and Provence, in Germany those of the Rhine and the Moselle and in Spain those of Tarragona and the Balearics. A number of special types of wine are known to us from antiquity: wine mixed with myrrh, honey or roses, cooked wine and wine flavoured with wormwood, the forerunner of vermouth.

The tradition of drinking wine in taverns, a male prerogative, has with the advent of higher living standards and changing social customs, in the last few centuries in particular, gradually given way to the drinking of wine in the home and in restaurants. Hence the popularity of the bottle, continuing as it does the old partnership between wine and glass.

But the bottle of wine as we now find it on the tables of the Mediterranean peoples of the Community enshrines a whole series of symbolic social values accumulated over thousands of years.

Today we drink wine because we enjoy it, because it is nourishing, because it quenches the thirst or because it contains alcohol, but we also drink 'the idea of the bottle of wine', made up of the wine itself, the glass recipient containing it and the label describing the contents. In the regions of the Community where there is a long tradition of wine production wine is also drunk because it is a natural product which it is a family custom to drink, completing the meal, enriching the table with colour and with fantasy, making a festive occasion. The choice is personalized, emotionally involving those who sit down to taste it. Wine in its traditional recipients has a language and a ritual of its own.

None of this can be said of other drinks, the primary purpose of which is to quench the thirst, as an alternative to water. They differ from wine in remaining on the margins of gastronomy, in which wine occupies a central place.

5. Economic and political aspects

The immense importance of both vine and wine in the different facets of the social life of the Mediterranean peoples is matched by the great importance of viticulture in economic and in political life.

The vine accompanied the spread of Mediterranean civilization from the Middle East to Greece and to Rome and then invariably accompanied the expansion of Roman rule in the Italian Peninsula, Illyria, France, Germany and Spain.

A large proportion of the agricultural population supported itself from the vine, olives and cereals, and also from stock rearing. The times when viticulture was in prosperity or declining often coincided with periods of prosperity and decline of the various regions of the Empire and of the Empire itself.

This was particularly so when the vine, first of all grown by the Roman soldiers on the land granted to them, was placed in the care of slaves or freedmen, and then of the serfs crushed by the burden of taxation required to maintain the gigantic bureaucratic apparatus of the Empire of Diocletian and Trajan.

For more than 2 000 years the importance of viticulture has been such as to require meticulous regulation of the production and marketing of wine, with very strict rules against fraud, measures to limit cultivation in periods of serious excess supply, and marketing regulations. There being nothing new under the sun, wine has always been an inexhaustible and irreplaceable source of tax revenue.

We may cite the Roman Law of the Twelve Tables of 450 BC containing provisions on pruning, the Edict of Domitian of 92 AD limiting cultivation of the vine (revoked by Probus two centuries later), the reforms of Diocletian, which bound agricultural workers to the land, the Edict of Rothari in 643, the capitulary 'de Villis' of Charlemagne around 800, which gave fresh impetus to viticulture, and innumerable other documents of every era dealing in particular with taxes and fraud.

6. *Trade in wine*

Wherever vines were grown merchants in wine were also to be found.

As early as 1 500 BC Phoenician boats were crossing the Mediterranean with wine produced in Greece, Italy and Spain. After them came the Greeks, who discovered the Italian Peninsula some time around the eighth century before Christ and founded their own colonies and trading posts there. These colonies, known as Magna Graecia, became flourishing markets where the wine trade played a major role.

At the colony of Sybaris, for example, it appears that even then there existed an earthenware pipeline to carry the wine from the cellars to the port for shipment to countries where it was required. The merchant Geliasos Tellias had a cellar with 300 100-amphora casks, and another cellar with a capacity of 1 000 amphorae (more than 400 hectolitres). Wine was thus being imported and exported from the Iron Age onwards, primarily in exchange for other necessities of life, including timber and arms. Trading in wine was an important economic activity for many Mediterranean cities.

Trade in wine was probably not unconnected with a number of wars, if it is true that the Roman wine merchants were among those who supported Cato's campaign for the destruction of Carthage, then the seat of a flourishing wine trade.

Certainly it was for the purpose of suppressing competition that Domitian, albeit unsuccessfully, prohibited viticulture in Gaul in 92 AD.

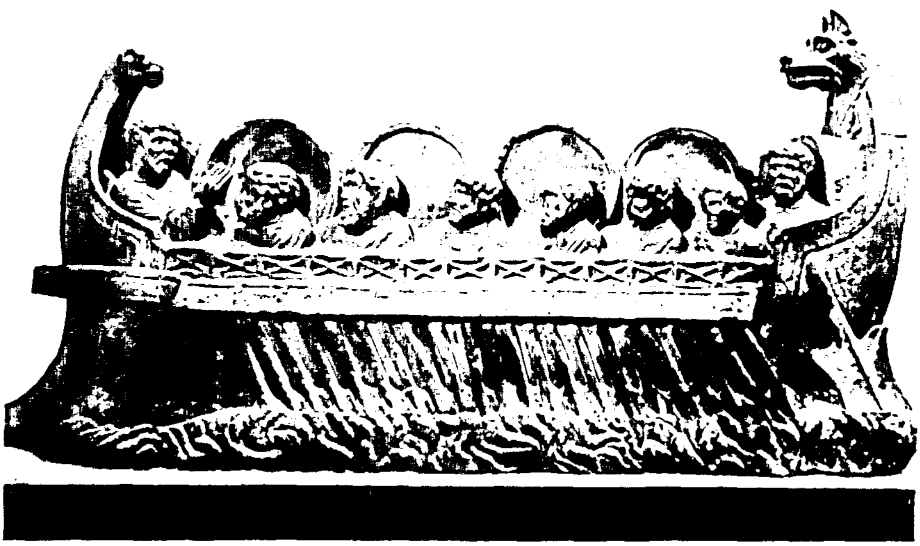
Merchants, however, were not always held in high esteem. In 218 BC, for example, a Claudian law stopped Roman senators from trading in wine by forbidding them to own vessels with a capacity of more than 200 amphorae (82 hectolitres) and the 'negotiatores' who in the era of the Roman Republic travelled in the newly conquered countries to start up trade in wine and other products were of very humble social position, often slaves or half-free men. Trimalchio, the wine merchant who has passed into history on account of his legendary banquets, was an ex-slave.

It is significant that from the beginning and for thousands of years the trade in wine was dominated by the city-based merchant with a technical, commercial and financial organization specifically geared to wine, while those who grew vines and made the wine were all but unrepresented.

It is only at the beginning of the modern period, in the seventeenth century perhaps, that we find the first solid evidence of commercial organization by producers, generally confined however to the great estates of the nobility and to religious establishments.

It is only at the end of the nineteenth century that we find a new type of operator appearing on the great wine markets, the producers' joint undertaking, or wine cooperative.

Today of the 270 million hectolitres of wine produced on average in the countries with free economies, perhaps 100 million are produced and marketed by wine cooperatives, who themselves often form second and third-tier organizations and may engage in international trade.



Ship with barrels of wine discovered at Neumagen, near Trier, in the Federal Republic of Germany

7. *From the Roman Empire to the EEC*

The development of wine growing from antiquity to the twentieth century has been one of slow expansion, interspersed by long periods of depression.

From the period when it first began to be grown to the time of the Roman Empire's greatest splendour, when it spread step by step to embrace almost all the then known parts of Europe and the Middle East, the vine became ever more predominant in the agriculture, the economy and the customs of the Mediterranean peoples.

When the Empire fell, viticulture, like the rest of agriculture, decayed rapidly. The fall of Rome and the barbarian invasions marked its lowest ebb. A valuable role was then played by the monastic orders, in particular the Benedictines and Cistercians, who in the seclusion of their monasteries preserved agricultural skills, in particular that of wine production, and kept them alive for centuries.

Under Charlemagne, in the period around 800 AD, the Holy Roman Empire was revived and the fortunes of viticulture improved. European vinegrowers, now freed from the barbarian hordes, were able to go about their work without danger.

The general state of depression of agriculture and viticulture lasted however throughout the Medieval period and was often aggravated by periods of famine and by the plagues that carried off large numbers of the population.

With the beginning of the Renaissance the vine and wine began to flourish again, as did the whole of European civilization, destined as it was to achieve new heights in all areas, the arts and sciences in particular.

The discovery of America finally opened the gates of the entire world to the vine.

The plant sacred to Bacchus emerged from its traditional Mediterranean habitat and, thanks to its extraordinary capacity to adapt, gradually spread and thrived throughout the temperate regions of the globe, from Chile to California, South Africa to Australia, Brazil to North Africa, New Zealand, Canada, Mexico. Then came the beginnings of modern oenological and viticultural science with Chaptal, Olivier de Serres, von Babo, Liebig, Pasteur, Spallanzani, Appert, Simon de Rojas, etc. The names indicative of origin that still make up the world wine map today include those of Champagne, port, Marsala, sherry, Burgundy, Chianti, Bordeaux, Tokay, Barolo, Asti, Rioja, Alsace, Turin vermouth, Mascara and Napa Valley, began to emerge.

The scourge of phylloxera, which almost put an end to cultivation of the vine in Europe at the end of the last century, was defeated by means of a contribution from the New World.

The role of the vine in the agricultural economy of the world has taken on new dimensions and created new problems. The production and marketing of wine has become, like every other economic activity, a part of the modern international world.

Finally there is the new reality of Europe: the European Economic Community, with its manifold rules and regulations, in which the ancient Mediterranean art of growing grapes and turning them into wine is recognized and finds its proper place.

B — The vine and wine in the world

1. *Ten million hectares of vineyards*

How does it stand today, this legacy of vines and wines that has come down to us through the millennia from Biblical times?

The Office International de la Vigne et du Vin (OIV), the official body to which almost all the countries in which the vine is cultivated belong, calculates that the area devoted to vines in the world as a whole has stabilized in the last few years at around 10 100 000 hectares spread over approximately 50 different countries.

EEC and world wine production 1976 - 1981
(in thousands of hectolitres)

Country	1976	1977	1978	1979 (1)	1980 (1)	1981 (1)
EUR 10	153 820.0	133 470.0	143 940.0	181 365.0	165 828.0	140 267.0
FR of Germany	8 926.0	11 278.0	7 842.0	8 181.0	4 635.0	7 159.0
France	73 655.0	52 708.0	58 429.0	83 543.0	69 203.0	57 071.0
Italy	65 700.0	64 142.0	71 989.0	84 337.0	86 545.0	70 500.0
Luxembourg	128.0	155.0	72.0	62.0	50.0	97.0
Greece	5 407.0	5 183.0	5 605.0	5 242.0	5 395.0	5 500.0
World	318 923.0	284 061.0	294 982.0	378 159.0	354 305.0	313 702.0
Spain	24 330.0	21 820.0	29 460.0	50 045.0	42 402.0	34 400.0
Portugal	9 490.0	6 910.0	6 590.0	14 300.0	10 172.0	8 872.0
USSR	31 500.0	30 700.0	24 700.0	30 674.0	32 000.0	34 420.0
USA	14 370.0	14 180.0	16 160.0	16 380.0	18 000.0	16 300.0
Argentina	28 200.0	23 320.0	20 270.0	26 949.0	23 302.0	21 633.0
Yugoslavia	6 380.0	6 300.0	5 880.0	6 743.0	8 173.0	6 409.0
Romania	9 120.0	8 610.0	7 630.0	8 869.0	7 599.0	7 600.0
Hungary	4 510.0	5 620.0	4 750.0	5 186.0	5 707.0	4 900.0
Bulgaria	5 120.0	3 590.0	4 370.0	4 500.0	4 213.0	4 871.0
South Africa	5 970.0	4 820.0	6 060.0	6 303.0	8 321.0	7 726.0
Chile	5 140.0	5 000.0	5 610.0	5 610.0	5 925.0	5 400.0
Australia	3 560.0	3 830.0	3 400.0	3 351.0	4 142.0	4 731.0
Other countries	17 410.0	15 890.0	16 160.0	17 884.0	18 521.0	16 173.0

(1) Figures from OIV.

Source: FAO, through EC Commission.

Europe is easily predominant, with 17 countries accounting for 7 204 000 hectares. Asia follows with 1 459 000 hectares, followed by America with 934 000, Africa with 445 000 and Oceania with 76 000.

In Europe the only countries in which the vine is not grown are the Netherlands, Poland, Ireland, Denmark, Norway, Sweden and Finland. The United Kingdom is not counted among the vine-growing countries but does have some vineyards, and in Belgium small quantities of grapes are grown under glass.

In Asia the vineyards of Turkey, producing table grapes and grapes for drying, are important, though Turkey generally considers itself to be at least in part European. Then follow Iran, Afghanistan, India and Syria, all with vineyards predominantly devoted to table grapes and grapes for drying. Also to be mentioned are Cyprus, China, Japan, Iraq, Lebanon, Israel, etc.

In the New World the main vine-growing countries are Argentina, the United States and Chile. Brazil, Mexico, Uruguay and Peru are also important, and Canada has joined them in the last few years.

In Africa the vine is found in the more northerly countries, including Algeria, Tunisia and Morocco and in the more southerly ones such as South Africa. It is still cultivated in Egypt, where it flourished 4 000 to 5 000 years ago.

World area under vines
(in thousands of hectolitres — OIV)

Region	Average 1909-1914	1930	1950	1965	1980
Europe	6 380	6 470	6 489.3	7 565	7 204
Asia	19	45	721.0	1 166	1 459
America	180	265	568.0	706	934
Africa	192	341	524.3	565	445
Oceania	24	46	55.0	57	75
Total	6 795	7 147	8 357.6	10 059	10 117

2. *More than 300 million hectolitres of wine*

World production of wine has been more than 300 million hectolitres for the last decade: 313.7 million hectolitres in 1981, 354.3 million in 1980 and 378 million, the highest ever recorded, in 1979 (figures from OIV).

Europe, which has 71% of the total area under vines, accounts for roughly 80% of total production of wine. The discrepancy is mainly accounted for by the fact that Asia has 14.4% of the total area under vines but produces mainly table and dried grapes.

In 1981 Europe produced 237 million hectolitres of wine, in 1980 280 million and in 1979 307.2 million. Until the middle of this century however the dimensions of world viticulture were not comparable to those of the present day. After the splendours of the golden age of the Roman Empire, the dark centuries of the early Middle Ages, the years of progress from the Renaissance to the nineteenth century, after the great expansion of viticulture in Europe between 1700 and 1800, the upset occasioned by the ravages of phylloxera at the end of the nineteenth and the beginning of the twentieth centuries, there were between the two world wars only 6.5 million hectares under vines giving an average production of some 100 million hectolitres. But at that time — 1920-30 — the population of the world was less than 1 500 million inhabitants, of whom approximately 400 million were in Europe.

In the last 35 years however there has been a spectacular expansion of viticulture and wine production throughout the world.

In the 1950s the area under vines reached 8 million hectares and production reached a figure of 200 million hectolitres. In the 1960s the area went up to 10 million hectares and production climbed to 250 million hectolitres.

It is notable that in the period of greatest expansion of viticulture, areas have gone down in the countries which have been growing vines longest, such as France, Italy and Spain, while there have been big increases in Eastern Europe (particularly in the USSR), the Americas (particularly Argentina and the United States), South Africa and even Asia (Turkey, Iran, Syria), where the vine is grown mainly to produce dried and table grapes.

In the 1970s the total area under vines has remained very nearly constant but new growing techniques have increased production to more than 300 million hectolitres. In the meantime world population has reached 4 400 million, with Europe accounting for roughly 700 million.

Thus, world production of wine has evolved significantly, expanding in four continents, to a lesser extent in Asia and to a greater extent in America, while in Africa production has dropped in the past decade as a result of the decline in Algerian production.

World production of wine
(in thousands of hectolitres — OIV)

Region	Average 1909-1914	1930	1950	1965	1980
Europe	125 357	132 550	148 965	225 976	281 590
Asia	190	180	575	1 762	3 166
America	6 747	12 620	23 383	33 152	52 107
Africa	8 601	16 450	18 471	21 846	12 960
Oceania	239	740	1 567	923	4 482
Total	141 134	162 540	192 961	283 659	354 305

3. *An international business*

The world's production of wine not only represents an irreplaceable source of farm income in the major wine-producing countries but also gives rise to important commercial and industrial activities.

The wine produced by millions of growers has to reach the tables of millions of consumers and in between come the tens of thousands of trading and distributive businesses, with bottling plants, cellars for storage and maturing, warehouses, and land and sea transport. They often engage in extensive advertising campaigns.

Other enterprises manufacture special wines such as vermouth, flavoured wines and wine-based aperitifs. Others again produce wine vinegar and distillates of wine and marc or alcohol for use in the food industry. Downstream by-products (tartrates, grape-seed oil, etc.) are a major sector, and there is also the manufacture of machinery and equipment, and bottles and other recipients.

Another important aspect of the sector is international trade. Although each country that produces wine tends to protect its own growers from competition from foreign wines and although the consumers of each country tend spontaneously to favour their own country's wines, in recent years 15 to 17% of world production has been exported from the country of production (or, alternatively, imported).

Figures from the Office International de la Vigne et du Vin for 1980 give the following figures for the main exporting countries (in thousands of hectolitres):

Italy	16 183	Portugal	1 615
France	8 739	Romania	1 311
Spain	5 780	Morocco	546
Algeria	4 000	Austria	472
Yugoslavia	2 257	Greece	430
Hungary	2 092	Cyprus	336
Germany	1 856		

Another 15 countries export amounts of less than 300 000 hectolitres per year.

The main importing countries are the following (in thousands of hectolitres, 1980):

FR of Germany	9 362	Netherlands (1979)	1 733
USSR (1979)	6 868	Germany (GDR)	1 700
France	6 665	Canada	1 111
United Kingdom	4 183	Sweden	786
USA	3 880	Portugal (1979)	748
Switzerland	2 130	Denmark	700
Belgium (1979)	2 054	Poland	500

Many more countries import much smaller quantities.

If we compare today's figures with those of the past we find that of the main exporting countries France was exporting 2 to 3 million hectolitres a year even 100 years ago, Spain 2 to 5 million, while Italy was exporting 2 to 3 million hectolitres at the end of the nineteenth century (this dropped to 1 to 2 million hectolitres for a period of roughly 60 years). These three were followed by Greece, Hungary, Tunisia and Portugal, who each exported quantities varying between 0.5 and 1.5 million hectolitres. Algeria was a special case: when it was a French province it sent 7 to 15 million hectolitres of wine to France every year and sometimes even more.

In the early decades of this century the biggest importing countries (ignoring France's imports from Algeria) were Germany and Switzerland with 1 to 1.5 million hectolitres each, followed by Austria, Belgium and the United Kingdom with from 0.4 to 0.8 million hectolitres each and France itself indeed, which at the end of the nineteenth century had to import large quantities of wine as its own vineyards had been devastated by phylloxera.

Until a few decades ago, then, the volume of international trade in wine was fairly restricted, perhaps more so than in the seventeenth and eighteenth centuries, for which, however, we have no comparable statistics.

We can say therefore that international trade in wine is flourishing more today than ever before. This we owe chiefly to the liberalization of world trade after the Second World War and the creation of the European Economic Community, which has opened the French and German markets to Italian wine.

Wine has thus, after a century in which customs barriers prevailed, at least in part returned to the role of messenger of peace and civilization between the nations that it enjoyed in the centuries of the Renaissance and the Enlightenment.

4. *Consumption*

Consumption too has varied through the centuries. Of the past we know little, as States were different from those of today and statistics are very scarce. But the literature — economic, agricultural and oenological — gives us reason to suppose that the centuries leading up to the invasion of phylloxera, when European vineyards were at their greatest extent, also saw wine consumption reach its maximum *per capita* figure. Phylloxera and the advent of increasingly 'world' wars and perhaps also the fact that only then did proper statistics begin to be collected resulted in wine consumption figures from the end of the nineteenth century onwards being on average somewhat lower than the present ones.

In the last few decades there has been a twofold trend in consumption. It is going up in countries where viticulture itself is expanding but which have not been traditional consumers, whereas it is declining in those countries which are large producers and consumers.

