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Progressive establishment  
of balance on the  
market in wine

Action programme 1979-1985  
and report from the Commission

(Submitted by the Commission to the Council  
on 7 August 1978)

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## Summary

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## Action programme for the wine sector

## Introduction

1. At its 516th meeting held from 8 to 12 May 1978<sup>1</sup> the Council asked the Commission to reconsider the problems affecting the organization of the market in wine and to submit further proposals for structural measures by 1 August 1978. The Council stressed the obvious link in this sector between structural improvement and the need for a more effective market system.

2. In view of the imbalance which periodically affects the market in wine and which can only become worse in the future, the Commission is now putting forward to the Council an appropriate action programme covering a number of years (1979-1985). This programme includes the whole range of measures which can be taken in respect of both production and consumption. The coordinated and vigorous application of all these measures should make for the progressive establishment of balance on the market in wine. The present communication does not prejudice the conclusions to be drawn from the report from the Special Committee of Enquiry.

3. An analysis of the developments indicates the existence of table wine surplus. This is because production is increasing by 1% a year on average in the long term while consumption remains practically stagnant.<sup>2</sup> The Commission estimates that the surplus is at present between 6 and 10 million hl. If past trends were to continue in the future, the surplus would grow steadily and, in years of abundant harvest, would cause more serious crises. In addition, the Community market in wine is likely to experience additional difficulties after the enlargement of the Community to include Greece, Spain and Portugal.

4. There are many reasons for the imbalance on the market in wine. Whereas the areas planted have remained practically constant at around 2.7 million ha, yields have continued to grow; replanting with high-yield varieties and the planting of new vineyards in the plains are mainly responsible for this.

Wine consumption, which varies greatly from country to country, has remained almost static overall (49 litres per year per head); competition from other beverages and the influence of consumer habits are felt everywhere; in the non-producer countries indirect taxation on wine, which is often extremely high, constitutes an appreciable curb on consumption.

5. The intervention mechanisms provided for (short or long-term storage contracts and distillation) were to be brought into play only in the event of short-term imbalance caused by a particularly abundant harvest. The emergence of a persistent imbalance since the superabundant harvest of 1973 has obliged the Community to introduce a series of new measures (preventive distillation, temporary ban on new planting, grubbing premiums). Nevertheless the present measures need to be improved and expanded so that they form a coherent, solid and durable foundation for coping with the risks arising in this sector from further enlargement of the Community.

6. Consequently the programme presented to the Council is a multiannual one, thus meeting the Council's wish for a close interrelationship between the structural improvement of the wine sector and the common organization of the market. This programme, which includes both Community and national measures, is based on the following lines of policy:

(i) balance is progressively restored to the wine market by implementing measures simultaneously in respect of supply and demand;

(ii) wine must find, on all consumer markets in the Community, conditions of competition equivalent to those for other beverages;

(iii) the measures concerning production are tailored to the geographic situation of the vineyards; the areas planted are classified according to their natural suitability for wine-growing on the basis of physical criteria;

<sup>1</sup> Bull. EC 5-1978, point 2.1.72.

<sup>2</sup> See graph 2. The graphs concerning this supplement are to be found at the end of this volume.

- (iv) in areas which are naturally suited for wine-growing a policy of replanting with a view to quality should enable supply to be better adjusted to demand while ensuring an optimum combination of production factors;
- (v) the potential for producing table wines is reduced by progressively converting vineyards which are not naturally suited for wine-growing to other crops or uses;
- (vi) the intervention measures provided for in the common organization of the market are intended to be mainly preventive.

### Action concerning consumption

7. In line with this policy the Commission proposes the following action:

- (a) The search for other outlets for vine products should be stepped up, in particular the use of concentrated must and rectified concentrated must in vinification. For this reason the Commission proposes that the rules on concentrated musts be amended.<sup>1</sup>

The Commission is also ready to examine in greater detail with the Member States most concerned the possibility of aids for the use of natural musts in the production of grape juice and British wine;

- (b) The higher excise duties on wine should be appreciably reduced. In this way the non-producer Member States must undertake to contribute towards establishing equilibrium on the market in wine, to the benefit of their consumers;
- (c) Information and sales promotion campaigns, perhaps concentrating on certain table wines (vin de pays, vino tipico, Landwein) could expand the market for our producers;
- (d) The improvement of wine labelling requirements at Community level could be considered in the context of expanding consumption.

8. As regards refunds on wine, the Commission intends to fix them in accordance with the aims of the Community rules, so that exports continue to develop reasonably.

### Action concerning production

9. As regards production, the Commission is proposing the establishment of natural criteria (soil, climate, relief) whereby the areas producing table wine in the Community can be classified according to their natural suitability for wine-growing. Under this classification the areas producing table wine, a total of about 1.7 million ha, can be divided into three categories:

*Category I:* Hill areas; these are estimated at 1 030 000 ha.

*Category II:* Areas in the plains situated south of a line marking the limit of the natural conditions which are particularly favourable to wine-growing, where the soils are other than alluvial; these are estimated at 270 000 ha.

*Category III:* Other areas, estimated at 400 000 ha.

10. The Commission is proposing to the Council the following measures, graduated according to the three categories of area defined above:

- Introduction of a system of rules on prior authorization of planting and replanting (wine grapes and table grapes) and the conduct of planting and replanting policy by reference to the three-way classification of areas according to natural suitability for wine-growing;
- Adjustment of all Community and national aid measures in the wine sector to the policy adopted in terms of the degree of natural suitability of areas;
- Examination of all other related factors, particularly as regards the choice of vine varieties to be encouraged and the new possibilities as regards enrichment techniques.

11. These measures would be applied to the three categories of table wine areas as follows:

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<sup>1</sup> Point 17.

For *Category I vineyards*:

- (i) freedom to replant with specific varieties;
- (ii) authorization to make new plantings of specific varieties; this authorization to be suspended however, while the wine action programme is getting under way and until there is evidence of a definitive abandonment of winegrowing in other categories of area such as to guarantee a reduction of table wine production potential in each Member State;
- (iii) the granting of Community aid in connection with the development plans provided for in Article 8 of the Council Directive of 17 April 1972<sup>1</sup> or the national aid which the Member States may grant, pursuant to Article 14(2) of the same Directive and only within the framework of collective measures to improve winegrowing structures, towards investments in planting and replanting. This national aid will be granted at the same rates as Community aid. Beneficiaries under these aid measures will receive in addition a modernization premium of between 1 500 and 2 500 u.a./ha, to cover the cost of replanting;
- (iv) investments in processing and marketing will receive priority in the granting of Community and national aid.

For *Category II vineyards*:

- (i) freedom to replant with specific varieties;
- (ii) prohibition of new planting;
- (iii) the granting of Community aid in connection with the development plans provided for in Article 8 of the Council Directive of 17 April 1972<sup>1</sup> concerning the measures for the modernization of wine-growing holdings or the national aid which the Member States may grant, pursuant to Article 14(2) of the same Directive and only within the framework of collective measures to improve winegrowing structures, towards investments in replanting. This national aid will be granted at the same rates as the Community aid. Beneficiaries under these aid measures will in addition receive a modernization premium of between 1 500 and 2 500 u.a./ha to cover the cost of replanting.
- (iv) the incentive, for certain vine varieties, of a temporary conversion (grubbing) pre-

mium of between 1 500 and 3 000 u.a./ha and an incentive to abandon winegrowing definitively in the form of a single premium of 2 000 u.a./ha; these two premiums may be cumulative; farms receiving conversion premiums and/or the incentive to abandon winegrowing definitively will be subject to the normal rules on aid laid down in the Council Directive of 17 April 1972,<sup>1</sup> provided that they satisfy the requisite conditions and that investments relate to crops other than vines producing table wine;

(v) farmers aged between 55 and 65 who are in receipt of aid for the cessation of farming and at least 20% of whose total farm area is planted with vines may receive an annual premium of 500 u.a. per ha of vineyard abandoned definitively.

For *Category III vineyards*:

- (i) freedom to replant with specific varieties;
- (ii) prohibition of national aid for investments in replanting and modernization;
- (iii) possibility of receiving a temporary conversion (grubbing) premium of between 1 500 and 3 000 u.a./ha and an incentive to abandon winegrowing definitively in the form of a single premium of 2 000 u.a./ha; these two premiums may be cumulative. Farms receiving conversion premiums and/or the incentive to abandon winegrowing definitively will be subject to the normal rules on aid laid down in the Council Directive of 17 April 1972<sup>1</sup> provided that they satisfy the requisite conditions and that investments relate to crops other than vines producing table wine.
- (iv) prohibition of new planting;
- (v) farmers aged between 55 and 65 who are in receipt of aid for the cessation of farming, and at least 20% of whose total farm area is planted with vines, may receive an annual premium of 500 u.a. per ha of vineyard abandoned definitively;
- (vi) investments in the processing and marketing of wine may not in principle receive Community or national aid, whereas investments in crops replacing the vine will receive priority in the granting of aid.

<sup>1</sup> OJ L 96 of 23.4.1972.

12. Special rules on planting are introduced for vineyards producing quality wines p.s.r.;<sup>1</sup> these provide for an annual review and for Community concertation, in the light of sales possibilities, prior to the authorization of new plantings envisaged by Member States. The ban on new plantings of vines producing quality wines p.s.r. is maintained for two years in those Member States where such production predominates.

The Commission further proposes measures allowing vineyards producing quality wines p.s.r. to qualify for Community and national aid towards the cost of new plantings as part of collective operations to improve vineyards structures.

13. The Commission is proposing the implementation of a regional conversion plan in the Charentes vine area (cognac) in order to adjust the areas planted to the particular demand situation for its wines.

Lastly, regarding the areas intended for the production of spurs and seedlings the Commission is proposing measures concerning the adjustments made necessary as regards both varieties and areas, by the implementation of the structural measures provided for in the programme.

14. In the event of the Council not adopting the proposed programme before 1 December 1978, the Commission proposes that all the provisions of the Council Regulation of 17 May 1976 on measures designed to adjust wine-growing potential to market requirements<sup>2</sup> to be extended for one year.

### Market measures

15. If the Council adopts the rigorous structural measures proposed by the Commission, market balance should improve fairly quickly. Having regard to the Council's agreement on the need to 'strengthen the market constraints in the event of surplus production, *inter alia*, through the balanced use of compulsory distillation, taking into account the volume of alcohol produced thereby', the

Commission considers it necessary to propose that compulsory distillation measures be reinforced by raising the additional rate of compulsory distillation of wine-making by-products, provided for in Article 24a of the Council Regulation of 28 April 1970 laying down additional provisions for the common organization of the market in wine. From the 1978/79 wine-growing year, it proposes that the maximum additional rate be raised from 6 to 8% and that this system be applied to those regions of Italy which are at present exempt, but suggests that in this case the additional rate should be kept to a maximum of 5% so as not to upset the balance of obligations. The annual rates to be applied shall be decided, as usual, in the light of the annual supply estimate.