Let us take some significant examples (see table on page 16).

It can be seen that in the two biggest producers in the world, Italy and France, together with Portugal, Spain and Argentina, consumption increased considerably after the Second World War but that in the last decade it has been dropping.

Other countries, such as the United States of America, Canada, the United Kingdom, Austria, Germany and Belgium, have continued to increase *per capita* consumption at a steady or even an accelerating rate (although in Federal Germany, after a rapid increase, consumption has been steady for some years).

Lastly in certain other countries consumption levels are fluctuating around those reached in the period after the Second World War or are gradually dropping.

Per capita annual consumption in litres
(OIV)

	1930	1950	1965	1980
France	120-130	109	117	95.4
Italy	100	83	109	93
Spain	50	47 [1]	63	64.5
Greece	—	40-50	39	45
FR of Germany	3-4	7.8 [3]	14.7	25.5
United Kingdom	—	0.8	2.2	7.5
Luxembourg	—	25	30-40	48.2
Belgium	—	5	8.6	19 [4]
Portugal	60-70	99 [1]	109	70
Switzerland	56	48	38.3	47
Argentina	50-55	70 [2]	86	76.3
USA	—	3	3.7	7.6 [4]
Canada	—	2	2.8	8.4 [4]
Chile	—	60	56.8	46.6 [4]
Austria	14-18	17	29.8	39.5

[1] 1952.
[2] 1955.
[3] 1953.
[4] 1979.

We are forced to conclude from this outline of worldwide consumption trends that large variations in consumption can occur, albeit over long periods of time, with major consequences for the viticultural economy of the countries concerned — all the more so when viticulture is of primary importance in the country's agriculture and is regulated by a complex market organization, as it is in the European Economic Community.

What are the causes of the increases and reductions in wine consumption? And is it possible to control this phenomenon? It is not easy, and perhaps not possible, to give a simple answer.

What we can say is that consumption is increasing in wine-producing countries where the economy is growing and in countries where consumption of other alcoholic beverages is high (world consumption of beer is more than 800 million hectolitres compared with 300 million for wine). In these cases an increase in consumption of wine can be considered natural.

Possible causes of the drop in consumption in the traditional wine-producing countries are, besides excessively high taxation and serious economic depression, one or more of the following general factors:

— the drop in the rural population, as people move to the towns;

— changes in dietary habits resulting mainly from changes in the pattern of working life;

— increased consumption of other beverages, as a result of extensive advertising;

— misleading information as regards the authenticity of wine or its effect on health;

— a greater propensity of consumers to spend their money on other things.

Not taken into account in this connection is the absence of consumption of wine and other alcoholic drinks in countries in which this is prohibited by religious precept, for example the Arab countries as a whole.

To sum up, it is probable that over the next 10 years the trend of consumption of the different types of wine will have to be kept under constant scrutiny so that the necessary action can be taken in time to protect viticulture, major changes in which take decades to achieve and have serious economic and social repercussions.

C — Wine in the EEC

1. *Half of world production*

The European Economic Community, where wine is produced in five of the Member States (Italy, France, Germany, Greece and Luxembourg), contains the heartland of world viticulture. The relatively small area involved is not only responsible for half of world wine production but also produces more high quality wine than any other area, is the most technically advanced in the world and is the area where the social and economic importance of wine is greatest.

The tradition of viticulture in the European Economic Community is the oldest in the world and the richest in history, tradition and cultural significance — an already incontestable primacy that will be further consolidated by accession of the other great Mediterranean wine-producing country, Spain, to the Community.

But can cultivating vines really be so important in a Community containing six of the ten biggest industrialized countries in the Western world?

The answer to this question explains why the European Community has put so much effort into regulating the market in wine and it is a decisively positive one, as regards both quantity and quality.

The EEC has 2 703 500 hectares of vineyards. Despite the wide area in which the climate does not allow grapes to be grown, this is 5% of the total utilized agricultural area in the Community (excluding permanent grazing land).

The EEC's vineyards account for 27% of the total area under vines in the world and provide 38% of world production of grapes and 48% of that of wine (large areas under vines, particularly in Asia, produce table grapes). Since a hectare of land under vines requires from 30 to 90 man/days of work per year, on average 60 to 70, a simple calculation shows that in the EEC viticulture should theoretically give full-time employment to 800 000 workers, more than 10% of the total agricultural workforce. An impressive figure, comparable to that for employment in the largest industrial sectors.

In practice, since viticulture is a seasonal occupation, the number of agricultural workers relying on it as the prinicipal means of supporting themselves is rather higher.

Statistics gathered over the last few years indicate that a total of approximately 2 550 000 hectares of wine grape-vines is distributed between as many as 2 090 000 holdings (not counting at least a million farms on which vines are grown but are not economically significant).

Roughly 600 000 holdings have more than one hectare of vines and derive a significant proportion of income from viticulture. They account for 30% of the total number of farms with vines and 80% of the total area under vines.

Of these holdings there are 88 800 with 5 to 20 hectares of vines (total area 780 000 hectares, 5% of the number of holdings with vines, 31% of the area under vines), and only 11 400 with more than 20 hectares (total area of 418 000 hectares, 0.6% of holdings and 17% of the area).

Number of holdings and areas under wine grape-vines in the EEC

	Number of holdings	Hectares
Italy	1 218 628	1 281 106
France	471 795	1 164 235
Greece	309 410	163 331
FR of Germany	89 471	99 932
Luxembourg	1 224	1 273
	2 090 528	2 709 877

It is estimated that of this total an area of 1 700 000 hectares — 1 million in hill areas and 700 000 in lowlands — produces table wine and 1 million hectares grows quality wines.

2. *The wine regions*

Although vineyards are to be found dotted over vast areas of the EEC, viticulture is of particular importance in certain regions, either because of the large quantities produced or because what is produced is of high quality. In these areas it is an irreplaceable source of income for the population.

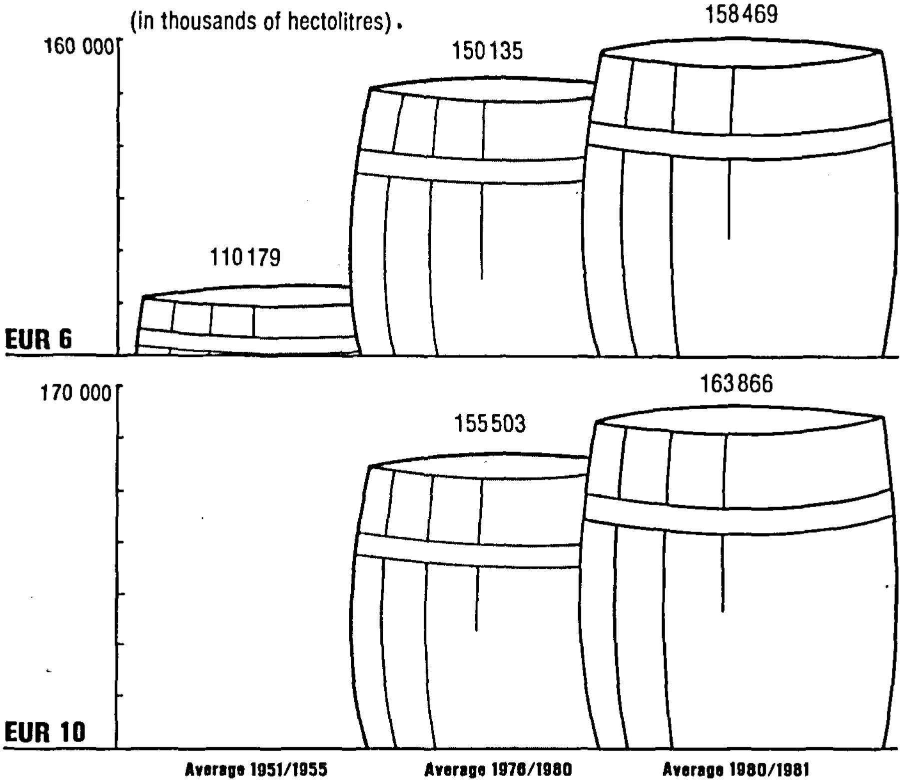
In *Italy*, where the entire landscape bears the imprint of the vine, four regions — Sicily, Apulia, Veneto and Emilia-Romagna — alone produce 40-45 million hectolitres of wine, 15% of total world production, while a further three regions, Piedmont, Tuscany and Lazio, produce a total of 15 million hectolitres, much of it highly esteemed wine.

Besides these major areas there are a number of others where the very growing of vines is to be seen as a feat in itself, such as the Valle d'Aosta, the Valtellina, Trentino-Alto Adige and the Cinqueterre.

In *France*, the Midi alone produces 35-40 million hectolitres, 12-13% of the world total, while other regions, such as Bordeaux, Burgundy, the Loire Valley, Alsace, Champagne, Provence-Côte d'Azur and the Pyrenees produce large quantities of wine of acknowledged character; and the Charente grows the wine for the celebrated cognac.

In *Germany* production is small in comparison, but almost all areas are capable of producing high quality wines of a very individual stamp. Production is largely concentrated along the hills overlooking the Rhine and the Moselle, and in Franconia and Württemberg. In Germany

Wine production in the EEC, 1951 — 1981



	Average 1951/1955	Average 1976/1980	Average 1980/1981
D	2 757	8 315	4 867
F	56 090	67 699	69 598
I	51 214	74 024	83 950
NL [1]	5	—	—
B	3	4	4
L	110	93	50
UK	—	2	2
IRL	—	—	—
DK	—	—	—
GR	—	5 366	5 395

[1] Until 1971/1972, fruit wines included.

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

Wine production in the Member States of the EEC by type of wine produced
(average 1977-1981, in thousands of hectolitres)

	Table wine	Quality wine psr	Other wine [1]	Total production
FR of Germany	342	7 608	—	7 950
France	41 014	15 097	8 180	64 291
Italy	65 439	8 521	943	74 903
Netherlands	—	—	—	—
Belgium	4	—	—	4
Luxembourg	29	58	—	87
United Kingdom	1	—	—	1
Ireland	—	—	—	—
Denmark	—	—	—	—
Greece	4 969	279	137	5 385
EUR 10	111 798	31 563	9 260	152 621

[1] Mainly wine for the production of wine spirits with a designation of origin (Cognac and Armagnac), vinegar and flavoured wines.

Source: Eurostat.

the vines are tended with meticulous care and devotion, and viticulture is a constant challenge to nature because of the uncertainty about the amount of sunshine that the vines, sun-loving plants that they are, will receive.

In Luxembourg, where production is obviously much smaller, conditions are much as in Germany. Viticulture is a very expensive pursuit and can prosper only if quality is correspondingly high.

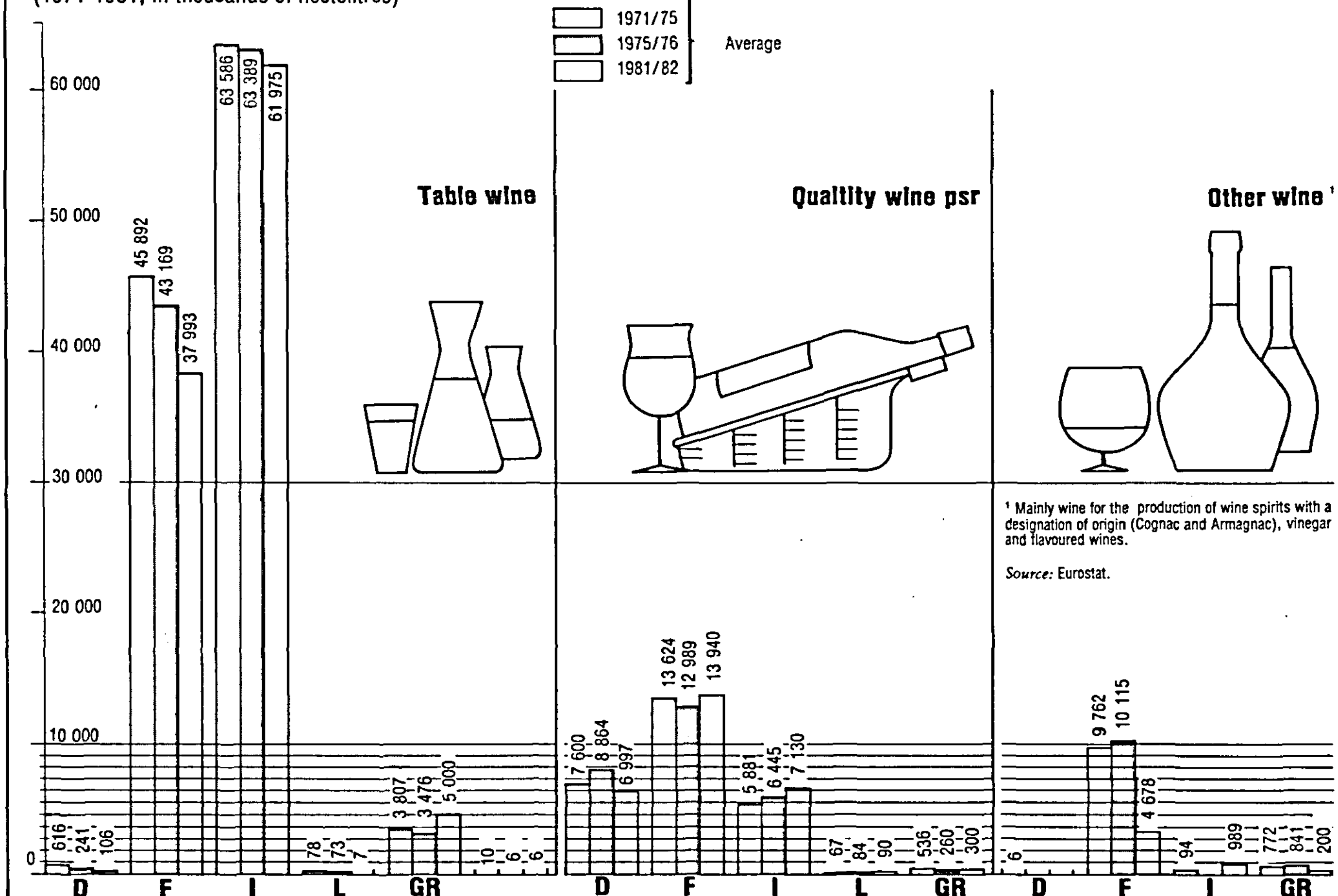
In vast areas of Greece the vine and the olive are the staples of agriculture and viticulture is an irreplaceable resource for a number of areas producing famous wines, such as Patras and Corinth in the Peloponnese and the islands of Samos and Rhodes.

Viticulture, then, is important in Community agriculture both because of its sheer volume in terms of farming statistics, and because in certain areas there are no valid agricultural or industrial alternatives and it is indispensable if the landscape is to be preserved, people kept in employment, infrastructures used to their full potential and the very fabric of society held together. Unlike arable crops and livestock, viticulture is not a short-term business that can easily be discontinued if the economic climate changes. To plant the perennial vine not only commits one for 30 to 40 years but also requires a labour force with specialist skills and the services of specialized establishments. These are found only in areas with a long tradition of viticulture: they cannot be conjured up overnight.

But though its rhythms are measured in decades rather than years viticulture is constantly progressing and changing. There has been a gradual move from cultivation in small vineyards dotted over vast areas to a concentration on specialized cultivation in clearly delimited areas suitable for the production of the wines that consumers want.

In the last century, for instance, France had more than 2 million hectares of vineyards and Italy at the beginning of this century had nearly 4.5 million.

EEC production of table wine, quality wine psr and otherwise
(1971-1981, in thousands of hectolitres)



[1] Mainly wine for the production of wine spirits with a designation of origin (Cognac and Armagnac), vinegar and flavoured wines.

Source: Eurostat.

Only two decades ago the area devoted to vines in the Community was 20% higher than it is now.

All this, far from reducing the social and economic importance of viticulture, has increased it considerably and today it has an even greater role to play in the more limited areas in which it is now concentrated.

3. A million producers and 2 500 wine cooperatives

Average wine production in the EEC in the 10 years 1970-79 was 148.7 million hectolitres. From 1981 Greece's production has to be counted too. This total breaks down as follows:

EUR 9	
Italy	70 639 500 hl
France	69 111 000 hl
FR of Germany	8 798 200 hl
Luxembourg	138 400 hl
	148 687 100 hl
Greece (average 1970-1979)	5 340 000 hl
Total EUR 10	154 027 100 hl

Average world wine production for 1970-79 was 317 230 000 hl. The Community of Ten therefore accounts for 48.6% of world output.

Wine represents 6% of the gross saleable product of Community agriculture. There are around 1 million wine producers, a very high number but much smaller than the actual number of those growing vines.

Value of wine production in the EEC of 10 and its relation to value of total agricultural production
(in millions of ECU [1] at current prices)

Year	Total agricultural production	Wine	Wine as proportion of total (%)
1973	65 792	4 643	7.1
1974	69 632	3 719	5.3
1975	76 648	3 578	4.7
1976	86 807	4 247	4.9
1977	93 903	4 301	4.6
1978	100 722	5 032	5.0
1979	109 714	6 967	6.4
1980	117 917	5 699	4.8

[1] 1 ECU (1.9.1982) = BFR/LFR 45.22; DKR 8.24; DM 2.35; DR 66.82; FF 6.62; HFL 2.57; IRL 0.68; LIT 1 329.54; UKL 0.54; USD 0.94.

Source: Eurostat.

The reason for this is twofold. There are a large number of wine cooperatives in the Community vinifying the grapes of their members, while in certain areas the role of private firms which buy grapes or grape must to vinify is far from negligible.

In France for example 42% of the wine produced comes from 1 160 cooperatives with 265 000 members. In Italy there are 900 cooperative and similar wineries or wine-selling offices with 300 000 members, and these account for 38% of the wine produced.

A further 12% on average comes from private shippers and manufacturers. In Germany and in Luxembourg there are 450 cooperatives with 70 000 members responsible for 50% of the wine produced (in Luxembourg even more).

It goes without saying that like other crops from perennial trees and bushes the grape harvest is subject to considerable variations. In the EEC (excluding Greece) in the decade 1970-80 harvests varied from 127.3 to 177.2 million hectolitres, the maximum deviations from the average being 19.1% above and 14.4% below.

On average total wine production divides into 73% table wine, 21% quality wine and 6% other wine (used for making brandy, etc.).

Value of wine production in the different countries of the EC in 1980 and its relation to the value of the agricultural production
(in millions of ECU)

	Total agricultural production	Wine	Wine as proportion of total (%)
FR of Germany	22 227	472	2.1
France	31 298	2 916	9.3
Italy	24 509	2 175	8.9
Luxembourg	118.5	5.6	4.7
Greece	5 212	131	2.5
Total for wine-producing countries	83 364	5 699	6.8
Total for countries not producing wine	34 554	—	—
EUR 10	117 917	5 699	4.8

Source: Eurostat.

But these average proportions also fluctuate considerably from year to year, since the weather in areas producing quality wines may well be different from that in areas producing the more ordinary types.

4. *Disposal of production inside and outside the Community*

By far the greatest part of production, around 83%, goes for direct human consumption.

Another part, varying from year to year but always significant (around 6%) is distilled or used for vinegar production or other industrial uses and a further significant proportion is exported from the Community (5.5%). The remainder, around 5%, is the average surplus, disposed of by distillation under Community market intervention measures, of which more will be said below.