16. In connection with the price package, adopted last May, it was decided that the Council and the Commission would, in the event of low prices, take all necessary action to relieve the market: refunds on exports to non-member countries, aid for the use and storage of musts and grape juice and, if necessary, a floor price accompanied by distillation. There is a legal basis in the rules for distillation, but not for a floor price. The Commission therefore proposes that a new Article be added to the basic Regulation relating to the measures to be adopted by the Council in the event of a serious crisis, i.e. when the representative market price for a type of table wine is less than 85% of the guide price for three consecutive weeks. The Council must be able under such circumstances to decide rapidly on adequate measures, including, if necessary, the application of a floor price to all transactions, accompanied by corresponding specific distillation measures while the floor price is in force.

17. Prohibition of the use of sucrose for enrichment, which is the Commission's aim, will not be technically feasible until the necessary capacity for producing rectified con-

<sup>1</sup> Quality wines p.s.r. = quality wines produced in specified regions.

<sup>2</sup> OJ L 135 of 24.5.1976.

<sup>3</sup> OJ L 99 of 5.5.1970.



concentrated must has been created. In the immediate term the Commission proposes:

— amendments to the rules to permit the use of rectified concentrated must in vinification (definition, oenological practices);

— the addition to the basic Regulation of a new Article enabling the Council to decide rapidly in the light of the circumstances to grant aid for concentrated must and rectified concentrated must produced in certain regions of the Community and used in vinification for enrichment.

This aid would be reserved for the most southerly regions of the Community, which are the best suited for producing these musts and which thus have a slight advantage in the efforts to re-establish a north/south balance in the common agricultural policy.

18. The Commission believes that the implementation of the 1979-1985 action programme will enable balance to be progressively established on the wine market. The results of the programme should be a considerable increase in outlets, both on the internal market and on export markets, and a reduction in production potential (Category III areas) of around 90 000 ha. At the same time winegrowers in areas which are naturally well suited for winegrowing should experience a significant improvement in their production and marketing conditions.

19. The Commission considers that the success of the wine action programme depends on the political will of all Member States to use all the instruments available effectively and consistently so as to attain the proposed objectives. In particular, the sacrifices and financial burdens imposed on the production regions, particularly in the form of a considerable reduction in the areas planted, should be offset by a substantial increase in consumption, especially in those regions where this is kept down by the taxation on wine.

Report by the Commission  
on the progressive establishment of  
balance on the market in wine

## Chapter I

### Background

1. Since the major recasting of the basic Regulation (Council Regulation of 28 April 1970 laying down additional provisions for the common organization of the market in wine)<sup>1</sup> in 1976 and the additions made in 1977, the Community has had at its disposal a wider and more diversified range of intervention measures in the wine sector and a basis for action to improve the quality of table wines. The Commission is thus able to aim consistently at a greater degree of selectivity.

On 15 February 1977 the Commission presented to the Council the report on the foreseeable developments in the planting and replanting of vineyards in the Community and on the ratio between production and utilization in the wine sector. The Special Committee on Agriculture and the Advisory Committee on Wine discussed the report and formulated certain observations on it.

2. In its communication to the Council of 8 December 1977 concerning the development of the Mediterranean regions of the Community, together with certain measures relating to agriculture,<sup>2</sup> the Commission expressed the view that the Council should be able to adopt, before the 1978/79 marketing year, a 'general viticultural plan' embodying a set of structural guidance measures relating to table wines. The programme for restructuring and conversion of wine-growing in the Languedoc-Roussillon region showed how various socio-structural measures could be combined.

3. Early in 1978 the Commission also presented to the Council proposals for a set of transitional measures<sup>3</sup> (European joint-trade table wine organization; introduction of certain market measures in the event of a serious crisis; producer groups). Those measures which were not adopted by the Council have been withdrawn by the Commission.<sup>4</sup>

4. At its meeting in May 1978 the Council did, however, stress that there was a clear link between the improvement of structures in the wine sector and the need for a more efficient market system, notably by strengthening market rules to deal with surplus production, with special accelerated measures to deal with a serious crisis on the market. The Council requested the Commission to reconsider the problems of market organization and to present further proposals for structural measures not later than 1 August 1978. It also noted the Commission's intention of considering appropriate ways of increasing outlets for wine inside and outside the Community.

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<sup>1</sup> OJ L 99 of 5.5.1970 and OJ L 303 of 28.11.1977.

<sup>2</sup> OJ C 50 of 28.2.1978.

<sup>3</sup> OJ C 71 of 22.3.1978.

<sup>4</sup> On 10 May 1978 the Council adopted a Regulation on statistical surveys of areas under vines.

<sup>5</sup> OJ L 128 of 17.5.1978.

## Chapter II

# Analysis of the wine sector

## The market

### *Area under vines*

5. In 1976 the total area under vines in the Community was about 2.7 million hectares (about 3% of the utilized agricultural area (UAA)). Most of the vines produce wine grapes and are concentrated almost equally in two Member States: France (49%) and Italy (47%); Germany (3.9%) and Luxembourg (0.1%) account for only a very small proportion of Community vineyards.