Wine exports from the EEC (9) to other countries
(1980)

	Quantity (hectolitres)	Value (in thousands of ECU)
USA	3 141 194	382 927
USSR	1 324 187	12 851
Switzerland	1 097 253	154 215
Canada	722 969	82 216
Sweden	322 141	24 416
Ivory Coast	321 435	9 475
Austria	155 878	11 660
German Democratic Republic	148 358	4 835
Cameroon	108 153	5 116
Japan	108 153	21 633
Guadeloupe	93 444	9 739
Congo	64 174	1 378
Senegal	60 855	1 983
Norway	57 750	6 660
Martinique	49 374	4 827
Australia	46 493	12 308
Other	693 876	107 562
Total EUR 9	8 515 687	853 801

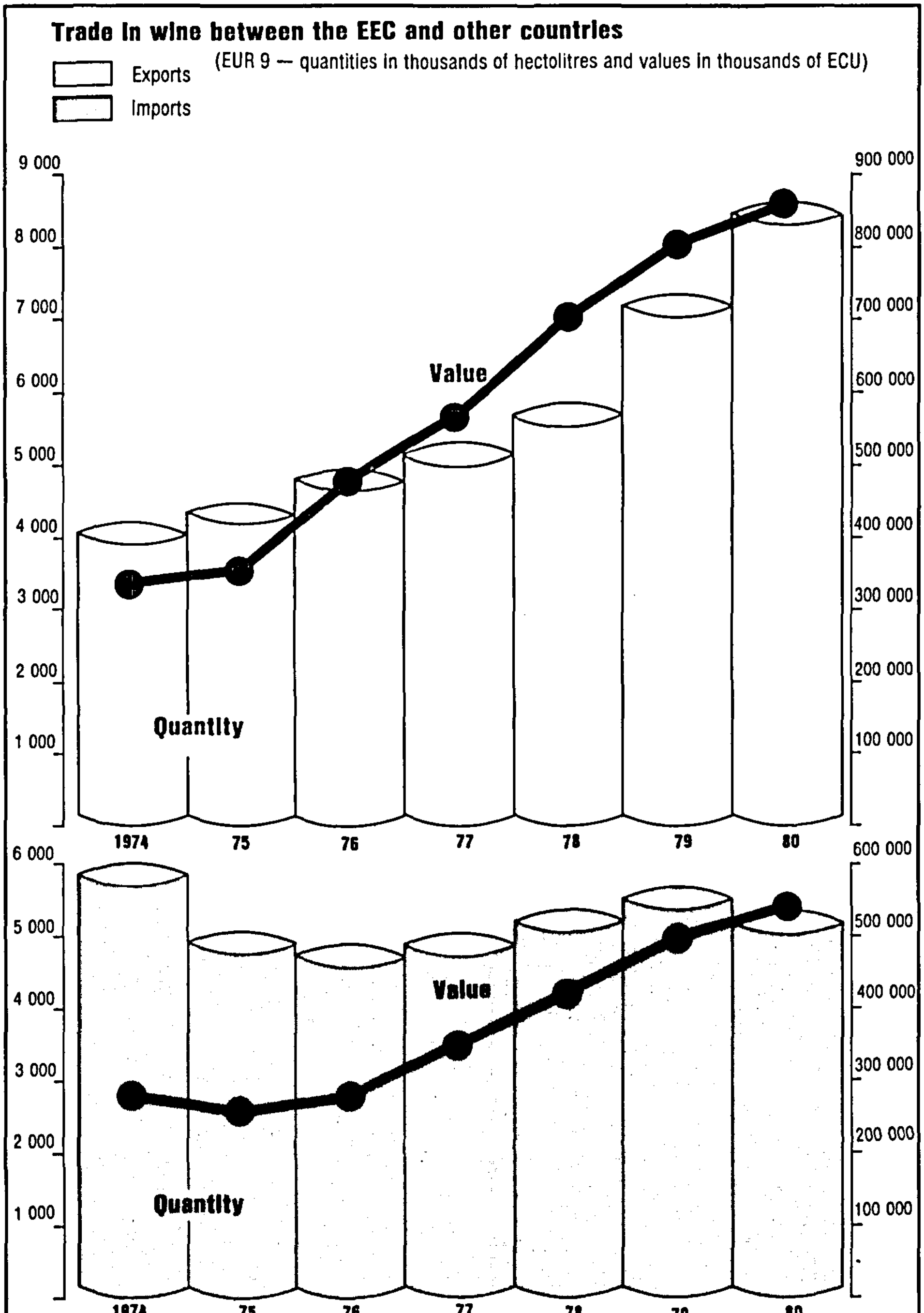
Source: Eurostat.

Wine exports from the EEC have risen in a decade from 3 to 8.5 million hectolitres a year (5.5% of Community production). Imports are virtually stable at around 5 million hectolitres.

Wine exports from the different Member States of the EEC in 1980
(in thousands of hectolitres)

Member States	Exports to other Member States	Exports to other countries	Total
FR of Germany	1 028	823	1 851
France	6 382	2 485	8 868
Italy	9 482	5 187	14 670
Netherlands	19	2	21
Belgium and Luxembourg	162	1	163
United Kingdom	71	13	83
Ireland	4	0	4
Denmark	14	5	19
Total EUR 9	17 163	8 516	25 678
Total EUR 9 in terms of value ('000 ECU)	1 268 758	253 801	2 122 561

Source: Eurostat.



Source: Eurostat.

The figures for trade between countries within the Community are very much higher owing to unification of the market, one of the basic principles of the Community itself.

In recent years the amount has varied between 17 and 20 million hectolitres, 12-13% of Community production.

Wine imports into the EEC of Nine
(1980)

Country of origin	Quantity (hl)	Value (ECU)
Spain	1 891 603	238 621
Portugal	764 868	135 305
Yugoslavia	510 556	29 131
Austria	386 276	29 919
Hungary	367 883	23 431
Algeria	212 470	8 485
Tunisia	208 983	7 526
Greece	177 934	10 250
Romania	130 775	6 572
Bulgaria	124 111	5 253
Cyprus	105 761	10 412
Morocco	73 814	2 827
South Africa	56 922	7 397
USSR	53 662	10 874
USA	30 615	5 519
Argentina	11 662	1 036
Other countries	51 275	8 248
Total EUR 9	5 159 170	540 806

Source: Eurostat.

Of the total of 48-58 million hectolitres of wine traded internationally in the world, some 55-60% is thus wine produced in the countries of the European Community.

5. *Consumption of wine and of other drinks*

The amount of wine drunk by consumers in the countries of the European Community amounted to 128 million hectolitres in 1980.

The Community is the most important market for wine in the world, accounting for 44% of human consumption of wine. The estimates for the 1981-82 wine year of total (in thousands of hectolitres) and *per capita* consumption (in litres) in the 10 Member States of the EEC can be seen in the table on page 29.

It should be noted that in the EEC as in the rest of the world the last decade has seen a twofold trend in *per capita* consumption. It has been dropping in the Member States that have a long tradition of wine production and increasing in the countries that do not produce wine.

	Total quantity	*Per capita* consumption
Italy	51 015	89.0
France	49 100	90.8
FR of Germany	14 688	23.8
Greece	4 291	44.0
United Kingdom	3 258	5.8
Netherlands	1 859	13.0
Belgium	1 906	19.3
Denmark	718	14.0
Luxembourg	210	57.2
Ireland	114	3.2
	127 200	46.7

Over the last 20 years consumption in France has dropped from 123 litres per head to 91 and in Italy from 109 litres to 89.

On the other hand there has been some increase in consumption in Great Britain, from 4-5 to 6-7 litres per head, in the Netherlands, from 3 to 13 litres in 5 years, in Belgium, from 8 to 19, and in Germany, from 14 to 24.

But in the EEC of Ten as a whole the last decade has seen a drop in annual consumption per head from 50 to 47 litres. This fall, due to the factors mentioned above regarding trends in world consumption, contrasts with a definite tendency towards increased consumption in the EEC of other beverages such as beer, soft drinks, coffee, mineral water, and other alcoholic drinks.

In the Community of Ten wine is the fourth most popular drink with a *per capita* annual consumption of 47 litres. Tea is first with nearly 200 litres, coffee second with 170 litres and beer third with nearly 90 litres. Soft drinks take fifth place with 40 litres.

There follow mineral waters at 29 litres and then, naturally, a long way behind, other alcoholic drinks at roughly 6 litres.

It will be seen then that in the EEC there is a vast potential for alcoholic, non-alcoholic and other stimulating beverages and plenty of room for the absorption of more wine. It is curious to find that it is consumption of wine, the only drink subject to a common organization of the market, that is declining, to such an extent indeed that the fall, combined with increases in average production (138.4 million hectolitres in the period 1966-70, 147.2 million in 1971-75 and 150.1 million in 1976-80) has caused serious problems for the common organization of the market and helped force the Community into new policies, of which more below, to protect the incomes of producers, in view of the special social and economic importance of wine in Community agriculture.

Per capita consumption of wine in the EEC, 1951 — 1981
(litres)

	Average 1951/1955	Average 1956/1960	Average 1961/1965	Average 1966/1970	Average 1971/1975	Average 1976/1980	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979	1979/1980	1980/1981	1981/1982[1]
FR of Germany	8	10	14	16	22	25	20	23	24	24	24	24	26	25	24
France	135	130	121	111	105	97	104	103	103	102	98	94	96	93	91
Italy	99	108	108	110	100	89	95	103	97	92	91	86	87	87	89
Netherlands	1	2	3	5	9	12	9[2]	10	10	11	12	12	12	13	13
Belgium	6	7	8	11	14	18	14	15	15	16	18	18	19	20	19
Luxembourg	27	30	30	36	43	44	48	40	46	43	43	40	47	47	57
United Kingdom					5	6	4	6	6	5	5	8	7	6	6
Ireland					2	3	2	2	2	3	3	3	3	3	3
Denmark					10	13	9	10	12	11	12	13	13	14	14
Greece					46	44	44	47	46	45	44	43	44	45	44
EUR 6	68	70	69	68	65	62	63	66	65	64	63	60	61	60	60
EUR 10					50	48	48	51	50	49	48	47	48	47	47

[1] Provisional figures.
[2] Until 1971/1972, including fruit wines.

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

D — Wine and the Community's agricultural policy

1. *The why and how of a common wine policy*

The social and economic importance of wine production in a number of EEC countries, and the realization that periodic action by the powers that be was required, since wine was subject to frequent imbalances between supply and demand and thus to recurrent crises, led the authors of the Treaty of Rome, which entered into force on 1 January 1958, to include wine, must and grape juice in the list of agricultural products (Annex II) for which a 'common agricultural policy' was to be established.

Ethyl alcohol and vinegar were later added to the list in view of their interdependence with various other agricultural products, and in particular wine.

Table grapes were also included, not independently but in the category of 'fruit' and have therefore been made subject to the rules applying to the fruit and vegetables sector, which are quite different from those governing wine.

On the other hand aromatized wines (vermouths, wine-based aperitifs), liqueurs and spirits, although having important economic links with the wine sector, were not included in the agricultural products in order that they might immediately benefit from the same free market as industrial products.

The institutions of the Community were thus faced with the responsibility of framing a Community wine policy that would achieve the objectives set out in Article 39 of the Treaty of Rome, namely:

(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;

(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilize markets;

(d) to assure the availability of supplies;

(e) to ensure that supplies reach customers at reasonable prices.

Article 40 of the Treaty of Rome then specified that the common policy was to be developed by degrees and brought into force by the end of the initial 'transitional' period of 12 years. It was to take one of the following forms:

— common rules on competition, or

— coordination of the various national market organizations, or
— a European market organization.

In the meantime there was to be full implementation of the customs union between the Member States, involving:
— *abolition of quantitative restrictions* or restrictions having equivalent effect in *intra-Community trade*;
— *the abolition of costums duties* or charges having equivalent effect between the Member States;
— *the fixing of a Common Customs Tariff* (CCT) on imports from non-Member States.

Article 43 of the Treaty of Rome stated that a conference of the Member States was to be convened to make a comparison of their agricultural policies and to evolve the broad lines of a common agricultural policy.

This conference, the Stresa Conference of 1958, was held promptly and confirmed the basic principles on which European agriculture was to be managed. Agriculture was, as it were, to be stripped of its national clothes and clad in Community raiment.

These principles, still valid today (more than ever in fact) are the following:
— *free circulation of agricultural products*, guaranteed by the system of uniform prices and uniform guarantees to producers;
— *Community preference*, achieved by means of a common frontier with common customs duties on imports from non-Member States;
— *financial solidarity*, that is, the assumption of responsibility by the Member States as a whole for the necessary expenditure on the agricultural policy irrespective of the amount of money actually spent in each Member State (European Agricultural Guidance and Guarantee Fund — EAGGF).

2. *The initial situation in 1958*

So far we have looked at the objectives and instruments chosen for the common agricultural policy by the authors of the Treaty of Rome. But in what kind of state was the wine sector to which the instruments were to be applied to achieve the objectives decided on? The produc-

Year [1]	Production (hectolitres)	Consumption (hectolitres)	Degree of self-sufficiency (%)
Average 1953/54-1955/56	115 966 (132 309)	119 477	90.6 (101.7)
1956/58 [2]	77 647 (92 933)	114 144	64.5 (75.2)
1958/59	118 316 (132 143)	123 431	91.6 (101.5)

[1] The wine-growing year runs from 1 September to 31 August.
[2] The 1957 vintage was exeptionally short throughout the EEC. There has been no comparable year since 1951.

tion figures recorded by the Office International du Vin and used by the EEC Commission in 1960 for the common agricultural policy are on page 32 (the figures in brackets are those for the Six plus Algeria, which was then part of the French Republic).

It is obvious from these statistics that overall there was no long-term excess of supplies even with Algerian wine taken into account. The steady increase in Italian production was nonetheless worrying. In 10 years (average 1948-49 to average 1958-59) it had increased by more than 60%, from 40.5 to 67 million hectolitres.

As far as consumption was concerned the EEC believed that it could count on a gradual moderate increase in Germany and the Benelux countries, a regular increase in Italy and stability in France. Annual consumption per head at the time was as follows (in litres):

France (metropolitan)	126	Belgium and Luxembourg	7.5
Italy	110	Netherlands	1.5
FR of Germany	14	EEC	69

When the common organization of the market in wine was being prepared the prices factor appears to have been rather neglected, perhaps because at that time returns to producers were attractive both on the 'free' Italian and German markets and on the 'protected' French market.

But the trend of wine prices could not be ignored in the construction of a common wine policy, if for no other reason than that the balance between consumption and production consequent on existing price levels in the EEC could change as a result of the application of a Community system for supporting the wine markets. There was thus a possibility that the level of wine supplies in the EEC would alter from the level on the basis of which the policy was framed.

3. *A brain-teaser: bringing together the French and Italian markets*

The EEC was faced with the problem of creating a common market in wine from a situation in which there was no true international market, since each country, in Europe and outside, took care to restrict severely or even prohibit imports of wine and at the same time endeavoured, if it was a producer itself, to find outlets for its own production abroad.

International trade in wine actually was rigidly limited by bilateral agreements between countries and greatly hindered by customs duties, quotas, excise duties, etc. There were however no problems as far as the production of the Federal Republic of Germany was concerned as this was small, high in quality and in price and of very specific characteristics not liable to competition. The tiny production of Luxembourg, very similar in type to that of Germany, was already protected in the Benelux countries by a protocol to the Treaty of Rome exempting it from excise duties in the three States concerned. This exemption is still partially in force.

Examination of wine production in the Community in preparation for the Treaty of Rome made dismayingly clear one fact that in social and economic importance towered above the favourable statistics. This was that the planned single European market in wine would not only be half the world wine market but would also involve bringing together economically the two greatest wine-producing areas in the world, France and Italy, until then organized in profoundly different ways and carefully protected from reciprocal competition by the almost total ban on importing French wines into Italy or Italian wines into France. Comparison of the French and Italian sectors showed up the following main differences of approach:

— in France there was a very detailed register of vineyards and production potential could be worked out exactly. In Italy not even the ordinary land register was up to date;

— in France there was a prohibition on the planting of new vineyards. In Italy everyone was free to plant new vines and in fact received a State subsidy for doing so;

— in France vine varieties were classified on the basis of quality and nurseries had to comply with strict rules. In Italy there were no standards or rules;

— in France the obligation to declare production and unsold stocks annually was strictly applied and the movement of wine was monitored by means of accompanying excise certificates. In Italy similar rules did exist but their implementation was the responsibility of the communes and the system was seriously defective and could not be used for the regulation of wine production at national level;

— in France a total quantity of wine to be released to the market ('quantum') was set and the wine itself had to be removed from producers' premises in fixed lots staggered over a period of time. In Italy there were no laws at all governing marketing;

— in France the law allowed wine to be produced by the addition of sugar to musts (suitable regulations applying). In Italy sugaring was severely penalized;

— in France wines were classified into carefully controlled categories: registered designation of origin (appellation d'origine controlée — AOC), delimited wines of superior quality (vins délimités de qualité supérieure — VDQS), local wines (vins de pays) and ordinary wines (vins de consommation courante). In Italy there were no specific rules on names designating origin, nor any differentiation of table wine into qualities, only a general prohibition of the use of inaccurate names;

— in France wine producers were obliged to deliver to the State monopoly a quantity of alcohol calculated on the quantity and strength of their production. This automatically eliminated the by-products. In Italy traffic in by-products was practically free;

— in France the State systematically intervened to support prices by means of financial assistance for storage and distillation of surpluses by the State monopoly. In Italy the only such provision to encourage disposal of surpluses was intermittent reduction of the duties on the products of distillation (spirituous beverages and alcohols), the reduction being granted only on condition that the wine distilled had been bought in at a set price.

The overall result, the greater purchasing power of the French population also coming into play, was that average wine prices in France were for decades 25% higher than in Italy. In consequence the value of vineyard land was very much higher in France and the standard of living of French growers was well above that of their Italian counterparts.

It was clear therefore that free circulation of Italian and French wines in the EEC could not be introduced without the creation of a common organization of the market in wine designed to avert the obvious threat of France being flooded with Italian wine, which would have caused the intervention framework, wine prices and the value of vineyards all to collapse in France.

Rubens, Bacchanal. Uffizi Gallery, Florence

This enormous problem, still not completely resolved and the source of not a few difficulties, was studied as part of the common agricultural policy as a whole and the result was a series of proposals, the leading architect of which was Professor Sicco Mansholt, a Dutch agricultural expert and Vice-President of the EEC Commission with responsibility for agriculture. The main features of the proposals can be summarized as follows:

(a) adjustment of resources to Community requirements, production being encouraged where in decline and new planting being limited (or even existing vines grubbed up) where there was excess production;

(b) an improvement in quality by developing the registered designation of origin system and giving preference to areas especially suitable for viticulture;

(c) stabilization and support of the wine market by measures similar to those tried out in France, and compulsory coordination of the various national market organizations;

(d) protection of Community wine by means of customs duties, with quotas being abolished;

(e) action by the European Agricultural Guidance and Guarantee Fund (EAGGF) to support the market and improve structures;

(f) pursuit of a unified market and price system by initiating liberalization of the circulation of 'classified' wines, i.e. quality wines;

(g) harmonization of the national legislations on the technical aspects of wine-making.

But these were only proposals which it was up to the Council of Ministers of the Community to adopt or remodel in order to find a solution that would enable French and Italian wine to coexist in a European common market. The solution has been largely but not fully achieved, but this did not happen immediately and the basic problem continues to dominate the Community's wine policy.

4. *The common organization of the market in wine*

The adoption in 1959 of the Common Customs Tariff (CCT), applying not just to wine but to all products, was the starting point for unification of the wine market.

The Community's wine production was thus, in accordance with the principle of 'Community preference', protected from outside competition by customs duties scaled according to the type of wine and its alcohol and sugar content.

The customs duties set in 1959 have remained unchanged but the equivalents of the EEC unit of account in the different currencies have increased considerably.

The following is a summary of the Community customs duties, which are applied in order to protect the EEC's wine production:

	(European currency units (ECU) per hectolitre)
— Sparkling wine	40
— Wine up to 13°	
• in bulk	10.9
• in bottle	14.5

— Wine from 13° to 15°	
• in bulk	13.3
• in bottle	16.9
— Wine from 15° to 18°	
• in bulk	16.9
• in bottle	20.6
— Wine from 18° to 22°	23
— Partially fermented musts	40%

Note: If the total dry extract (in practice the unfermented natural sugar content) is more than 90 g per litre in wine of up to 13°, duty is levied at the rates on wine from 13° to 15°. In turn wine from 13° to 15° and from 15° to 18° is classified one category higher if the total dry extract is more than 130 g per litre. There are reduced tariff quotas for many quality and liqueur wines from countries outside the Community (Spain, Portugal, Hungary, Algeria, Morocco, Tunisia).