6. Community wine grape vineyards can be divided into 3 categories: those producing table wines (69%), those producing quality wines produced in specified regions (quality wines p.s.r.) (27%) and those producing wine for conversion into wine spirits of designated origin (4%). The percentage of vineyards producing table wines varies from one Member State to another: 81% in Italy and 63% in France, whereas in Germany and Luxembourg the total area under vines qualifies for the production of quality wines p.s.r.

7. In 1976/77 5.6% of wine grape vineyards were not yet in production, i.e. a figure below the normal renewal rate of vineyards. The situation varied from one Member State to another: France 5.1%, Italy 5.5%, Luxembourg 12.1% and Germany 14.0%.

8. The area under wine grapes increased slightly from 1970 to 1975 and then decreased in 1976. The overall increase over the 6-year period was 3%: +13.2% in Germany, +6.6% in Italy, +6.1% in Luxembourg and -0.9% on France.

According to producers' declared intentions, the area under vines should decrease further during the 1977/78 marketing year (20 000 ha). These intentions are consistent

with past trends (reduction of vineyards producing table wines, increase of those producing quality wines p.s.r.).

9. About two thirds of Community vineyards are located on hillsides. Broadly speaking, the long-term trend is a decrease in the area under vines in hilly regions and an increase on flat land. The trend is particularly marked in Italy, where vineyards are even being transferred from predominantly hilly provinces towards provinces where flat land predominates.

### *Wine production*

10. There is more year-to-year variation in wine production<sup>2</sup> than in most other agricultural sectors. While the average in recent years (1970 to 1976) has been 148 million hectolitres, the range was from 127 million hl (1972) to 170 million hl (1973).

Considerable short-term variations from one year to the next make it very difficult to analyse the trend in production. It is, however, clear that total Community production has increased over the past 15 to 20 years. Whatever reference period is taken this linear trend is seen to exceed that of consumption and area.

11. Between 1960 and 1977 total wine production increased at a rate of 1% per year. Production of quality wines p.s.r. has increased more than table wines. The explanation is partly that certain table wines have come to be recognized as quality wines p.s.r. It is not, however, the modest increase in area which is the major cause of the general trend observed; the use of new varieties, new production techniques and planting on flat land in very fertile soil has increased the yields of table wines. Production of 'other wines', most of which are intended for distillation into spirits has increased considerably, Charentes leading the field.

<sup>1</sup> The figures relating to vineyards are those used for the report on the foreseeable developments in planting and replanting. The Community has an additional area of 120 000 ha under table grapes.

<sup>2</sup> Graph 2.

12. Yields vary considerably from one Member State to another and depend on the type of wine produced. In recent years (1970 to 1976) the average yield has been 63 hl/ha in the Community, but ranging from 59 hl/ha in France to 143 hl/ha in Luxembourg.

### *Consumption of wine*

13. Since 1955 *per capita* consumption of alcoholic beverages (spirits, wine and beer) and non-alcoholic beverages (soft drinks, milk, coffee and tea) has increased steadily throughout the Community. There are many reasons for this phenomenon, e.g. income trends and consumer habits (replacement of water in the daily intake).<sup>1</sup>

14. Trends vary, however, for different products and from one country to another:

(a) in the southern countries (Italy and France) consumption would appear to be increasing at a lesser rate than in the northern Member States;

(b) consumption of certain beverages is increasing throughout the Community (spirits, beer, soft drinks, coffee); consumption of other beverages, however, is increasing in some countries and decreasing in others:

(i) wine: increasing in all Member States except Italy and France,

(ii) milk: decreasing except in Italy,

(iii) tea: increasing except in the United Kingdom and the Netherlands.

15. Household expenditure on beverages is increasing throughout the Community, the only exceptions being coffee, tea and chocolate in the United Kingdom and Ireland. Expenditure on non-alcoholic drinks is increasing faster than expenditure on alcoholic drinks. Expenditure on beverages as a percentage of total expenditure by households would seem to be declining slightly throughout the Community, except in Ireland and the United Kingdom.

16. Total human consumption of wine<sup>2</sup> in the Community is increasing only marginally, which means that *per capita* consumption is decreasing slightly, given the more rapid growth in population. *Per capita* consumption varies considerably from one Member State to another. It is highest in the producer countries, particularly low in the United Kingdom and Ireland and average in the Netherlands, Denmark and Belgium. The same trend is continuing in the short term; at Community level the drop in consumption in France and Italy is being offset by the increases elsewhere.

17. Direct human consumption of wines in the Community (49 litres per head per year in 1976/77) is broken down into 36 litres of table wines, 11 litres of quality wines p.s.r. and 2 litres of wines imported from non-member countries. In recent years, consumption of table wines has decreased steadily while that of quality wines p.s.r. has increased and consumption of imported wines has remained steady.

18. Some wine is produced for distillation into wine spirits of designated origin. Over the last seven marketing years these quantities have accounted for an average of 40% of total distillation of wine and 5.2% of total indigenous use. It should be pointed out that nearly 40% of the wine spirits produced are exported to non-member countries. Distillation of wines under the intervention measures provided for by the Community Regulation varies considerably from one year to another depending on the size of the harvest; since these rules were introduced in 1970 it has ranged from 0% of all wine distilled in 1972/73 to 58% in 1974/75.

19. The formation of consumer prices is largely determined by producer price trends which fluctuate considerably from one year to another, influenced mainly by the weather. Differences result from the fact that increases in consumer prices are more pro-

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<sup>1</sup> Graph 3.

<sup>2</sup> Graph 4.

nounced than rises at the production stage and firms' commercial policy sometimes differs depending on the quality of the wine and the promotion effort undertaken.

20. The consumer market in wine would appear to be saturated in France and Italy (109 million inhabitants); there is, however, scope for increased consumption in the rest of the Community (150 million inhabitants). However, wine encounters a number of difficulties there:

(a) consumer habits are slow to change; gastronomy plays a certain role in this respect; so does the heterogeneous nature of the product;

(b) in the Member States where consumption is low, wine is regarded as a luxury; consumption is very elastic in relation to price and income; prices are generally speaking high because of taxes;

(c) consumer habits put certain competing products in a strong position (for instance: soft drinks among young people; beer throughout the Community; coffee and tea in the Netherlands and United Kingdom); the position of these products is often strengthened by their relatively attractive prices and by a highly dynamic marketing policy;

(d) all alcoholic beverages are subject to the effects of legislation and health and safety campaigns.

21. According to national forecasts consumption of table wines may be expected to decline in France (average annual rate 1970 to 1980: -1.8%) but consumption of quality wines, sparkling wines, aperitifs and spirits is likely to increase (average annual rate between +0.6 and +2.7%). However, the quantity of the second group of products consumed (quality wine: 10.3 litres per head) is much smaller than the quantity of table wines (80 litres per head). In Germany consumption of wine and sparkling wines is expected to increase but at a slower rate than between 1961 and 1975.

22. Wines imported from outside the Community play only a minor role in total Community consumption. Of the 49 litres of wine drunk by the average European, only 2 litres are imported. These wines come mainly from Spain, Portugal, Greece, Yugoslavia, and the three Maghreb countries and Cyprus. The United Kingdom is the only Member State in which non-Community wines play a greater part; 2.7 of the average 5 litres of wine consumed per head come from outside the Community.

23. Only about 10% of Community production is involved in intra-Community trade. The five non-producer Member States obtain 47% of the wine they consume from the four producer Member States; the quantity of non-indigenous wine consumed in these Member States varies considerably:

*Litres per head of population on average for the last three years*

Member State	Total consumption	Imported wine
France	102	12
Italy	97	negligible
Luxembourg	43	23
Germany	23	15

#### *Other uses*

24. At Community level imports into the original Member States far exceeded the quantities exported until 1970. In that year the introduction of Community rules prohibiting coupage with imported wines rapidly cut back certain imports (Maghreb) and established a certain balance in trade.

With the accession of the three new Member States, imports again became higher than exports. Another contributory factor was the increase in purchases from the Maghreb in 1973 as a result of the poor Community harvest in 1972.

More recently the trade pattern has again altered. Net imports have fallen below 1 million hl since 1975/76. Imports and exports thus represent 3 and 4% respectively of average internal utilization.

25. In all the producer Member States wine stocks are considerable and at Community level the stocks at the end of the marketing year represent between 40 and 55% of the total internal utilizations. The need for these stocks is obvious in the case of quality wines p.s.r., especially for the purpose of ageing (at present these stocks represent 130% of utilization). Another factor is the date of declaration of these stocks (1 September), which implies that until this date a minimum stock is held to ensure supplies until the arrival of the wine from the new harvest. This minimum may be estimated at between 30 and 35% of consumption in the case of table wine (= about 30 million hl).

The long term trend is towards larger stocks, with stocks of quality wines p.s.r.l. being increased in order to meet quality requirements. However, major changes in the overall stocks are mainly due to changes in the stocks of table wines, which vary with the volume of the harvest and the intervention measures applied.

### *Producer prices*

26. In the wine-producing Member States as a whole (Community average), producer prices<sup>1</sup> vary with the quantities produced: they increase in years of small harvests (for example 1972/73) and decrease in years of plenty (for example 1974/75). The same trend can be noted in France and Italy, which produce about 90% of all Community wine. In Luxembourg the steady increase in producer prices is not greatly affected by the quantities obtained. In Germany, producer prices are affected not only by the quantities but also by quality considerations ('wine of the century').

27. The trend in nominal prices has not always been the same for quality wines as for

table wines. At Community level, the price index for quality wines rose more than for table wines between 1968 and 1976. With the exception of 1975 the same has been true in France. In Italy and Luxembourg, however, the price index for table wines has risen more sharply than for quality wines in certain years.

28. When the average producer prices are compared with the guide and activating prices fixed under the common organization of the market in table wines, it is clear that in certain years on certain representative markets producer prices have been lower than either the guide price or the activating price. This occurred in the 1971/72 marketing year and in Italy between 1974/75 and 1976/77. The downward trend was more marked with white wines than with red wines. The ratios between the average prices and the prices fixed under the common organization of the market in wine were not always the same in France as in Italy. They were higher in Italy than in France during the 1972/73 and 1973/74 marketing years. From 1974/75 onwards the situation was reversed and French prices increased more than Italian prices.

The differences in prices on the various markets for type RI are generally greater in Italy than in France.