But the first specific legislation on wine adopted by the Council of Ministers of the Community was Regulation No 24 of 4 April 1962, which laid the foundations, still fully operational, of the common market in wine.

It provided for the following:

(a) the institution of a viticultural land register based on a general vineyard census;

(b) compulsory annual notification by producers of the quantities of must and wine produced and annual notification by producers and merchants, except retailers, of stocks held;

(c) annual compilation of a forward estimate of resources and requirements;

(d) adoption of rules covering 'quality wines produced in specified regions' (quality wines psr) based on respect for traditional practice and covering the following factors: demarcation of the area of production, vine varieties, cultivation methods, wine-making methods, minimum natural alcoholic strength, yield per hectare, and analysis and assessment of organoleptic characteristics;

(e) the establishment of a management committee to see to the drawing up of these rules, decisions being taken by a qualified majority, i.e. in the present Community of Ten, by 45 votes out of a total of 63 distributed as laid down in the Treaty of Rome for the Council of Ministers of the Community.

These basic decisions of the Council of Ministers were thus at the origin of the first Commission regulations on wine.

Regulation No 143/62 laid down rules for the preparation of the viticultural land register.

These were supplemented two years later in Regulation No 26/64. The rules on the 'declaration of harvests and stocks' were set out in Regulation No 134/62.

In the latter regulation the EEC gave the first Community definition of 'producer': any person processing grapes into must or wine whether he had grown the grapes himself or acquired them from other growers. Growers with less than a tenth of a hectare of vines were however exempted from declaring their harvests. The EEC also defined 'retailer' in the regulation as 'any person whose business includes the sale of wine in small quantities direct to the consumer, with the exception of those who use cellars equipped for storing and treating wine in large quantities'.

5. *Eight years of marking time*

After the initial batch of regulations of 1962 there was a first hesitant initiative towards unification of the market by increasing the bilateral import quotas and extending them to all Member States. But for a full eight years no new decisions were taken. All that happened was compilation of forward estimates of resources and requirements and the passing of a number of measures implementing or amending the regulations of 1962.

This long period of marking time was very largely a consequence of the difficulty of solving the great problem of bringing together the Italian and French markets, a difficulty compounded by the fact that until September 1970 France was committed under the Evian agreements to permitting the import of a large annual quantity, approximately 7 million hectolitres, of wine from Algeria, which in the meantime had become independent. On the other hand, the separation of Algeria from France tended to make the problems easier to solve eventually.

The period from 1962 to 1970 had also brought new elements into the situation. The rapid development of the Italian economy had meant the exodus of large amounts of labour from the rural areas and the feared expansion of viticulture in Italy had been substantially slowed down.

Another reason for the sharp falling off in the rate of increase of Italian wine production was the fact that the higher unit yields of the new vineyards had been balanced by the progressive and rapid decline of mixed crop vineyards, the area of which was estimated at 2.6 million hectares in 1959 but was evaluated at only 700 000 hectares by the viticultural land register in 1970.

Ten years after the first decisions on the common agricultural policy were adopted the situation for wine in the EEC, excluding Algeria, was as follows:

Year	Production (hl)	Consumption (hl)
1967/1968	142 236 000	125 082 000
1968/1969	137 196 000	126 579 000

It will be obvious that over the decade the position in the EEC, which then only had six members, had changed considerably. Imports had declined sharply, from 17-18 to 7-8 million hectolitres, this being a result above all of the independence of Algeria. Industrial uses had more than doubled, from 5 to 10-12 million hectolitres. Total consumption had risen by 10-12 million hectolitres, from 113-116 to 125-126 million hectolitres.

Production had also increased, from 115-118 to 137-142 million hectolitres, and normal end-of-year stocks had climbed from 35-40 to 70-80 million hectolitres, but the growth in Italian production, as we have already said, was no longer overwhelming.

The Community wine market, then, although there had been a notable increase in stocks and the Community was now fully self-sufficient, was substantially in balance. And the imminent expiry of the Evian agreements with Algeria promised a further reduction in imports and hence a further valuable opportunity to increase sales of the Community product.

Moreover the 1969 harvest had been of average quantity only and wine prices in Italy and France were roughly equivalent at the then real rate of exchange.

As 31 December 1969, the time fixed for conclusion of the 'transitional period' following the setting up of the European Economic Community, drew near, all the conditions seemed to be met for the introduction of the common organization of the market in wine, the last major agricultural product still subject to national regulations (tobacco had just been regulated; there are still no Community rules covering potatoes).

And so it was. On 22 December 1969 the Council of Ministers of the EEC, after long and difficult negotiations (particularly between Italy and France), took the actual decisions to set up the common organization of the market in wine in practice and finally on 28 April 1970 adopted two basic regulations: Regulation No 816/70 laying down additional provisions for the common organization of the market in wine (the basic provisions were those of 1962) and Regulation No 817/70 laying down special provisions relating to quality wines produced in specified regions.

Since then there have been hundreds more Community regulations concerned with viticulture and wine production, not only because all matters concerning vines and wine were withdrawn from the jurisdiction of the Member States and became the exclusive prerogative of the EEC, but also because the ups and downs of production and of the market have necessitated, as we will see below, profound modification of the original rules.

In fact at a certain point it even became necessary to issue a consolidated text of the Council regulations on wine incorporating the innumerable subsequent changes, so that we no longer refer to Regulations Nos 816/70 and 817/70 but to Regulations Nos 337/79 and 338/79, which have replaced them. These in turn have been greatly amended over the last three years.

6. *From theory to practice*

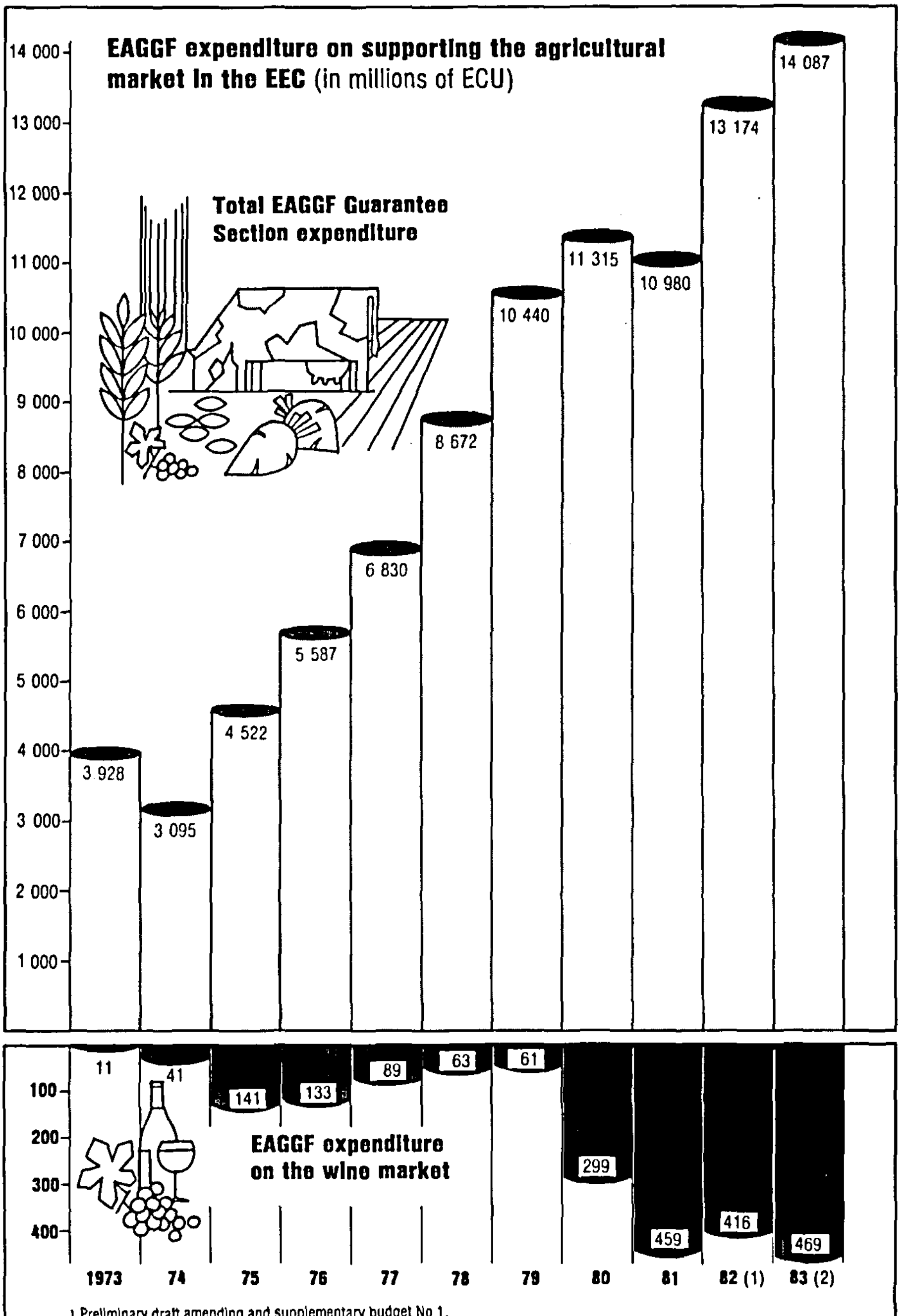
The optimistic analysis that the Council of the EEC made of the wine market and its future prospects in 1970 determined the range of instruments that they considered necessary and adequate to operate the common organization of the market in wine in practice. Thus in the compromise between the more interventionist French approach and the more liberal Italian one it was largely the latter that prevailed.

New planting and replanting of vines was subject only to rules on quality and not to quantitative limitations as had been the case in France. Again in contrast to the previous situation in France there were no binding laws relating to marketing of wine other than the actual rules on wine production and these production rules amply provided for the continuation of existing practices in France, Italy, Germany and Luxembourg, thus allowing a disparity in conditions

Estimates for the 1981 / 1982 wine year in the EEC of 10
(in thousands of hectolitres)

	FR of Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg	United Kingdom	Ireland	Den-mark	Greece	EUR 10
Production	7 103	56 611	70 094	—	4	97	2	—	—	5 500	139 411
Initial stocks	10 316	44 218	32 250	365	380	126	1 131	32	—	2 425	91 243
Final stocks	10 494	38 503	23 862	350	418	142	1 107	33	—	1 674	76 583
Imports	10 412	6 870	245	1 888	2 128	200	3 398	119	734	6	4 938
— from other Member States	8 832	6 070	155	1 368	1 735	175	2 072	84	566	5	21 062
— from outside EEC	1 580	800	90	520	393	25	1 326	35	168	1	4 938
Exports	2 014	9 746	16 937	25	173	30	166	4	16	411	8 500
— to other Member States	1 273	6 869	12 317	24	170	70	84	4	14	237	21 062
— to other countries	741	2 877	4 620	1	3	0	82	0	2	174	8 500
Utilization within EEC	15 323	59 450	61 790	1 878	1 921	211	3 258	114	718	5 846	150 509
— processing	635	9 550	10 480	—	2	0	—	—	—	1 460	22 127
— distillation	528	9 200	10 185	—	—	—	—	—	—	1 410	21 323
— distillation under Reg. No 337/79	—	3 000	9 940	—	—	—	—	—	—	1 400	14 340
— production losses	—	500	80	—	—	0	—	—	—	55	635
— trade losses	—	300	215	19	13	1	—	—	—	40	588
— domestic consumption	14 688	49 100	51 015	1 859	1 906	210	3 258	114	718	4 291	127 159 [1]
Population (in thousands 1981)	61 809	54 065	57 300	14 317	9 869	367	56 103	3 528	5 131	9 743	272 232
Annual *per capita* consumption	23.8	90.8	89.0	13.0	19.3	57.2	5.8	3.2	14.0	44.0	46.7

[1] Including 1 330 000 hl for the production of vermouth and flavoured wines.



[1] Preliminary draft amending and supplementary budget No 1.
[2] Preliminary draft budget.

Source: EC Commission, Directorate-General for Agriculture.

of competition in different parts of the Community. There were certainly economic and social reasons for such an approach but given the principles of the Treaty of Rome it was most unusual. It was however legitimate, according to the judgment of the Court of Justice of 2 July 1974 in Case 153/73.

It was considered sufficient to provide for certain Community intervention mechanisms (distillation, storage aids) to be used to support the market should this prove necessary. In fact for 'quality wines', which account for a sizeable proportion of total production, not even such intervention mechanisms were provided for. Perhaps it was felt that quality wines could look after themselves and that the two sections of the market — quality and table wines — were not interdependent.

The essential features of the common organization of the market in wine introduced in 1970 by means of Regulation No 816/70 were as follows.

Rules on viticulture. Vines were classified into 'recommended', 'authorized' and 'provisionally authorized' varieties for each administrative unit of the different countries. After a certain date wine obtained from varieties not listed in the classification were to be excluded from trade or sent for distillation. New planting, replanting and grubbing-up operations were to be declared annually to the competent authorities of the Member States.

Definitions of the different types of wine. It was laid down that 'table wine' had to have an actual alcoholic strength of not less than 8.5° and a total alcoholic strength not exceeding 15°. The lower limit was later raised to 9° for all parts of the EEC except some northern areas of Germany and France.

Definitions were also laid down of 'wine suitable for yielding table wine', semi-sparkling wine, sparkling wine, liqueur wine, musts, by-products, vinegar, etc.

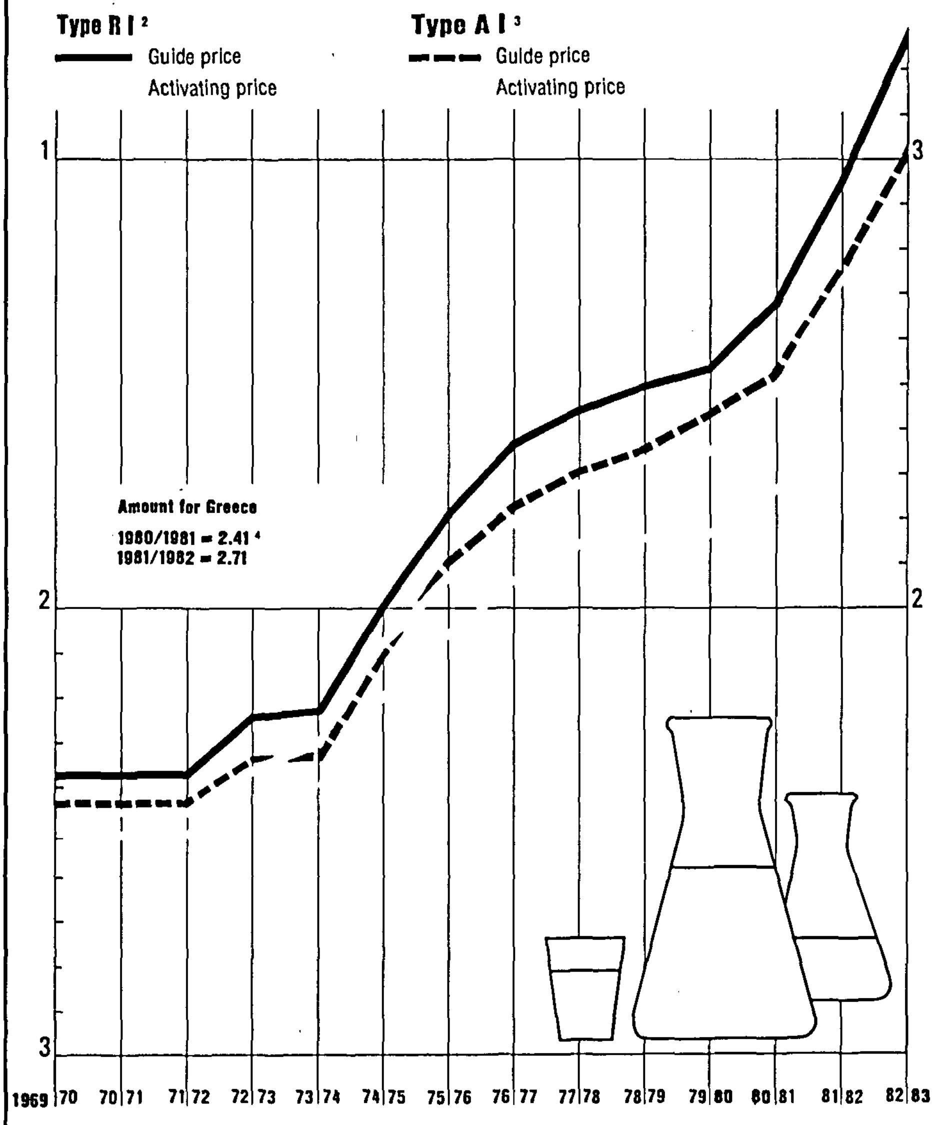
There was also instituted a category of 'quality wines produced in specified regions' (quality wines psr), subject to special provisions set out in Regulation No 817/70, comprising French AOC and VDQS wines, Italian DOC wines, German 'Qualitätsweine' and 'Qualitätsweine mit Prädikat' and Luxembourg wine carrying the 'Marque nationale'.

Rules on wine production. The Community was divided into a number of zones (A, B, CI, CII, CIII). Minimum natural strengths were laid down for each zone increasing from 5° to 9° from north to south. The maximum amount of enrichment was also laid down, decreasing from 5° in the north by 2° in the south. Enriching with sugar (sucrose) was permitted only in zones where it was a traditional practice.

Rules on the obligatory distillation of the by-products of wine-making were also laid down, the quantity of alcohol to be delivered being proportionate to the amount of alcohol in the products obtained.

Prices and intervention. Rules for determining guide prices and threshold prices activating the intervention system were defined and also methods for determining weekly market prices for table wines in order to make application of specific intervention measures to support prices possible.

Trend of the guide price and intervention activating price for table wine in the EEC
(in ECU per degree hectolitre[1])



[1] Up to the 1978/79 wine-growing year prices were fixed in u. a. (units of account). In this table they have been converted into ECU at the rate 1 u. a. = 1.208953 ECU.
[2] Red wine of from 10 to 12 degrees alcohol.
[3] White wine of from 10 to 12 degrees alcohol.
[4] From 1 January 1981.

Source: EC Commission, Directorate-General for Agriculture.

It was laid down that when the market was depressed a short-term (three months) or long-term (nine months) private storage aid could be given and that in cases of persistence of a serious surplus distillation of table wine could be subsidized.

Trade with non-member countries. Both exports to and imports from non-Community countries were made subject to a statistical monitoring. It was also laid down that in addition to the payment of customs duties, wines from outside the EEC were to comply with a reference price.

Aid, in the form of a refund, was on the other hand to be given for exports.

Surveillance. It had been compulsory since 1962 to declare harvests and stocks. In addition the use of an accompanying document for wine moving within the Community was introduced, as were common rules on labelling and oenological practices and common methods of analysis.

Free movement. As was only logical given the introduction of common rules for the market, full freedom of movement of wine within the Community was declared. Qualitative restrictions, duties and charges having equivalent effect were prohibited in trade between the Member States.

Before discussing the various instruments by which the common organization of the market in wine is now regulated, we must briefly trace the history of the EEC wine market from 1970 to the present day and look at the main modifications made to the original rules and the reasons for them.

7. Market crisis and 'wine war'

The common market in wine became established very quickly. As expected, Italian wine began to move into France — from 5 to 7 million hectolitres a year — replacing North African wine. But the optimism of 1970 very quickly disappeared owing to the joint effect of very large and recurring production surpluses, a steady drop in consumption in France and Italy and the end of international monetary stability under the Bretton Woods Agreements of 1944, which had helped the unification of agricultural prices in the common market.