### **The imbalance**

29. Over the last seven years direct human consumption of all wines in the Community has averaged about 129 million hl per year. Processing, including losses but not including intervention measures, represented 15 million hl, making a total of 144 million hl. Average production during the same period was 148 million hl, which, with net imports of 2 million hl, puts availabilities at 150 million hl. Balance could only be achieved by withdrawals for distillation, amounting to an average of almost 6 million hl per year.

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<sup>1</sup> Graph 5.

If only the final estimate for 1976/77 is taken into account, the situation is different because direct human consumption accounted for only 127 million hl and processing (other than intervention) for 13 million hl, making a total of 140 million hl. Intervention distillation took 5.3 million hl and a balance with production (148 million hl) was not achieved.

30. Table wine represents about 70% of Community wine production and is almost exclusively produced in France and Italy. It is only in respect of such wine that the common organization of the market provides for a system of prices and intervention; this system has been considerably altered since 1976. During each of the first six marketing years, exceptional distillation was carried out, except in 1972/73. In 1976/77 the market was rationalized by new intervention mechanisms introduced by the Council (preventive distillation, obligatory distillation, etc.). The percentage of table wine production thus distilled varied between 2.2% in 1975/76 and 18% in 1974/75, the last figure being attributed to two exceptionally plentiful harvests.

31. All these intervention measures gave rise to expenditure chargeable to the EAGGF Guarantee Section. Between 1971 and 1974 this expenditure varied between 0.13 and 0.53 u.a. per hl of table wine produced in the Community. Since 1975 expenditure has always been higher than 1 u.a. per hl (1977: 1.09; 1975: 1.27; 1976: 1.76 u.a.). This increase in expenditure is mainly due to the fact that from 1974 onwards not only have greater quantities been distilled but also the quantities placed in short- and long-term storage have been greater. The expenditure to be borne by the Guarantee Section thus increased from 12.4 million u.a. in 1973 to 173 million u.a. in 1976 and 95.6 in 1977.

32. It is difficult to give exact figures for the magnitude of the imbalance on the market in table wines. The harvest varies considerably from year to year. Statistics on table wines are still sketchy; grave uncertainty still hangs over the development of direct human consumption of table wines. For that reason

different working hypotheses should be considered when an attempt is made to quantify the imbalance in figures.

33. A first (optimistic) hypothesis is that the surplus corresponds to the average quantity distilled over a long period. Thus an average of 6 million hl were distilled per marketing year between 1970/71 and 1976/77. The following estimated data would confirm that the surplus was 6 million hl:

- average production: 105 to 106 million hl;
- direct human consumption: about 94 to 95 million hl;
- normal processing and losses: about 5 to 6 million hl.

34. A second (pessimistic) hypothesis is that the surplus runs to about 10 million hl. This hypothesis is based on the anticipated drop in direct human consumption of table wine to a level of 90 million hl (instead of 94 to 95 million hl in the preceding hypothesis). Thus, the forward estimate for the 1977/78 marketing year forecasts that direct human consumption will be less than 90 million hl.

35. It is to be feared that the imbalance will increase further in the future, following the changes taking place in the Community vineyards and the use of new production techniques. It should also be remembered that enlargement of the Community to include the applicant States in the Mediterranean region could increase the anticipated difficulties because their production potential is very great:

(i) Community vineyards would increase from 2.4 to 4.7 million ha, but some of the vineyards in the three applicant States are located in rather dry regions;

(ii) The extremely low yields currently achieved mean that the total wine production of these three States represents only one-third of the Community's annual production;

(iii) *per capita* consumption of wine is higher than the Community average in Spain and



Portugal (in Greece it is lower); it is difficult to foresee any increase in consumption;

(iv) at present over half the wine exported by these States is sent to the Community and represents two-thirds of the latter's imports. It must be expected that after accession these States will try to market a larger part of their production within the enlarged Community.

At present, wine production in the Community represents about 45% of world production. On the accession of the three applicant countries, this percentage will be increased to about 60%.

36. It should be noted, however, that the wine regulations in force in the three applicant countries are similar to the Community regulations. But the strict Spanish and Portuguese rules on the planting and replanting of vineyards are more severe than those applied in the Community.

37. To sum up, the current imbalance on the wine market falls within a bracket of 6 to 10 million hl. Depending on the estimated yields from the vineyards, this quantity corresponds to an area varying between 50 000 and 150 000 ha. From the information available it is not possible to specify which type of wine, which quality or which regions are most affected by this phenomenon. As was already emphasized previously,<sup>1</sup> there has for some years been a growing trend towards the planting and replanting along rational lines of vineyards producing table wine, with the aim of achieving maximum yields by transferring vineyards from the hills to the valleys. In Italy the production of wines with a very high alcoholic strength for the purpose of coupage has gradually been replaced by the production of wines with an average or low alcoholic strength for direct consumption. To obtain more accurate information, the Commission has carried out a more thorough examination of production and processing structures in the wine sector.

## The structure of wine production

### *Vine holdings*

38. Since table wine is produced almost exclusively in France and Italy, this survey is restricted to those two Member States. It has, however, been carried out for the smallest geographical region for which data were available. In order to make the data more transparent, a system has been developed in order to make it possible to distinguish between holdings for which vines are of considerable importance and those where vines seem not to be a significant part of the productive system.

In accordance with this idea, the 'specialized holdings' have an area under vines exceeding 40% of the UAA while the proportion amongst the 'less specialized holdings' is under 10%.