The first signs of the crisis manifested themselves in the very year in which the common market in wine was launched. The 1970 harvest brought 154 million hectolitres of wine on to the Community market instead of the normal 135-140, just at a time when stocks were at maximum levels because, with an eye to the expiry of the Evian agreements with Algeria, roughly 10 million hectolitres of North African wine had been imported instead of the normal 7 to 8 million hectolitres.

The intervention mechanisms provided for swung into action and with the distillation of 3.4 million hectolitres in the 1970/71 wine year and a further 3.5 million in the following year balance was restored.

But February 1973 saw the gradual crumbling of balance between French domestic wine prices and Italian wine prices, the very basis for a common market for wine. This resulted from the conjunction of two specific circumstances: the withdrawal, in 1971, of the gold backing for the dollar causing an upheaval in the international monetary system and, on the other hand, the ensuing, forced introduction of the first series of 'monetary compensatory amounts', also in the wine sector. Just when the EEC was enlarging with the accession of the United Kingdom, Ireland and Denmark, the lira began to fluctuate, to be followed by the other currencies.

So long as market prices remained relatively satisfactory because of the poor harvest in 1972, neither the Italians nor the French had cause to complain. Problems started to arise with the 1973 harvest, which was the highest ever in the Community at no less than 171 million hectolitres, a surplus of 25 million despite the recent enlargement of the Community.

All the EEC's intervention mechanisms were again mobilized, 2 million hectolitres being distilled, while Italy and France, outside the Community framework, each distilled as much again. But in 1974 the harvest was again exceptionally high — 161 million hectolitres — and the fragile equilibrium could no longer hold. This was the beginning of the real crisis of the Community wine market and proof that the instruments chosen in 1970 to run it were inadequate.

Despite the distillation of 4.6 million hectolitres, half in France and half in Italy and of another 2.4 million in France, French growers blockaded the port of Sète, through which most of the Italian wine imported into France passed. This was the 'wine war'. The free circulation of wine, attained with such great difficulty in 1970, came to grief on the floating wall of fishing vessels that had rushed to support the wine-growers of the Midi.

The Italian exporters voluntarily suspended consignments to France throughout the month of August in order not to aggravate the discontent of the French producers and in September Paris decided to impose a tax of FF 1.13 per degree-hectolitre on imported Italian wine. This was only withdrawn at the end of March 1976 following action by the EEC. The EEC in its turn had to adopt more incisive measures, the result of which was that another 12.4 million hectolitres of surplus wine was distilled (8.8 in France and 3.6 in Italy). A further million litres was distilled in each of the two countries in the 1975/76 wine year.

The EEC was forced into the realization that something had changed in the common organization of the market in wine, which had not weathered sufficiently well the storm of two consecutive copious harvests. Thus in 1976 came the first decisive 'change of tack'.

8. Less freedom, more security

It was a question of a thoroughgoing reappraisal of the wine policy options decided upon in 1970.

The fundamental principle of freedom to plant vineyards, which is clearly incompatible with a systematic programme of price support, was abandoned and, pending a genuine plan for viticulture, it was decided to place a temporary ban on the planting of new vineyards up to the end of 1978 (exceptions being made for those for the production of quality wines and those included in development plans), while subsidies would be offered for grubbing up.

This was the only way to prepare the ground for a programmed development in viticulture. On the other hand the need to reinforce intervention measures in support of the market was recognized since it was clear that the system as applied in previous years was inadequate. Provision was thus made for both optional preventive distillation and special price maintenance for long-term storage contract holders.

At the same time many other more technical aspects of the regulations governing wine were brought up to date: the distillation of wine made from table grapes was made compulsory, and the principle was established that the bodies in the various countries responsible for dealing with fraudulent practices would be able to collaborate with one another (fraud was, and still is, the only aspect of the wine regulations to remain within the competence of the individual Member States).

No longer, thus, would there simply be intervention to support prices in periods of crisis, in the context of totally unrestricted cultivation: instead a brake would be put on the expansion of wine growing and, by way of compensation, a partial price guarantee would be granted. The whole scheme was a temporary one, with the intention of deciding upon a new wine policy by 1978.

9. *The structural policy emerges*

This change of course, which was decided upon following the problems of the first five years of a common market in wine, brought into the open those questions of structures concerning vineyards and wine-making facilities, which up until then had remained somewhat in the background as compared with matters concerning market policy.

Prior to 1976 there was only Regulation No 17/64, which provided, within the framework of Community support for the development of the various agricultural sectors, for subsidies for the planting of vineyards, the creation of new wine-making establishments or the expansion of existing ones, the setting-up of bottling plants in wineries, and so on (although France failed to take advantage of such subsidies before 1972, being opposed to the policy of expanding wine growing).

These subsidies, however, were granted for individual projects and hence it was not possible to coordinate the development of wine growing in an overall framework, based on Community wine policy criteria.

Therefore, in 1976, this approach was laid aside and a new one gradually adopted which was less free and easy but more in tune with the new market policy options which had been decided upon.

In addition to the ban on new planting of vines, Regulation No 1163/76 instituted a three-year programme of subsidies for the conversion of vineyards, i.e. the replacement of vines (for

Michelangelo, Profile of Bacchus. National Museum, Florence at least six years) with other crops. This provision was applied to over 65 000 hectares of land.

A second provision, Regulation No 355/77, restricted Community aid for processing facilities to such projects as were included in an appropriate national programme.

In the two following years two separate Directives, 78/627 and 79/359, were implemented subsidizing two restructuring or conversion programmes covering a total of over 100 000 hectares of vineyards in various regions of France, mainly in Languedoc-Roussillon and Charentes. Of these two directives one expired in mid-1982 and the other will do so in mid-1983. Finally, following the adoption by the Council of proposals put forward by the Commission in 1978 for a complete 'Action programme 1979-85', a new organic wine policy was set up (Regulations Nos 454/80, 456/80 and 458/80) which committed the EAGGF to spending some 320 million ECU.

This system operates on the basis of two kinds of measures.

The first is action to contain or to limit the potential for producing table wines, over a period of years. It includes subsidies for the temporary or permanent abandonment of vineyards, and for the renunciation of re-planting, and subsidies to wine growers who prematurely give up production, together with a ban on new planting and on aid for the planting of vineyards for the production of table wine.

The second is action to improve vineyard structures in areas which are well-suited to producing quality wines, by means of collective restructuring operations to be put into effect over a seven-year period (it was expected that this operation would affect around 240 000 hectares).

Both kinds of measure are in line with the general trend of Community wine policy towards improving quality, in that they depend on the natural suitability for wine-growing of the vineyards concerned. Vineyard land is divided into three categories in a descending order of merit, on the basis of a new classification taking into account technical, economic and social criteria.

In this way, with the provisions adopted between 1976 and 1980, the new Community policy on wine structures has assumed its present shape.

Following the first major turn-round in 1976 the question of Community policy regarding the wine market remained unsettled. This market went into a period of crisis as bumper harvest succeeded bumper harvest.

10. From one crisis to another

Circumstances made it possible to devote the necessary time to a thorough examination of the question.

What happened was that for four successive harvests, from 1975 to 1978, availabilities of wine within the EEC remained substantially in balance with requirements: production remained around average, imports from non-Community countries were steady, exports showed encouraging signs of expansion and consumption within the Community maintained its level, making up for the fall in human consumption by an increase in routine distillation as provided for by the wine regulations (the distillation of wine obtained from table grapes, extra obligatory distillation, special price maintenance, etc.).

Indeed at the beginning and end of the 1978/79 wine year stocks were appreciably lower than in any of the previous five years.

There was no need for any exceptional distillation measures for about three years and the EAGGF found its 'Guarantee' expenditure on the wine sector reduced to very low levels.

Meanwhile the Commission, after having introduced new ideas in its report on planting, presented to the Council on 15 February 1977, which looked forward to genuine planning for the wine sector as a whole — as referred to in the previous chapter — presented in August 1978 an action programme 1979-85, which suggested other measures concerning both market management and the consumption side (of particular significance was the decision to go for grape sugar as enrichment agent, to replace sucrose in future).

The resulting formal proposals by the Commission were drawn up in time for end-1978 but the Member States, meeting in the Council, had to settle major political problems before deciding whether and by how much it was possible to transform the policy adopted in 1970 and only partly altered in 1976.

At this point there occurred the exceptionally abundant harvest of 1979, which set a new record in the history of Community wine production — 182.4 million hectolitres — and the market plunged into a new crisis, every bit as serious as the previous ones, before the necessary instruments could be adopted for bringing efficiency to the common organization of the market in wine, which had already been judged 'inadequate' when the regulations of 1976 were proposed.

Something had to be done, and at the beginning of 1980 the Council approved a series of new regulations whereby not only were the Commission proposals for planning wine-growing on the basis of natural suitability accepted, but also a totally new instrument was adopted in the form of a guaranteed minimum price for table wine in times of serious crisis.

With the succeeding bumper harvest of 1980 — 163.9 million hectolitres — the serious crisis had arrived but the minimum price system was not applied due both to objective technical difficulties and to the reluctance of certain countries to meet expenditure which they perhaps considered excessive and at all events was difficult to forecast in advance.

Instead, yet again, the system of exceptional distillation was applied. It relieved the market of 8.3 million hectolitres in 1980 (3 million in France and 5.3 million in Italy) and 6 million hectolitres in 1981 (0.6 in France, 5.4 in Italy and 0.2 in Greece, the latter having joined the EEC on 1 January 1981). However, at the same time the system of distillation with special price maintenance for long-term storage contracts, which was the only form of partial price guarantee up to then applied to wines in the EEC, and was perhaps easier to apply than exceptional distillation, took off the market 6.8 million hectolitres in 1980 (3 in Italy, 3.8 in France), and no less than 14.3 million in 1981 (6.9 in France and 7.4 in Italy).

Nevertheless, in the face of two extraordinarily abundant harvests in 1979 and 1980, like those of 1973 and 1974, the wine market was unable to pull itself out of the crisis.

The 'wine war' between Italy and France, or rather of France against Italy, flared up anew. The port of Sète was once again the scene of agitation by the wine-growers of the Midi. Cargo boats carrying wine were attacked, tanker lorries had their loads spilled out on the roads and dealers' premises were raided. Thus once again the free circulation of wine within the Community was interrupted or seriously hampered, from early August to halfway through December, while the authorities in Paris resorted yet again to the imposition of a tax (of FF 15 per hectolitre) on wines obtained by blending in order to combat the competition from Italian wine.

But — history does sometimes repeat itself — the lean harvest of 1981 (139.4 million hectolitres) and a new exceptional distillation of 6.5 million hectolitres decided upon in the spring of 1982, at a guaranteed price decidedly above the then market rates, between them restabilized the situation.

However, the Council of the EEC, beset since the renewed flare-up of the 'wine war' in the summer of 1981, by the fundamental problem of how to achieve coexistence between Italian and the French viticulture in a market which would be truly common, single and free — a problem which it was believed had been resolved in 1970 but which in fact still persists today — took new decisions regarding the organization of the wine market whereby a new step was taken towards a greater degree of price guarantee and a certain automatic element as regards intervention for the safeguarding of wine growers' returns.

This brings us up to the present day.

Let us now examine the new instruments which the Community has designed to regulate the wine market and to protect wine-growers from recurring crises of over-production.

E — How the common market in wine is currently organized

The 1982 reform of the wine regulations

In the previous chapters we have reviewed the progress of the common market in wine from the entry into force of the Treaty of Rome. Let us now briefly recall the chronology of the various instruments provided for in the rules governing the market up to the year 1980, to which we have from time to time referred and which go to make up the framework into which the 1982 reform has been fitted.

1958: The fixing of customs duties under the CCT (Common Customs Tariff).

1962: Establishment of the viticultural land register, completed by 1970 and currently replaced by 'statistical surveys of areas under vines' (by Regulation No 978/78).

Declarations of production and stocks.

Stock-taking of Community wine-making capacities.

Establishment of the category 'quality wines produced in specified regions' (quality wines psr).

Establishment of the Management Committee.

1970: Classification of vine varieties.

Product definitions.

Rules governing oenological processes.

Establishment of guide and intervention prices for market regulation.

Establishment of the reference price and, in the event of non-compliance therewith, of a countervailing charge to guarantee Community preference as against non-member countries.

Aid for short-term and long-term storage, to which was added later aid for re-storage of wine under storage contract in order to make room for subsequent output.

Distillation of excess production in times of market crisis.

Control over the movement of wine, originally applied to trade between Member States and later to movement anywhere in Community territory, by means of an 'accompanying document' created by Regulation No 1969/72, now replaced by Regulation No 1153/75.

At this point, in June 1970, free movement of wine throughout the EEC (then the Six) was achieved.

1976: Provisional ban, for two years, on the planting of vines and a three-year programme for restructuring viticulture.

Optional preventive distillation.

Distillation with special price maintenance for long-term storage contracts.

Compulsory distillation of wines obtained from table grapes in Italy and extra obligatory distillation ('superprestations viniques') in France.

1978: Establishment of aid for concentrated musts used for the enrichment of the harvest; this was then extended to rectified concentrated musts, with the option of variation according to the wine-growing zone concerned.

Directives for the conversion or restructuring of vineyards in certain large wine-growing areas in Mediterranean France.

1979: Directive for the conversion of vineyards in the Charentes region of France.

1980: An organic plan for the control of wine-growing potential by means of a 'planting regime' for vineyards based on a classification of the areas under vines into three categories — 1, 2 and 3 — on the basis of their individual natural suitability for wine-growing, with a ban on new plantings up to the end of 1986 with the exception of those for the production of quality wines psr (Category 1), and a ban on aid for the planting of vineyards for the production of table wine, together with premiums for the temporary or permanent abandonment of vineyards in areas classified under Categories 2 and 3, for not replanting, and for the early cessation of wine-growing in France and in Italy. At the same time, a multiannual programme for improving wine sector structures.

Establishment of the minimum price regime (never applied, and repealed in 1982).

Meanwhile, alongside the basic rules of the common organization of the market in wine, there were many supplementary sets of rules established from 1970 on. The main ones were:

- Rules governing sparkling wines: Regulation No 2893/74, later replaced by Regulation No 958/79 (rules still have to be adopted for liqueur wines and semi-sparkling wines).
- Provisions regarding the description and presentation of musts, table wines and quality wines psr: Regulation No 2133/74, later replaced by Regulation No 355/79 (similar rules are in preparation for sparkling wines).
- Definition of oenological practices: Regulation No 1678/79, now covered by Annex III to Regulation No 337/79.
- Community methods of analysis: Regulation No 2984/78, now replaced by Regulation No 1108/82.

But this whole armoury, which under normal circumstances serves to guarantee the common market in wine, was unable to prevent the crisis of 1981 which we have already discussed, revealing itself to be inadequate when, as happens periodically, serious crisis situations arise as a result of excess production.

Hence, after a hard-fought agreement was reached by the Council of Ministers on 18 May 1982, the basic Regulation No 337/79 was further and drastically revised in the hot summer of 1982, when the Commision made a series of proposals designed to improve the organization of the market in wine with a view to the future accession of Spain.

The major innovations, which it is greatly hoped will ensure security and avoid unrest in the wine sector in the Community — in France and Italy in particular — can be summarized as follows:

1. Minimum price guarantee

It was laid down that all market intervention measures must aim towards assuring the producers a price for their wine equal to at least 82% of the guide price.

This is not however in the form of an automatic guarantee but rather a quantitative commitment as to the objective to be pursued by means of the new forms of intervention adopted.

2. Adjustments in optional preventive distillation

The option of sending table wine for distillation right from the start of the harvest, which had already been available since 1976 subject to certain conditions, was rendered permanent from 1 September up to the end of each year and extended to all table wine and all wine suitable for yielding table wine.

The price to be paid to the wine grower was increased from 55% to 60% of the guide price (to 65% if there is no compulsory distillation, as discussed below). For the wine year 1982/83 the price was raised to 65% (or 70% if there is no compulsory distillation).

The aim here is twofold: firstly to give all concerned the chance to eliminate anything considered to be a surplus, or at any rate found difficult to dispose of, and secondly to provide a threshold price for the harvest so as to put the producer in a position to refuse lower market prices.

3. Compulsory distillation

This instrument, which is both bold and original, allows the Commission to intervene in years when stocks of table wine are in excess of five to six months' consumption by decreeing the compulsory distillation of a percentage of the production of each wine producer (less any amounts going for preventive distillation).

The percentage may be varied in accordance with yield per hectare, the type of wine concerned and the alcoholic strength.

Small producers may be excluded from this provision.

The price to be paid to the producer is 60% of the guide price (65% for 1982/83).

The purpose of this new provision is clear: to restore total availabilities of wine to normal levels and hence to reduce supply and restore market balance.

4. Support distillation

Whenever the Council decides upon compulsory distillation, the Commission, in its turn, is required to decide upon another which is not obligatory but *optional, for* up to five million hectolitres, to be bought at 82% of the guide price.

The fairly obvious purpose behind this is to compensate for the compulsory distillation of a percentage of production at 60% of the guide price with optional distillation at 82%.

In addition the Commission may (but need not) provide for such distillation (which for simplicity's sake may be called 'support' distillation) even in years in which there is no compulsory distillation.

Should the crisis continue, however, then the Council can intervene by increasing the limit of five million hectolitres.

This type of distillation may also be varied according to *type of product and of course to* winegrowing zone.

The regulation providing for support distillation empowers the Commission to take in addition 'any other appropriate measure' to ensure that wine producers should receive 82% of the guide price, in accordance with the declared aim of the new rules.

The revision of Regulation No 337/79 includes further rules designed to rationalize distillation arrangements and to render uniform the arrangements for distillation of those products not recognized as table wine and hence subject to compulsory distillation (wines derived from table grapes, wines from the Charentes region, wines from currant grapes). It also includes detailed rules governing the various types of distillation and discontinues those forms of distillation now replaced by more recent ones (i.e. exceptional distillation, the additional compulsory distillation ('superprestations viniques'), *and also* 'Maghreb distillation').

The question remains as to the possible ban on replanting on irrigated land classified in Categories 2 and 3 on the basis of its natural suitability for wine-growing.

It should be noted here, however, that the Commission intends to establish a set of rules whereby irrigated areas suited to other crops are not planted with vines, and so to prepare the way for a system capable of resolving one of the most important problems posed by Spain's application to join the EEC.

By these measures, together with those regarding aid for concentrated musts or rectified concentrated musts which were discussed in reference to the 1976 reform and the abolition of the minimum price system as mentioned in connection with the alterations of 1980, the common organization of the market in wine is preparing itself to deal with the vintages of the 1980s.

F — Objectives achieved and problems remaining

1. *Towards the acid test of forthcoming harvests*

Thus, the changes made in 1982 put in place nearly all the instruments needed to implement the measures concerning production, the market and consumption which were proposed by the Commission in 1978 for the action programme 1979-85.

All that is missing is a number of important instruments for measures regarding consumption, which according to the Commission's programme should be stimulated by a reduction in taxes, particularly in non-producer countries, and by appropriate promotion and information campaigns (on the other hand, incentives for the greater use of musts or concentrated musts and for exports to non-Community countries are already in operation).

But will all this be enough to ensure a future for the wine sector which will be free from crises and 'wine wars'?

The Council, which adopted the amendments to Regulation No 337/79, the Commission, which made the proposals, and the individual governments, which helped to put the new rules together, are certainly convinced that their efforts will be crowned with success.

This hope is shared by many in the wine sector in Italy, France and Greece.

Nevertheless, some producers and merchants have expressed doubts and dissatisfaction which it is better not to ignore.

For example, the objection is made that compulsory distillation creates too many technical problems and that it would seem to be asking too much of the wine-growers to accept a penalizing obligation without any real permanent guarantee of an adequate price.

Further, the complaint is made that all the different kinds of distillation — five altogether apart from the three kinds of normal distillation (compulsory deliveries for distillation, wine from grapes not classified as wine grapes, guaranteed price maintenance for long-term contract holders) — do not provide the basis for definite, reliable and timely action, which alone can give direction and security to the grower right from the beginning of the harvest, and tend rather to favour those operators who are more expert in matters of Community regulations.