A combination of this factor with the holding's UAA produces the classification given in Graph No 7.

39. In France almost the entire wine-growing zone is south of the Loire. The diagram giving the concentration of vine holdings<sup>2</sup> shows that the degree of concentration is very marked in the south-east and less so in the south-west of France. In 1970, two thirds of table wine vineyards were concentrated in four southern regions: Languedoc-Roussillon, Midi-Pyrénées, Provence-Côte d'Azur and Corsica. Holdings with less than one ha of vines are comparatively few in these regions. Half the total area under vines is in holdings with between 5 and 20 ha of vines. Most French holdings with more than 20 ha of vines are situated in Languedoc-Roussillon and in the department of Bouches-du-Rhône, and they occupy 30% of the total area under vines in those regions.

40. By applying the classification system described above, the French wine-growing

<sup>1</sup> Point 1 — OJ L 303 of 28.11.1977.

<sup>2</sup> Graph 8.

holdings (all vineyards) can be broken down into two groups of regions:

- The first large group of regions, representing 60% of French wine-growing potential, is distinguished from other regions by the relative importance of specialized holdings (about three quarters of the regions' wine-growing area and one quarter of the holdings); this group comprises the regions of Lanquedoc-Roussillon, Provence-Côte d'Azur and Corsica and the department of Gironde. In these zones the non-specialized holdings account for a small part of the vines in spite of the large number of such holdings (30 to 40% of the region's wine-growing holdings and less than 5% of the area under vines). It should also be pointed out that small holdings with a substantial proportion of land under vines are more heavily represented both by number and area (25 to 40% of holdings and 15 to 20% of vines) in these regions than in the rest of the country. These two characteristics show that this area is one with a specialized vine-growing industry.

One department, however, is slightly different from the other regions in this first group; specialized holdings are less common in Bouches-du-Rhône than elsewhere, whereas non-specialized holdings are more numerous.

- In the second group of regions, with 40% of vine-growing potential, there are still some specialized holdings, but fewer than in the other group (less than 10% of the holdings and 20 to 30% of the regions' vine-growing area). Three subgroups can be distinguished here according to predominant type of holding.

(i) Midi-Pyrénées: Less specialized holdings are well represented (20 to 30% of the area and 10 to 20% of holdings).

(ii) Aquitaine (except Gironde) and Rhône-Alpes: here the non-specialized holdings predominate, with more than 50% of the vine-growing holdings and more than 15% of the area under vines.

(iii) Pays de la Loire, Centre, Poitou-Charentes: Non-specialized holdings are even

more common than in the previous subgroup; more than 70% of the holdings and 20 to 30% of the regions' vine-growing area.

41. In Italy, vines are grown in all regions. Wine vineyards are small or very small units. Although vine-growing structures do not show, in 1970, such marked regional differences as in France, there are nevertheless, special characteristics in some regions of Italy.

It should first of all be stated that the distinction between quality wine and table wine was introduced in Italy only when the common organization of the market in wine was set up. 1970 data accordingly do not distinguish vineyards in accordance with those criteria. It is, however, possible, by using 1976 data, to state that production of quality wines p.s.r. is particularly high (25% of the area) in the Trentino-Alto Adige and Friuli-Venezia Giulia regions and in the provinces of Firenze, Siena, Ascoli Piceno, Verona, Cueno, Asti, Sondrio and Pavia.

The table wine area, on the other hand, is particularly high (90% of the total area) in Sicilia, Campania, Puglia and some regions of Sardegna, Toscana, Lazio, Liguria and Piemonte.

42. Graph No 9 shows that the concentration of vineyards is quite high in Italy, but generally less high than in France. Contrary to the situation in France, wine is mainly produced on holdings with not more than 5 ha of vines (98% of holdings, 81% of total area under vines). Large undertakings with more than 20 ha under vines account for more than 10% of the region's vine-growing area only in the plains of Puglia, Sicilia, Toscana and Lazio and in the hills of Sicilia and Toscana.

43. Broadly speaking, only three types of vine-growing holdings were well represented in 1970. These were specialized holdings, small holdings with a substantial proportion of their area under vines and non-specialized holdings, small holdings with a substantial

proportion of their area under vines and non-specialized holdings, which accounted for nearly 85% of the area under wine grapes and comprised some 90% of vine-growing holdings. The last two categories occupied 63% of the vine-growing area with 88% of the holdings which indicates that the problem of Italian viticulture is also, and above all, a structural one.

A first group of regions (Puglia pianura, Sicilia pianura, Toscana collina and Lazio pianura) which, in 1970, represented more than a quarter of the wine-growing potential, has a very high proportion of specialized holdings (5 to 10% of holdings and 40 to 50% of the area under vines) and at the same time a lower proportion of non-specialized holdings than the rest of Italy. In two other zones, Sicilia collina and Toscana pianura, the proportion of specialized holdings is higher than in the rest of Italy, although not as high as in the regions referred to above (2% of holdings and 25 to 30% of the area under vines).

A second group of regions (Puglia collina, Veneto, Lazio collina, Piemonte, Campania, Abruzzi collina, Lombardia collina, Calabria), which represented 37% of wine-growing potential in 1970, is marked by the large number of small holdings with a substantial proportion of their area under vines and of non-specialized holdings (more than 70% of the area under vines and more than 85% of the region's wine-growing holdings). Within this group, three zones, Piemonte pianura, Campania and Calabria collina, stand out through the presence of a large number of these non-specialized holdings (more than 50% of the area under vines and more than 80% of holdings).