Hence in certain quarters the hope is expressed that only one form of intervention may be applied, apart from storage aid: optional distillation, on a permanent basis and at a price to be established from year to year, at or near the intervention price.

What they would like, in other words, is a total price guarantee for table wine, a Mediterranean product, such as exists for the major agricultural products from the more northerly parts of the Community (cereals, milk, beef, etc.).

It is also argued that to base the entire market support system on the distillation of excess production — which could perhaps also be disposed of by measures to increase wine consumption — renders the common organization of the market in wine too dependent upon the industrial alcohol sector.

Obviously every argument has something to be said for it, even if in the final analysis it may not be possible to accept them in their sum total.

For example, a total guarantee for wine prices would run counter to the Commission's view that 'it is neither economically sensible nor financially possible to give producers a full guarantee for products in structural surplus' (Commission report on the mandate of 30 May 1980 — Document 300 final of 24 June 1981).

Nor was there much chance, at least up until the last reform of the market in wine, that the non-producer countries would be politically willing to accept significant financial burdens in order to support a market which was the business only of other countries.

Hence the measures adopted in 1982, which were certainly complex and not such as to provide an automatic guarantee that the 82% of the guide price aimed at would be achieved, probably represented the best possible compromise at that time between the differing exigencies of the Member States.

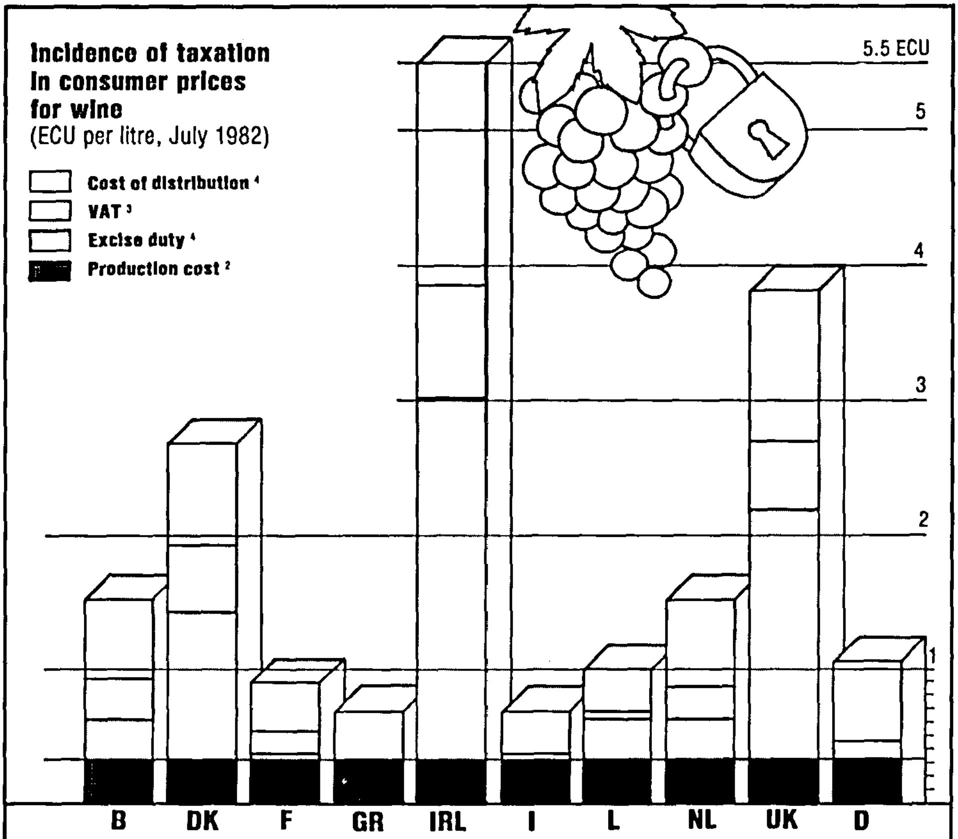
On the other hand it may not be possible to tell how effective the new rules governing the market in wine will be until real bumper harvests occur.

In the meantime there is no reason why wine-growers should not be encouraged to make themselves acquainted with the current provisions and to make full use of every possibility, with an eye to the not-too-distant future and to the general interest, as well as to immediate individual advantage, for the Community wine rules in their implementation could perhaps turn out to be better or worse according to how well people are able to use them.

Nor should it be forgotten that although the rules may in time reveal themselves as incomplete or imperfect as new situations arise, they have succeeded, since 1970, in improving the quality of the wine put on to the market, in taking off the market, over 12 years ago, something like 96 million hectolitres by means of distillation (58 million through exceptional distillation measures), in bringing about significant increases in exports to non-Community countries and in ensuring a substantial degree of free movement of wine within the EEC.

2. *From a wine surplus to an alcohol surplus*

When in 1970 the decision was taken to adopt distillation as the instrument for regulating the wine market — and it was a farsighted and beneficial decision — the inevitable consequence was that when a wine surplus occurred new problems arose on the alcohol market.



	Price to consumer [1]	Production cost [2]	Excise duty [4]	VAT [3]	Cost of distribution [4]
B	1.51	0.3245	0.3 [5]	25	0.58
DK	3	0.3245	1.11 [6]	22	1.02
F	0.84	0.3245	0.035 [7]	18.6	0.35
GR	0.66	0.3245	—	—	0.33
IRL	5.50	0.3245	2.715	18	1.62
I	0.68	0.3245	—	8	0.31
L	0.98	0.3245	0.15 [8]	5	0.47
NL	1.50	0.3245	0.3 [5]	18	0.65
UK	3.88	0.3245	1.914	15	1.14
D	1.03	0.3245	—	13	0.59

[1] Indicative average prices taken from information supplied by trade organizations.
[2] Guide price for red table wine of 11° strength at source, 1981/82 wine-growing year.
[3] Percentage, included in final price to consumer.
[4] Calculated by subtraction. Includes all costs, from origin to retailer, including transport, bottling, distribution and cost of bottle.
[5] For Luxembourg wine the duty is approximately half.
[6] In addition there is a tax of 0.12 ECU per bottle and a tax of 1.5% on imported wine.
[7] Duty on circulation.
[8] Foreign wines only. No excise duty is chargeable on Luxembourg wines.
Source: Corriere Vinicolo No 40 of 11. 10. 1982, Milan.

Similarly, making wine out of surplus table grapes did resolve certain difficulties in the fruit and vegetable markets from time to time, but this was at the expense of the wine market (and this problem in turn was resolved by the compulsory distillation of wines derived from vines not classified as producing wine grapes, thus creating further problems on the alcohol market).

In the case of wine, as we have seen, the total volume of alcohol produced as the result of distillation measures — equivalent to around 7 to 8 million hectolitres of wine per year — has reached a level at which it would be taking a not inconsiderable share of the market away from other alcohol products, especially molasses or synthetic alcohol, both of which sectors therefore set up fierce political resistance, particularly in certain countries not producing wine, to any increase in these distillation measures to support the wine market.

It is for this reason, among others, that the proposal for a regulation on the common organization of the market in alcohol, which was put by the Commission to the Council on 6 March 1972, has never had any hope of success and is now totally in limbo.

Moreover, the transfer of wine surpluses on to the alcohol market is a very costly operation for both the EEC and the Member States.

The mechanisms applied for this purpose are essentially three, which are differentiated according to who becomes the owner of the products obtained from the distillation.

In the case of certain compulsory distillation interventions — compulsory deliveries ('prestations viniques') and distillation under Article 40 — the wine is bought from the producers at an appropriate price established by the EEC and the alcohol then remains the property of the intervention agencies, which receive from the EAGGF a flat-rate aid to cover the costs involved in the processing of the wine, storage and handling.

In the case of compulsory distillation under Article 41, the alcohol derived is delivered to the intervention agencies, which take it over on behalf of the EAGGF, the latter assuming ownership and having to pay all the costs of processing, storage and handling, as well as paying the producers the price laid down by Community rules.

In the case of optional preventive distillation, support distillation and distillation at guaranteed price to long-term contract holders, the alcohol and the distillates remain the property of the distillers themselves, while the EAGGF grants them a subsidy per hectolitre of wine distilled which allows them to pay a fixed price to the growers and at the same time allows a production cost of the alcohol which is such as to permit the distiller to put it on the market at a competitive price.

However, seeing that the distillers are private concerns who without profits obviously cannot operate and that the Community distillation measures are compulsory, certain wine-producing countries arrange for their intervention agencies to relieve the distillers of the commercial risk and take over the responsibility for products resulting from Community distillations.

In this case, however, there is a cost burden for the country concerned and at the same time a conflict of economic interests arises between the intervention agency which has taken over the alcohol and the private distillers who, once having delivered the products to the agency concerned, aim to continue with their own production without having to suffer any further interference on the market.

It can occur, therefore, as is happening in Italy, that only a very small proportion of the alcohol from Community distillation held by the intervention agency is put on to the free market, while the greater part remains in storage, with a consequent increase in cost and deterioration in quality, to the point where the alcohol is no longer saleable without further processing and at a considerable loss.

In Italy, for example, the stocks of wine alcohol, which at the end of 1973 were equivalent to 1 060 000 hectolitres of pure alcohol, at the end of 1978 to 1 630 000 hectolitres, and at the end of 1980 to 2 506 000 hectolitres, are expected at the end of the 1982/83 wine year to amount to 4 million hectolitres, as against a normal consumption of around 600-700 000 hectolitres per year, which is about equal to normal annual production without Community distillation measures.

The situation in France, albeit less serious thanks to the capacity for reducing stocks of alcohol derived from wine which is guaranteed by the French Service des Alcools, is nevertheless disturbing: at the end of the 1981/82 wine-growing year the stocks resulting from the various distillation measures amounted to a total of around 2 million hectolitres of pure alcohol.

What can be done with this alcohol without paralysing the distilling industry for years ahead or draining the funds of the Member States or of the EEC?

One partial solution might be to channel the musts for use in non-traditional market sectors. It has been demonstrated that the amount of aid granted for the distillation of wine is sufficient to enable grape musts to be used in livestock feed. The Council has provided in the basic regulation governing wine a legal basis for financing the stepping-up of current research.

At all events this is one of the problems not yet resolved, and one which is becoming more and more acute, both because it seems that the saturation point of the alcohol market is not far off and because under these circumstances, as was seen at the time of the 1982 reform of the common organization of the market in wine, the interests of the distilling industry are by now weighing seriously upon the entire system of measures to support the wine market, based as this is precisely upon distillation.

3. *Aids on one hand and taxes on the other*

A second problem which is perhaps simpler but equally, or even more, serious consists in the burden of taxes levied upon wine in certain Community countries, which clearly tend to put a brake on consumption.

If the price of wine 'at the winery gate' is taken as being equal to the guide price (although in fact the market price is almost always lower) then for a red table wine of an alcoholic strength of 11% vol., the excise duty payable in the various countries currently stands at the following levels:

Excise duty in proportion to the guide price of table wine RI

Greece	—
Italy	—
FR of Germany	—
France[1]	10%
Luxembourg	46%
Belgium	92%
Netherlands[2]	92%
Denmark	339%
United Kingdom	590%
Ireland	830%

[1] 'Circulation duty'.
[2] Over and above this, a tax is levied on the bottles equal to 0.12 ECU per bottle, and a duty of 1.5% on imported wines.

When VAT is also taken into consideration — which though it is not restricted to wine, and is common to all products or major product categories, nevertheless helps to increase the cost to the consumer — then for the same countries as before the tax burden on wine reaches very high figures (VAT is applied to the consumer selling price, which, apart from the cost price, includes the cost of transport, bottling and labelling, distribution and even the excise duty on the wine) and may even exceed the actual basic selling price of the wine.

VAT in proportion to the guide price of table wine RI

Greece	—
Italy	15%
Luxembourg	15%
FR of Germany	35%
France	41%
Netherlands	68%
Belgium	95%
Denmark	148%
United Kingdom	154%
Ireland	262%

When we take into consideration the fact that, in order to increase the basic selling price of wine by about 0.07 ECU per litre during 1980/81 and 1981/82, the EEC spent something like 875 million ECU, a figure which is comparable to the total amount collected in taxes on table wine throughout the EEC, it is easy to understand how the charges imposed on wine, albeit for perfectly acceptable reasons in terms of national budgets, run completely counter to that expansion in consumption which counts among the objectives of the Treaty of Rome and which would alone be sufficient to eliminate wine surpluses and to boost the budgets of both the wine-growers and the EEC.

The taxation on wine, moreover, is not always due to unexceptionable budgetary considerations. In some cases taxation is used as a shield to protect the home-based industry producing competing forms of drink (beer, for example) against wine.

The EEC Commission has, of course, made every effort to find a solution to this problem of excessive taxation and included the matter in its action programme 1979-85. It has also put forward three separate proposals.

The first was the proposal to harmonize excise duties on wine, beer and alcoholic beverages, put before the Council on 7 March 1972 but so far held up by continuing profound divergences of opinion and interests between the Member States.

The second was an official recommendation, sent to the Member States in 1975, to the effect that they should not increase and indeed should reduce the taxation on wine. This too proved ineffective, as certain States have since then continued to make periodic increases in the taxes on wine.

The third action consisted in referring to the Court of Justice numerous cases of fiscal discrimination by a number of countries, including the alleged discrimination in the taxation of wine as against beer in the United Kingdom and in Ireland (case of 7 August 1978). But, following a preliminary ruling by the Court of Justice on 27 August 1980, this action too has failed to achieve a positive result concerning, as it does, matters which are both arguable and highly political.

Hence, taxation is another problem which cannot be ignored within the framework of a global strategy for the Community designed to protect wine-growers' incomes, especially as it involves a confrontation between the vine and wine, grown and produced in the Mediterranean regions, and the alcoholic beverages industry of the northern countries.

4. *The monetary question*

A third major problem which has assailed the common market in wine in an extremely acute form over the past decade is currency fluctuations.

One of the cornerstones of the EEC's agricultural policy is the guaranteeing throughout the Community territory of a single price for each agricultural product, that is, a price that has an equal true value although expressed in different national currencies.

To this end the EEC fixes guide prices, intervention prices, reference prices or support prices or buying-in prices and so on in conventional currency units — now the European currency unit (ECU).

But for those products which do not enjoy a total price guarantee — expressed in ECU — prices may, in spite of all EEC measures, fluctuate freely both above and below the official prices fixed in ECU.

In such cases there is, practically, a return to free market conditions, in which the competitiveness of the products of a given country depends, among other things, upon the currency exchange rate between that country and the others.

Something of the sort has happened in the case of wine. In 1970, when the common organization of the market in wine was first set up, wine prices in France and in Italy were nearly the same: in France FF 7 per % vol/hectolitre for table wine and in Italy LIT 750-800, with one franc being worth LIT 113 on the international money market.

Consequently there was no financial advantage in selling Italian wine on the French market. Indeed, the cost of transport from the south of Italy to the harbours in southern France was a hurdle which could hardly be surmounted.

As a result, the import of Italian wine into France only began when it was found to be complementary in quality to French production: the wines of Apulia, Sicily and Sardinia were naturally suited to filling the market gap left by the Algerian wines. The suspension of convertibility of the dollar into gold (August 1971) gave rise to a system of floating exchange rates which saw a progressive devaluation of the weaker currencies such as the Italian lira, and a revaluation of the stronger currencies such as the German mark.

The introduction of 'monetary compensatory amounts', to maintain the original equivalence of the currencies of the Member States, was not enough to prevent Italian wine from entering the French market, no longer simply because it was naturally complementary to French output but also because it was cheaper.

Let us look at a concrete example.

The rate of inflation in Italy from 1970 to end-1981 amounted to 450%, and in France to only 300%. Thus the original LIT 750-800 per % vol/hectolitre for Italian wine would, after 11 years, become around LIT 3 400-3 600, and the FF 7 would become FF 21.

If things had been as simple as that the situation would have remained as before and everyone would have been happy.

In the meantime however, the ratio between the franc and the lira went from 1:113 to 1:210, so that the Italian wine at LIT 3 400 corresponded to French wine not at FF 21 but at FF 16.2. For the French wine-growers this represented a drop of 25% against the going national quotations when the common organization of the market was first set up.

All this was in addition to the effects from the crises of over-production which, at the beginning of the 1980s had depressed Italian prices well below LIT 3 400, and thus also French prices well below FF 16.2.

Hence the problems of the inflation/devaluation differential between the lira and the franc became particularly acute for the wine market, adding crisis upon crisis in recent years, partly nullifying the common organization of the market and giving rise to serious discontent in the wine-growing regions, particularly in southern France.

It is quite true that the monetary problem is common to all those products in which, for good or ill, there is a free market, but it is equally true that the problem must not be neglected in the specific case of the wine sector or in the context of the relationship between Italy and France: between them, and in competition with each other, they account for 45% of world production of wine and, as we have seen in previous chapters, wine is in both countries a product of decisive socio-economic importance for whole regions.

The 1982 reform of the common organization of the market in wine was intended as an important step towards resolving the problem by broadening the scope of the price guarantee for wine. Insofar as it achieves its purpose, it will have made a praiseworthy contribution to social and economic peace and tranquillity for thousands of wine-growers in the southern regions of France and Italy.

5. Starting from scratch with Spain and Portugal?

With all the rules it has developed, the experience it has acquired, its successes and failures, which we have reviewed briefly in the previous chapters, the common organization of the market in wine, having absorbed Greece, is now preparing itself for dealing with Spain and Portugal.

When the EEC institutions meet to review prospects for the 1980s this is their main preoccupation on the wine front.

The problem is an intriguing and a worrying one.

For the Peninsula cannot remain outside a united Europe. Its hard-working, serious-minded peoples, its history of greatness and its thousands of years of culture make it an integral part of the fabric of Europe, quite apart from the political arguments for unifying the whole of Western Europe.

Spain, however, is the third largest wine producer in the world and the one with the greatest acreage under vines, while Portugal is the seventh biggest producer.

Let us look at a few facts and figures:

- — 47 million inhabitants, 10 million in Portugal and 37 million in Spain, as against 270 million in the EEC;
- — 2 million hectares of vines, 350 000 in Portugal and 1 650 000 in Spain (60% qualifying as producing wine with a registered designation of origin as against 2 700 000 hectares in the EEC;
- — Average wine production amounting to between 40 and 50 million hectolitres, 8-10 million in Portugal and 30-40 million in Spain, as against 140-150 million in the EEC. The production of liqueur wines, including the celebrated Sherry, Port, Malaga and Madeira, amounts to 3 million hectolitres per year. Quality wines psr amount to between 6 and 7 million hectolitres (in the EEC they account for around 30 million);
- — Exports of over 7 million hectolitres of wine, as against 25 million from the EEC countries;
- — Table wines, which constitute the major part of the Iberian production, totalling 35-40 million hectolitres against 110 million in the EEC. A good half of these are white wines, whereas reds predominate in consumtpion;
- — A vineyard structure which is highly fragmented and mainly under extensive forms of cultivation. Much the same applies to the wine-making structures (industrial and cooperative), which are very similar to those in Italy (Spain has 850 cooperatives, with 200 000 members, accounting for half of production);
- — Large regions such as La Mancha, with 700 000 hectares, the Levante with 240 000 hectares, and a number of others, where the cultivation of the vine is a major feature of the socio-economic picture, as it is in southern Italy and in the French Midi;
- — No duties on wine, as opposed to the heavy fiscal burdens which exist in most of the EEC.

These are the main features of the wine situation in the two countries of the Iberian Peninsula.

Portugal as things stand at present does not appear to pose major problems as regards wine, since there is no great imbalance between supply and demand thanks to a large export business and a *per capita* consumption which is among the highest in the world.

It should however be borne in mind that there were no problems in Greece up to its entry into the EEC but after the very next harvest — 1981/82 — it was necessary to send over a million hectolitres of wine for distillation (out of an annual production of only 5 million hectolitres).

Things could be more complex for Spain, where consumption is tending to decrease while production surpluses are increasing and the yield per hectare, which is very low, is rising from year to year. Moreover, wine prices and agricultural wages are well below those obtaining in the Community.

Then again, Spain already has a 'market organization' which strongly resembles that of the Community and precisely for this reason will need a lot of imaginative thinking and coordination if it is to blend in with that of the EEC.

Hence the most difficult questions concern Spain, more specifically on two points:

— The Community already has serious problems and spends more than it can easily afford in order to dispose of wine surpluses which appear to be chronic. What will happen if, in an enlarged common market of the future, the surpluses grow even larger, the Spanish ones being added to those of the Community? And what will happen if Spanish wine production increases in line with its immense wine-growing potential?

— The EEC's wine-growers already complain that prices are too low. What will happen if Spanish wines, at much lower prices, come on the scene as competitors?

These are questions which can certainly not be answered here, but they might lead to a new revision, and this time a radical one, of all that has been done so far in the EEC in order to bring together the two great wine markets of Italy and France.

It is indeed possible that the whole common organization of the market in wine, put together so laboriously and meticulously over 12 years and more and moulded around the needs of a wine market of 100-120 million hectolitres with an average surplus of 7-8 million may not be up to governing a market of some 150 million hectolitres of table wine with an average annual surplus of perhaps 15-20 million.

Hence our long peregrination through the story of wine, from the origins of the vine to the common organization of the market, can provide food for thought not only on the current situation regarding the Community rules on wine and on their effects in the immediate future, but also on the great and demanding idea of embracing in a single market, in the more distant future, not only the wines of Greece, already included on 1 January 1981, but also those of Spain and Portugal, or in other words most of the wine of Europe.

Glossary

Accompanying document

In accordance with Article 53 of Regulation (EEC) No 337/79 wine products and by-products can be put into circulation within Community territory only if accompanied by a document checked by the administrations of the Member States.

The format of the accompanying document and the way in which it is used were laid down by the Commission in Regulation (EEC) No 1153/75 and are thus obligatory upon both the Member States and all operators in the wine sector.

Advisory Committee on Wine

A body set up by the Commission by a Decision of 18 July 1962 to ensure direct and systematic liaison with representatives of organizations in the wine sector. The task of the Advisory Committee is to express opinions on matters put to it by the Commission. Since it does not possess executive powers, no voting procedure is provided for.

Such committees exist for all products covered by the common agricultural policy.

The Advisory Committee on Wine is composed of 42 members: 13 for the wine producers, 8 for the co-operatives, 6 for the trade, 4 for the industry, 6 for the agricultural and food industry workers, and 5 for the consumers.

Agricultural unit of account

Prices for agricultural products are intended to be uniform throughout the 'common market'. The EEC fixes the exchange rates of the ECU to apply, for the purposes of the Community agricultural policy, for the various national currencies.

Following the adjustments made by Regulation (EEC) No 1668/82 the following rates apply, as from various dates according to the products concerned, for 1 ECU:

44.9704	Belgian francs
44.9704	Luxembourg francs
8.234	Danish kroner
2.57524	German marks
6.37174	French francs
66.5526	Greek drachmas
0.691011	Irish pound
1 289	Italian lire
2.75563	Dutch guilders
0.618655	pound sterling

The rates of exchange of the ECU for the purposes of the common agricultural policy vary with changes in the real exchange rates of the currencies of the various Member States.

Associated countries — see 'Member States'.

CAP (common agricultural policy)

This is one of the 11 objectives laid down in Article 3 of the Treaty of Rome, with the aim of fulfilling the general political and economic purposes of the Community, as laid down in Article 2 of the Treaty.

Specific provisions relating to the achievement of a common market in agriculture and to the common agricultural policy are to be found in Title II of the Treaty of Rome, Articles 39 to 47.

The provisions apply to those agricultural products listed in Annex II to the Treaty including, among others, grape musts and wines (to which were later added ethyl alcohol and vinegar).

Commission

This is the executive body of the EEC, initially set up under Articles 155 to 163 of the Treaty of Rome and later reconstituted on the basis of the Treaty of 8 April 1965 merging the executives of the three European Communities.

Its functions within the EEC are largely equivalent to those of the *executive,* as exercised by the government of each individual State. It serves as the guardian of the application of the Treaty of Rome and hence can have recourse to the Court of Justice.

It participates in the shaping of Council decisions and ensures their implementation. It also possesses powers of its own under the Treaty of Rome. It may make regulations, issue directives, take decisions, make recommendations or deliver opinions.

The Commission is at present composed of 14 members (two members each for Germany, France, Italy and the United Kingdom, one member each for Belgium, Denmark, Greece, Ireland, Luxembourg and the Netherlands). Members are appointed for four years. One President and five Vice-Presidents are appointed from among them.

Each Commissioner has his own specific responsibilities. One Commissioner is responsible for agriculture alone. The Commission takes decisions by simple majority.

To assist it in the performance of its duties there is a Secretariat-General, 20 Directorates-General and seven other services or specialist departments.

Common market

A European common market is one of the principle objectives of the Treaty of Rome, laid down in Articles 2 and 8 of the Treaty itself in a general sense and in Article 39 regarding agriculture in particular. It was duly achieved after a 'transitional period' of 12 years, starting from 1958. In the wine sector the common market was achieved in 1970.

This chiefly involves the free circulation of goods and the abolition of all quantitative restrictions, or measures having equivalent effect, in trade between Member States.

Council

Established in accordance with Articles 145 to 154 of the Treaty of Rome, it is the Community's supreme decision-making body. It has the task of ensuring that the aims of the Treaty of Rome are attained and of coordinating the economic policies of the Member States.

The Council's powers within the EEC correspond to those of the *legislative* in the Member States.

The Council is composed of representatives of the Member States, chosen according to the questions under discussion. It acts by a simple majority, the votes of the members being weighted as follows (total of 63 votes): Germany, France, Italy and the United Kingdom, 10 votes each; Belgium, Greece and the Netherlands, 5 votes each; Denmark and Ireland, 3 votes each and Luxembourg, 2 votes.

Where a qualified majority is called for by the Treaty of Rome, it is of 45 votes out of 63. This applies to certain aspects of the common agricultural policy. An internal procedure laid down for exceptional cases is for unanimity to be required. The Council's debates are prepared not only by the Special Committee on Agriculture but also by various other Committees including the Committee of the Permanent Representatives of the Member States ('Coreper'). The Council has its own General Secretariat.

Countervailing charge — see 'Reference price'.

Court of Justice

Established under Articles 164 to 188 of the Treaty of Rome, it has the task of ensuring that the law is observed in the interpretation and application of the Treaty of Rome.

It is composed of 11 Judges, who are assisted by five Advocates-General and a Registrar.

The Commission may have recourse to the Court of Justice should it consider that a Member State has failed to fulfil an obligation under the Treaty of Rome (Article 169), as may a Member State which considers that another Member State has failed to fulfil such an obligation, after it has brought the matter before the Commission (Article 170), or indeed any natural or legal person who claims that an act of the Commission or of the Council is unlawful in his regard (Article 173). Article 173 also enables the Council and Commission to bring actions before the Court in respect of any Community act which is held to be unlawful. Furthermore, where the interpretation of the Treaty is raised in a national court, that court may request the court of Justice to give a 'preliminary ruling' (Article 177).

Customs duty

Tax on goods from non-Community countries when imported into the Community.

Customs duties may vary with quantity (specific duty), as for wine, or with value (*ad valorem* duty), as for grape must and grape juice (tariff heading 20.07).

The list of Community customs duties on products from non-member countries constitutes the Common Customs Tariff, set up for the first time in 1960 and periodically updated by regulation.

Decision

This is one of the acts provided for in Articles 189 to 192 of the Treaty of Rome which may be adopted by the Council or the Commission. A Decision is binding upon the State or person to whom it is addressed. When applied to persons it is enforceable.

Definitions

Annex II to Regulation (EEC) No 337/79, as amended by the Act of Accession of Greece and Regulations Nos 453/80 and 3577/81, defines all the various products and by-products in the wine sector as follows:

1. Fresh grapes: the fruit of the vine used in making wine, ripe or even slightly raisined, which may be crushed or pressed by normal wine-cellar means and which may spontaneously produce alcoholic fermentation.

2. Grape must: the liquid product obtained naturally or by physical processes from fresh grapes. An actual alcoholic strength of the grape must of not more than 1% vol shall be permissible.

3. Grape must in fermentation: the product obtained from the fermentation of grape must and with an actual alcoholic strength by volume of more than 1% vol but less than three-fifths of its total alcoholic strength by volume; however, certain quality wines psr having an actual alcoholic strength by volume of less than three-fifths of their total alcoholic strength by volume but not less than 5.5% vol shall not be considered as grape must in fermentation.

4. Fresh grape must with fermentation arrested by the addition of alcohol: a product which:
   - is produced in the Community;
   - has an actual alcoholic strength by volume of not less than 12% vol but less than 15% vol; and
   - is obtained by the addition to unfermented grape must having a natural alcoholic strength by volume of not less than 8.5% vol and derived exclusively from vine varieties referred to in Article 49:
     - of neutral alcohol of vinous origin, including alcohol obtained from the distillation of dried grapes, having an actual alcoholic strength by volume of not less than 95% vol, or
     - of an unrectified product derived from the distillation of wine and having an actual alcoholic strength by volume of not less than 52% vol and not more than 80% vol.

5. Concentrated grape must: uncaramelized grape must which is:
   - obtained by partial dehydration of grape must carried out by any authorized method other than by direct heat from a fire in such a way that its density at 20°C is not less than 1.240 g/cm^3;
   - derived exclusively from vine varieties referred to in Article 49;
   - produced within the Community; and
   - obtained from grape must having at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which the grapes were harvested. An actual alcoholic strength of the concentrated grape must of not more than 1% vol shall be permissible.

5(a). Rectified concentrated grape must: the liquid uncaramelized product which:
   - is obtained by partial dehydration of grape must, carried out by any authorized method other than direct heat of a fire in such a way that its density at 20°C is not less than 1.350 g/cm^3; Member States may, however, allow a different density for products used on their territory, provided that the figure is no lower than 1.240 g/cm^3;

— has undergone authorized treatment for de-acidification and elimination of components other than sugar, so that its acidity, expressed as tartaric acid, is not greater than 1 g/kg of total sugars and its ash content is not greater than 1.2 g/kg of total sugars;

— has a:
  — total phenol content between 100 and 400 mg/kg of total sugars,
  — simple phenol content not less than 50% of total phenols,
  — sucrose content of less than 20 g/kg of total sugars;

— is derived exclusively from the vine varieties referred to in Article 49;

— is produced within the Community;

— is obtained from grape must having at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which the grapes were harvested.

An actual alcoholic strength of the rectified concentrated grape must of not more than 1% vol shall be permissible.

6. Grape juice: the unfermented but fermentable liquid product obtained by appropriate treatment rendering it fit for consumption as it is; it may be obtained:

   (a) from fresh grapes or from grape must; or

   (b) by reconstitution:
      — from concentrated grape must, including concentrated grape must defined in accordance with Article 1 (4) (c), or
      — from concentrated grape juice.

   An actual alcoholic strength of the grape juice of not more than 1% vol shall be permissible.

7. Concentrated grape juice: uncaramelized grape juice obtained by partial dehydration of grape juice carried out by any authorized method other than by direct heat from a fire in such a way that its density at 20°C is not less than 1.240 g/cm³.

   An actual alcoholic strength of the concentrated grape juice of not more than 1% vol shall be permissible.

8. Wine: the product obtained exclusively from the total or partial alcoholic fermentation of fresh grapes, whether or not crushed, or of grape musts.

9. New wine still in fermentation: wine in which alcoholic fermentation is not yet complete and which is not yet separated from its lees.

10. Wine suitable for yielding table wine: wine which:

    — is derived exclusively from vine varieties referred to in Article 49;

    — is produced in the Community; and

    — has at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which it was produced.

11. Table wine: wine, other than quality wine psr, which:

    — is derived exclusively from vine varieties referred to in Article 49;

    — is produced in the Community;

    — has, whether or not following application of the processes specified in Article 33, an actual alcoholic strength by volume of not less than 8.5% vol provided the wine derives exclusively from grapes harvested in wine-growing zones A and B and of not less than 9% vol in other wine-growing zones, and a total alcoholic strength by volume of not more than 15% vol;

— has a total acidity content expressed as tartaric acid of not less than 4.5 g/l, or 60 milliequivalents per litre.

However, in the case of wines from certain wine-growing areas to be determined which have been produced without any enrichment and do not contain more than five grams of residual sugar, the upper limit for the total alcoholic strength by volume may be raised to 17% vol.

12. Liqueur wine: the product which:

— is produced in the Community;

— has a total alcoholic strength by volume of not less than 17.5% vol and an actual alcoholic strength by volume of not less than 15% vol and not more than 22% vol; and

— is obtained from grape must or wine, these products being derived from certain of the vine varieties referred to in Article 49, and having a natural alcoholic strength by volume of not less than 12% vol:
 — by freezing, or
 — by the addition during or after fermentation:
  (i) of neutral alcohol of vinous origin, including alcohol obtained from the distillation of dried grapes, having an actual alcoholic strength by volume of not less than 95% vol, or
  (ii) of an unrectified product derived from the distillation of wine and having an actual alcoholic strength by volume of not less than 52% vol and not more than 80% vol, or
  (iii) of concentrated grape must or, in the case of certain quality liqueur wines produced in specified regions and appearing on a list to be adopted of wines for which such practice is traditional, of grape must concentrated by direct heat which, apart from this operation, corresponds to the definition of concentrated grape must or,
  (iv) of a mixture of these products.

However, certain quality liqueur wines produced in specific regions and appearing on a list to be adopted may be obtained from unfermented fresh grape must which does not need to have a minimum natural alcoholic strength by volume of 12% vol.

13. Sparkling wine: saving the derogation provided for in Article 48 (3), the product which is obtained by first or second alcoholic fermentation:

— of fresh grapes,

— of grape must,

— of wine,

all suitable for yielding table wine;

— of table wine; or

— of quality wine psr

and which, when the container is opened, releases carbon dioxide derived exclusively from fermentation and having excess pressure of not less than 3 bar when kept at a temperature of 20°C in closed containers.

14. Aerated sparkling wine: the product which:

— is obtained, subject to the provisions of Article 48 (3), from table wine;

— is produced in the Community;

— releases, when the container is opened, carbon dioxide derived totally or partially from an addition of that gas; and

— has an excess pressure not exceeding 3 bar when kept at a temperature of 20°C in closed containers.

15. Semi-sparkling wine: the product which:

— is obtained from table wine, quality wine psr or from products suitable for yielding table wine or quality wine psr, provided that such wine or products have a total alcoholic strength by volume of not less than 9% vol;

— has an actual alcoholic strength by volume of not less than 7% vol;

— contains endogenous carbon dioxide;

— has an excess pressure of not less than 1 and not more than 2.5 bar when kept at 20°C in closed containers; and

— is put up in containers of not more than three litres.

16. Aerated semi-sparkling wine: the product which:

— is obtained from table wine, quality wine psr or from products suitable for yielding table wine or quality wine psr;

— has an actual alcoholic strength by volume of not less than 7% vol and a total alcoholic strength by volume of not less than 9% vol;

— contains carbon dioxide which has been wholly or partially added;

— has an excess pressure of not less than 1 and not more than 2.5 bar when kept at 20°C in closed containers; and

— is put up in containers of not less than three litres.

17. Wine vinegar: vinegar which:

— is obtained exclusively by acetous fermentation of wine; and

— has a total acidity of not less than 60 g/l expressed in acetic acid.

18. Wine lees: the muddy residue accumulating in wine vessels after fermentation or during the storage of wine, dried or not; a distinction is drawn between:

— lees having a total alcoholic strength by mass of not more than 7.9% 'mas' and a dry matter content of not less than 25% by weight; and

— other lees.

19. Grape marc: the residue from the pressing of fresh grapes, whether or not fermented; a distinction is drawn between:

— grape marcs having a total alcoholic strength by mass of not more than 4.3% 'mas' and a dry matter content of not less than 40% by weight; and

— other grape marcs.

20. Piquette: the product obtained:

— by the fermentation of untreated grape marc macerated in water; or

— by leaching fermented grape marc with water.

21. Wine fortified for distillation: the product which:

— has an actual alcoholic strength by volume of not less than 18% vol and not more than 24% vol;

— is obtained exclusively by the addition to wine containing no residual sugar of an unrectified product from the distillation of wine having a maximum actual alcoholic strength by volume of 86% vol; and

— has a maximum volatile acidity of 2.40 g/l, expressed as acetic acid.

Apart from the definitions listed above Regulation (EEC) No 337/79 also defines, in Annex I, the technical terms relating to the various 'alcoholic strengths' whereby the sugar and alcohol contents of wines and musts are classified.

Regulation (EEC) No 948/70, as successively amended, also laid down certain definitions for musts, liqueur wines, semi-sparkling wines and sparkling wines originating in non-Member States.

Finally, Article 1 of Regulation (EEC) No 338/79, defines 'quality wines psr', that is 'quality wines produced in specified regions', referred to in Article 1 (5) of Regulation No 337/79.

On the basis of this definition and of Article 3 of Regulation No 338/79, we may say that the term refers to those quality wines which conform to the stipulations of Regulation No 338/79, are defined by national regulations, are produced in 'specified regions', that is to say in a wine-growing area or group of wine-growing areas whose name is used to designate its wines, and possess special quality characteristics.

Directive

One of the acts which the Council and the Commission may adopt under Articles 189 to 192 of the Treaty of Rome.

It is addressed to the Member States, who are obliged to adopt national provisions for applying whatever is laid down in the directive but remain free to select the form and methods of implementation within their own territories. The directive does not apply directly to individuals.

EAGGF (The European Agricultural Guidance and Guarantee Fund)

Established by Regulation No 25 of 4 April 1962 in accordance with Article 40 of the Treaty of Rome, it is the instrument by which the EEC finances and implements the common agricultural policy. It is divided into two sections: the Guidance Section (expenditure on structural improvements in farming or farming-related activities), and the Guarantee Section (expenditure on supporting agricultural markets).

The EAGGF is funded from the Community's own resources which are derived, *inter alia,* from customs duties, agricultural levies and receipts from value-added tax.

Economic and Social Committee

Established in accordance with Articles 193 to 198 of the Treaty of Rome and consisting of representatives of the various categories of social and economic activity: producers, farmers, carriers, workers, dealers, craftsmen and the professional occupations.

It consists of 156 members: Germany, France, Italy and the United Kingdom have 24 members each, Belgium, Greece and the Netherlands 12 each, Denmark and Ireland 9 each, and Luxembourg has 6 members.

The Economic and Social Committee is served by a specialized agricultural section, which deals with questions regarding the wine sector.

The Council and the Commission are obliged to consult the Committee in all those cases specified in the Treaty of Rome, and specifically as regards provisions relating to the common agricultural policy.

The opinion expressed by the Committee is not, however, binding.

ECU (European currency unit)

The monetary unit of the European Monetary System (EMS), used by the EEC since the beginning of 1979 in running that system.

The value of the ECU was initially defined as being equal to the sum of the values of the following fixed amounts expressed in national currencies: DM 0.828, FF 1.15, UKL 0.0885, LIT 109, HFL 0.286, DKR 0.217, BFR 3.66, LFR 0.14, IRL 0.00759.

In practice, the value of the ECU was initially made up as follows: the German mark 33%, the French franc 19.8%, the pound sterling 13.3%, the Dutch guilder, 10.5%, the Italian lira 9.5%, the Belgian franc 9.2%, the Danish krone 3.1%, the Irish pound 1.1% and the Luxembourg franc 0.4%.

Since then these ratios have been adjusted a number of times in the wake of general currency agreements between the Member States.

EEC (European Economic Community)

The EEC was set up by the Treaty of Rome (25 March 1957). On 8 April 1965 a treaty was signed merging the executives of the EEC, the ECSC (Europeen Coal and steel Community), and the EAEC (European Atomic Energy Community). This treaty became effective on 1 July 1967. EC is a common abbreviation for European Communities.

European Parliament

According to Articles 137 to 144 of the Treaty of Rome, the 'representatives of the peoples of the States brought together in the Community' constitute the Assembly of the Community, which has deliberative powers, powers relating to budget matters, supervisory powers and the right to take part in the legislative procedure.

The Assembly is commonly called the European Parliament. Currently, following upon agreements concluded in July 1976 among the Member States, upon direct elctions based on universal suffrage held on 17 July 1979, and upon the accession of Greece, it is composed of 434 elected members — 81 each for Germany, France, Italy and the United Kingdom, 25 for the Netherlands, 24 for Belgium and Greece, 16 for Denmark, 15 for Ireland and 6 for Luxembourg.

Excise duty

Tax on wine or alcoholic drinks, or on other products, levied by individual countries on the quantities released for consumption or manufactured or imported. In the case of alcoholic drinks it is usually proportional to quantity and/or alcoholic content. It is expressed in national currency.

Guide price

In accordance with Regulation No 337/79, the EEC fixes a 'guide price', each year before 1 August, for each type of table wine on the basis of the market quotations for the two previous wine-growing years.

This price remains valid from 16 December to 15 December of the following year and is expressed in ECU per percentage vol/hectolitre or per hectolitre.

The guide price, which exists also for certain livestock products such as beef and veal, indicates the average wholesale price which has been adopted by the EEC as its policy objective in the sector and hence serves as a guide for the producers involved.

It is by reference to the guide price that the intervention price and the reference price are established and certain specific intervention measures decided upon.

Intervention price

More accurately 'the threshold price activating the intervention system', or 'activating price'. Under Article 3 of Regulation No 337/79, this is fixed before 16 December of each year in the light of the guide price level and taking into account the state of the wine market and the foreward estimates regarding availabilities and utilization of table wine within the Community.

It may not exceed 95% of the guide price, remains valid for the same period as the guide price and is expressed in ECU per percentage vol/hectolitre or per hectolitre, by type of wine, in the same way as the guide price.

The intervention price is the determining factor as to how and when the intervention measures provided for by Regulation No 337/79 are to be applied, such as aid for private storage or certain types of distillation. In practice the intervention price in the wine sector represents the lower limit of prices which triggers off all the Community's main market support measures.

Languages

The EEC has adopted as its official languages the following seven national tongues: Danish, Dutch, English, French, German, Greek and Italian.

The Official Journal of the EC is thus published in these seven languages.

Since Greek is one of the official languages of the Community, some Greek indications in use in the wine sector are written in Greek, in Greek characters, even in the other language versions of regulations.

Licences (import and export)

In order to monitor the actual amounts of wine crossing the EEC frontiers, Article 16 of Regulation No 337/79 lays down that imports shall be conditional on the production of an import licence and also that exports may be made conditional on production of an export licence.

Fot those wines and musts which conform with Community rules regarding non-EEC products, the import licence is granted without any limits on quantity but requires a security to be lodged which is currently fixed at 1 ECU per hectolitre for table wines and 2 ECU per hectolitre for semi-sparkling and sparkling wines, liqueur wines and concentrated musts.

Wine export licences have so far been applied only in cases where the party concerned intends to claim a refund (security 1 ECU per hectolitre).

Quantities of less than 30 hectolitres do not require either import or export licences.

These licences remain valid up to the end of the fourth month after issue.

Management Committee for Wine

Established by Article 6 of Regulation No 24/62 (now Article 66 of Regulation No 337/79). Like the management committees for other agricultural products, it is composed of representatives of the Member States and is chaired by a representative of the Commission.

It has submitted to it measures to be adopted for the implementation of the common agricultural policy, proposed by the Commission on the basis of regulations approved by the Council. It can also be consulted on initiative from the Commission, or by request from the representative of a Member State.

Within the Management Committee each Member State possesses the same number of votes as laid down by the Treaty of Rome for the deliberations of the Council of Ministers (see 'Council').

The Commission representative does not vote.

The Committee acts by qualified majority, i.e. 45 votes out of 63. Where no opinion is adopted or in the case of a favourable opinion by qualified majority, the Commission adopts the measures. In the event of an unfavourable opinion by qualified majority, the question is passed to the Council, which can amend the proposal made by the Commission.

Member States

The EEC was set up by the Treaty of Rome of 25 March 1957, initially by six States, namely (in order of signing) Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands.

On 1 January 1973, Denmark, Ireland and the United Kingdom entered the EEC. Finally, on 1 January 1981, Greece joined the Community, bringing the number of Member States to a total of 10.

Associated with the EEC are the 22 Overseas Countries and Territories having special relationships with France, the Netherlands and the United Kingdom.

An association agreement has been concluded with Turkey, with a view to its eventual accession to the Community.

Other trade or economic cooperation agreements are in operation with countries in the European Free Trade Association, with certain Middle Eastern, North African, Latin American and Asiatic countries, with Yugoslavia, Spain and Portugal (the latter two having applied for membership of the EEC), and with more than 60 States of the African, Caribbean and Pacific group, made up of non-Member States which in 1975 concluded with the EEC the Lomé Convention (revised on 31 October 1979).

Monetary compensatory amounts (MCAs)

A fundamental principle of the common agricultural policy is that there are common, Community-wide prices for agricultural products. However, since these prices are expressed in theoretical monetary units, that is to say in ECU, while the products are actually traded on the basis of the real exchange rates between the various currencies, the EEC has established 'monetary compensatory amounts' in order to make up for the differences between actual exchange rates among the various currencies and their values as expressed in 'agricultural units of account' (which derive from the ECU).

Consequently in the case of those Member States whose currencies have been revalued and where prices have accordingly risen although in national currency they show no change, the MCAs are collected on imports and paid out on exports. The converse happens in the case of Member States whose currencies have been devalued: the compensatory amounts are paid out on imports and collected on exports.

In practice, as regards table wines what is applied is only the difference between the MCAs applicable to France and to Italy.

The level of the compensatory amounts changes as and when the official exchange rates for the purposes of the common agricultural policy are altered (see 'Agricultural unit of account').

Opinion

The 'opinion' and the 'recommendation', provided for by Article 189 of the Treaty of Rome, are acts which the Council or the Commission are free to adopt but which are not binding and do not come under the jurisdiction of the Court of Justice.

Quality wines psr — see 'Definitions'.

Reference price

Under Article 17 of Regulation No 337/79, a reference price is fixed each year before 16 December for red wine, white wine, grape juice, grape must, wine fortified for distillation and liqueur wine.

The reference price is fixed on the basis of the guide price for the most representative Community wines, plus marketing costs. There is an increase for products in bottles. Special reference prices may be fixed in cases where the product has special characteristics or is intended for special uses. The reference price, which is expressed in ECU per hectolitre or percentage vol/hectolitre, remains valid for one year from 16 December and constitutes the minimum price, at the EEC frontier, for products from outside the Community below which a 'countervailing charge' is applied in order to protect Community production.

The price of non-EEC products is, for these purposes, the actual price, that is, as a general rule, the 'free-at-frontier offer price' plus the customs duty actually charged.

Refunds

Article 20 of Regulation No 337/79 establishes a 'refund' on Community table wine exported to certain non-member countries, in order to enable Community wine whose prices are influenced by price-support measures under the Community's wine policy to compete on equal terms with produce from non-EEC countries on international markets.

Since April 1982, the refund has been of the order of 1.05 ECU per pecentage vol/hectolitre for concentrated grape musts, 1.15 ECU per percentage vol/hectolitre for table wines of types RI, RII and AI, 5.50 ECU per hectolitre for wines of types RIII, AII and AIII and 17.25 ECU per hectolitre for liqueur wines.

Refunds are paid on the above products when exported to any non-member country with the exception of those in the Americas and those exempted from the countervailing charge (see 'Reference price') by Regulation No 2223/70, with the exception of Romania, Bulgaria and Hungary. (The countries exempted from the countervailing charge, apart from those in the Americas, are: Switzerland, Austria, Spain, Portugal, Yugoslavia, Cyprus, Turkey, Australia, South Africa, Chile, Argentina, Algeria, Morocco, Tunisia and Israel.)

Registers

Under Article 53 of Regulation No 337/79 and Regulation No 1153/75, all movements of wine products both in and out of, and all processing at the premises of producers, merchants, processors or bottlers must be entered in the appropriate 'registers', with a reference to the accompanying document or any other form of documentation (harvest declarations, invoices, etc.).

Regulation

Provided for by Articles 189 to 192 of the Treaty of Rome, this is the main legal act which both the Council and the Commission may adopt. As regards agriculture, under Article 43 of the Treaty of Rome, regulations regarding market organization or agricultural structures are the responsibility solely of the Council. However, in 1962, the Council, out of practical necessity, delegated to the Commission the power to make certain specific administrative regulations, mainly under the 'management committee' procedure. Consequently, since the Treaty of Rome has been taken into the legal systems of all the Member States, regulations issued by either the Council or the Commission have the full force of law. They are binding in their entirety, and are directly applicable in all Member States, towards whomsoever, including individuals.

Regulations must be published in the Official Journal of the European Communities. They come into force on the date laid down in them or, in the absence of such a date, 20 days after their publication in the Official Journal.

Representative price

In order to establish when and by how much wine prices within the Community diverge from the intervention price and hence require Community support intervention, Article 4 of Regulation No 337/79 provides that the average producer prices realized for the various categories of table wine on the various representative markets are to be recorded each week.

The weighted average of the average producer prices (for wines of types AI, RI and RII only that half of the representative markets are included where prices are lowest, with a minimum number of average prices to be included according to the type of wine) constitutes the 'representative price'. The markets on which the average producer prices are recorded are, for the various types of table wine, as follows:

RI — Bastia, Béziers, Montpellier, Narbonne, Nîmes, Perpignan, Asti, Florence, Lecce, Pescara, Reggio Emilia, Treviso, Verona, Heraklion, Patras;

RII — Bastia, Brignoles, Bari, Barletta, Cagliari, Lecce, Taranto, Heraklion, Patras;

RIII — Rheinpfalz, Rheinhessen;

AI — Bordeaux, Nantes, Bari, Cagliari, Chieti, Ravenna, Trapani, Treviso, Athens, Heraklion, Patras;

AII — Rheinpfalz, Rheinhessen, Moselle Luxembourgeoise;

AIII — Mosel, Rheingau, Moselle Luxembourgeoise.

Resolution

This is an act of the Council which is not specifically provided for in the Treaty of Rome and is by way of being a declaration of political intent or of moral commitment. Hence it is not legally binding.

Special Committee on Agriculture (SCA)

Established by the Council to perform a preliminary scrutiny of Commission proposals on agricultural matters or to draft those agricultural provisions which are to be adopted directly by the Council. It is composed of representatives from the Member States themselves. It has been operating since September 1960.

In the case in point, it is the SCA which prepares the Council's deliberations on matters relating to the wine sector and the common organization of the market in wine.

Tariff quotas

Those quantities of certain specified products which may be imported at a lower customs duty than would normally apply.

Tariff quotas in the EEC are currently applied to certain quality wines from Spain, Portugal, Cyprus, Morocco, Algeria and Tunisia and some alcoholic beverages imported from the ACP States (Africa, the Caribbean and the Pacific).

Types of table wine

For the purposes of Article 2 of Regulation No 337/79, and with the aim of modulating the guide price and intervention price according to major product categories, table wine was subdivided, by Regulation No 945/70, into the following six 'types':

RI — Red table wine other than type RIII, with an actual alcoholic strength of not less than 10% vol, and not more than 12% vol;

RII — Red table wine other than type RIII with an actual alcoholic strength of not less than 13% vol, and not more than 14% vol;

RIII — Red table wine from vine varieties of the 'Portugieser' type;

AI — White table wine other than types AII and AIII with an actual alcoholic strength of not less than 10% vol, and not more than 12% vol;

AII — White table wine from the vine varieties of the Sylvaner or Müller-Thurgau type;

AIII — White table wine from the vine varieties of the Riesling type.

VAT

Value-added tax: a tax expressed as a percentage of the value of goods being traded.

By a series of Directives the EEC has made the system whereby VAT is applied in all of the Member States uniform, but so far the actual rate of tax has been left to the individual Member States.

On wine, for example, VAT varies from 5% in Luxembourg to 25% in Belgium (Greece does not for the moment apply VAT to wine).

Wine-growing zones

The rules governing the wine sector within the EEC laid down by Regulation No 337/79 vary according to major zones with different environmental and climatic conditions.

These zones are specified in Annex IV to Regulation No 337/79, as amended by the Act of Accession of Greece and by Regulations Nos 1989/80 and 3577/81, as follows:

'1. Wine-growing zone A shall comprise:

(a) in the Federal Republic of Germany: the areas under vines other than those included in wine-growing zone B;

(b) in Belgium: the Belgian wine-growing region;

(c) in Luxembourg: the Luxembourg wine-growing region;

(d) in the Netherlands: the Netherlands wine-growing area;

(e) in the United Kingdom: the United Kingdom wine-growing area.

2. Wine-growing zone B shall comprise:

(a) in the Federal Republic of Germany: the areas under vines in the region of Baden;

(b) in France: the areas under vines in the departments not mentioned in this annex and in the following departments:
— in Alsace:
Bas-Rhin, Haut-Rhin,
— in Lorraine:
Meurthe-et-Moselle, Meuse, Moselle, Vosges,
— in Champagne:
Aisne, Aube, Marne, Haute-Marne, Seine-et-Marne,
— in the Jura:
Ain, Doubs, Jura, Haute-Sâone,
— in Savoie:
Savoie, Haute-Savoie,
— in the Val de Loire:
Cher, Deux-Sèvres, Indre, Indre-et-Loire, Loir-et-Cher, Loire-Atlantique, Loiret, Maine-et-Loire, Sarthe, Vendée, Vienne, and the wine-growing areas under vines in the *arrondissement* of Cosne-sur-Loire in the *département* of the Nièvre.

3. In France, wine-growing zone C I (a) shall comprise the areas under vines:

(a) in the following *départements:*
Allier, Alpes-de-Haute-Provence, Hautes-Alpes, Alpes-Maritimes, Ariège, Aveyron, Cantal, Charente, Charente-Maritime, Corrèze, Côte-d'Or, Dordogne, Haute-Garonne, Gers, Gironde, Isère, Landes, Loire, Haute-Loire, Lot, Lot-et-Garonne, Lozère, Nièvre (excluding the *arrondissement* of Cosne-sur-Loire), Puy-de-Dôme, Pyrénées-Atlantiques, Haute-Pyrénées, Rhône, Saône-et-Loire, Tarn, Tarn-et-Garonne, Haute-Vienne, Yonne;

(b) in the *arrondissements* of Valence and Die in the *département* of Drôme (except the cantons of Dieulefit, Lorial, Marsanne and Montélimar);

(c) in the *département* of Ardèche, the whole of the *arrondissement* of Tournon and the cantons of Antraigues, Buzet, Coucouron, Montpezat-sous-Bauzon, Privas, Saint-Étienne de Lugdarès, Saint-Pierreville, Valgorge and la Voulte-sur-Rhône.

4. In Italy, wine-growing zone C I (b) shall comprise the areas under vines in the Valle d'Aosta region and in the provinces of Sondrio, Bolzano, Trento and Belluno.

5. Wine-growing zone C II shall comprise:

(a) in France the areas under vines:
- in the following *départements:* Aude, Bouches-du-Rhône, Gard, Hérault, Pyrénées-Orientales (except the cantons of Olette and Arles-sur-Tech), Vaucluse;
- in the part of the *département* of Var bounded in the south by the northern limit of the communes of Evenos, Le Beausset, Soliès-Toucas, Cuers, Puget-Ville, Collobrières, La Garde-Freinet, Plan-de-la-Tour and Sainte-Maxime;
- in the *arrondissement* of Nyons and the cantons of Dieulefit, Loriol, Marsanne and Montélimar in the *département* of Ardèche not listed in point 3 (c);

(b) in Italy: the areas under vines in the following regions: Abruzzo, Campania, Emilia-Romagna, Friuli-Venezia-Giulia, Lazio, Liguria, Lombardia excluding the province of Sondrio, Marche, Molise, Piemonte, Toscana, Umbria, Veneto excluding the province of Belluno, including the islands belonging to those regions, such as Elba and the other islands of the Tuscan Archipelago, the Ponziano Archipelago and Capri and Ischia.

6. In Greece, wine-growing zone C III (a) shall comprise those areas under vines in the following *nomoi:* Florina, Hematheia, Kilkis, Grevena, Larissa, Ioannina, Levkas, Achaea, Messenia, Arcadia, Corinth, Herakleion, Chania, Rethymno, Samos, Lassithi and the island of Thira (Santorini).

7. Wine-growing zone C III (b) shall comprise:

(a) in France, the areas under vines:
- in the *département* of Corsica;
- in that part of the *département* of Var situated between the sea and a line bounded by the communes (which are themselves included) of Evenos, Le Beausset, Solliès-Toucas, Cuers, Puget-Ville, Collobrières, La Garde-Freinet, Plan-de-la-Tour and Sainte-Maxime;
- in the cantons of Olette and Arles-sur-Tech in the *département* of Pyrénées-Orientales;

(b) in Italy, the areas under vines in the following regions: Calabria, Basilicata, Puglia, Sardegna, and Sicilia, including the islands belonging to those regions such as Pentelleria, Eolie and the Lipari, Egadi and Pelagian Islands;

(c) in Greece the areas under vines not listed in point 6.

8. The demarcation of the territories covered by the administrative units mentioned in this annex shall be that resulting from the national provisions in force on 15 December 1981.'

Further reading

EC publications

Agrarstatistisches Jahrbuch / Yearbook of agricultural statistics / Annuaire de statistique agricole / Annuario di statistica agraria. 1977-1980. Luxembourg, Eurostat, 1982. XXX, 281 pp.

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Progressive establishment of balance on the market in wine — Action programme 1979-85 and report from the Commission (submitted by the Commission to the Council on 7 August 1978). EC Commission, Luxembourg, 1978. 44 pp. — Bulletin of the EC. Supplement 7-1978.

ROSA, Gianni — *Le vin dans les années 80.* EC 'Service Information agricole', Brussels, 1981. 62 pp. — L'Europe verte. Nouvelles de la politique agricole commune. 172 pp.

European Communities — Commission

Wine in the European Community

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This booklet traces the history of wine from the beginnings of viticulture thousands of years ago and gives a succinct account of how wine production is organized in the European Community today.

EN

The vine, which was already in existence more than a million years before the birth of Christ, has been of importance throughout the history of mankind. Viticulture followed the extension of Mediterranean civilization from the Middle East to Greece and then to Rome and accompanied the expansion of Roman power in the Italian peninsula, Illyria, France, Germany and Spain.

Although the need to organize production and marketing became apparent centuries ago, it is only in the seventeenth century that we find the first serious indications of commercial organizations embracing both growers and producers. These generally arose through the initiative of large estates belonging to the nobility or religious organizations. And it is only at the end of the nineteenth century that a new agricultural structure, the wine cooperative, appears on the major wine markets.

There are now more than 10 million hectares of vines in the world spread over some 50 countries. For more than a decade now world production of wine has been more than 300 million hectolitres a year.

Europe accounts for 71% of the total area under vines in the world and produces some 80% of its wine. The European Community, with 27% of the world vineyard, is responsible for nearly half of world production of quality wines. There are 2 090 000 undertakings growing vines in the European Community, which is also the source of most exported wine in the world.

This booklet traces the history of the vine and of wine from its origins to the present day. It gives a general picture of the present world position and deals in more detail with Europe and the European Community. It looks at trends in production, marketing and consumption.

The reasons for and objectives of the common organization of the market in wine, which has existed in the Community since 1970/71 and is still being developed, are reviewed. The purpose of the common organization is to develop a wine market covering the whole Community that responds to the aspirations of the millions of both growers and consumers.

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