One region (Lombardia pianura), where we have seen that there were practically no holdings with more than 5 ha of vines, is notable for the large share of regional wine-growing potential (25%) accounted for by non-specialized holdings—small or large—(30% of the region's wine-growing holdings). A glance at the other data for this region suggests that its wine-growing holdings are almost entirely non-specialized but structurally quite sound.

A final comment should be made about the regions with a large concentration of 'other' holdings (Veneto pianura, Emilia-Romagna and Sardegna pianura). If the economics of wine-growing improved, this type of holding could become specialized, thus changing the characteristics of the region.

### *The labour force*

44. Since data are not available on the active population in the wine-growing sector, this survey is restricted to the active farming population in those regions of France and Italy where a large proportion of holdings produce wine. In using this method, the margin of error is smaller in France, where in some regions wine-growing is more concentrated than in Italy.

45. A study of the overall structure of employment shows that in France the proportion of the working population in agriculture is lower than the national average in three regions only (Provence—Côte d'Azur, Corsica and Rhône-Alpes). This does not mean that the agricultural sector is highly developed. On the contrary, it indicates a very small agricultural population, since the Rhône-Alpes region and the greater part of the Provence-Côte d'Azur and Corsican regions are classified as mountainous regions within the meaning of the Directive of 28 April 1975 on hill farming and farming in certain less-favoured regions.<sup>1</sup>

Agriculture plays an important part in some of these regions; not including second-stage employment, agriculture employs 20.4% of the work force in Languedoc, 20% in Corsica, 18% in Midi-Pyrénées and 14% in Aquitaine. These rates are all the more significant since the labour force represents only 36% of the total population in Languedoc and 39% in Aquitaine and Provence-Côte d'Azur whereas the Community average is 42%. In the other regions of France where wine production is significant the proportion of the

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<sup>1</sup> OJ L 128 of 19.5.1975.

total active population engaged in agriculture also exceeds the national average in Roussillon, Poitou-Charentes and Pays de la Loire, in spite of the tendency in agriculture to shed labour.

46. The percentage of those out of work is particularly high in Languedoc-Roussillon, Provence-Côte d'Azur and Corsica. The high rate of unemployment (the highest in France) is a serious problem for these regions, and more particularly the rate of youth unemployment, which is of the order of 15% whereas it is some 7.8% for France as a whole. Furthermore, since these regions possess an age-group pattern taking the form of a wide-based pyramid, the number of young people who will come on to the labour market in the next ten years is very high compared with the scope for creating new jobs, so that, in the absence of emigration (which is less and less well tolerated), youth unemployment is likely to become more and more acute. In Languedoc-Roussillon, Provence-Côte d'Azur and Corsica the proportion of the non-working to the working population is also substantially higher than the national average. This is also true in Aquitaine and Poitou-Charentes. The need for structural development in the widest sense is obvious in these regions.

47. In Italy the problem is more serious. There are more wine-growing regions in which a high level of unemployment is found together with a large non-working population. This situation obtains in the regions in the south of the country and the islands, which also have a substantially larger active agricultural population than the national average.

Employment in agriculture is 21% in Campania, 15% in Emilia-Romagna, 12% in Veneto, 10% in Piemonte. Some of this labour force is underemployed.

In the Mezzogiorno, the tertiary industries have a low productivity level and some of the secondary industries are on a small scale.

As the birth rate is high in the Mezzogiorno, the number of people of an age to come on

to the labour market will remain very high for the next 15 to 20 years.

There are no development prospects at present which could change this situation.

48. In the regions under study in France and Italy, the agricultural labour force is predominantly male, particularly in Languedoc-Roussillon, Provence—Côte d'Azur/Corsica, Poitou—Charentes and Sardegna, both overall and in each age group. In both Member States the 35 to 55 age group is large and fairly stable. However, in France the proportion of male workers under 45 is greater than in Italy where, for a time, a large number of young people emigrated.

In addition, in the regions under study in the two Member States the proportion of the active agricultural population aged over 65 is particularly high in the Midi-Pyrénées, Provence-Côte d'Azur/Corsica, Rhône-Alpes, Toscana and Piemonte regions.

49. With regard to the pressure from rising generations, the situation is theoretically favourable for restructuring since almost half the farmers in France and about a third in Italy probably have no successor. However, experience in applying the Council Directive of 17 April 1972 concerning measures to encourage the cessation of farming and the reallocation of utilized agricultural area for the purposes of structural improvement<sup>1</sup> has shown that the mobility of the active agricultural population in the 55 to 65 age group is very limited.

### **Wine-growers' incomes**

50. The results of the EEC Farm Accountancy Data Network (FADN) for the period 1969-1976 have been analysed from various standpoints.<sup>2</sup>

<sup>1</sup> OJ L96 of 23.4.1972.

<sup>2</sup> The FADN in its present form does not represent the whole of the agricultural sector, and wine-growing holdings (a particularly heterogeneous group) are particularly badly represented.

The following facts emerge from a comparison of the accountancy results of wine-growing holdings in the different divisions (holdings with between 5 and 10 ha UAA):

(i) the net farm income per ALU in the Rhône-Alpes, Aquitaine, Midi-Pyrénées, Veneto, Trentino-Alto Adige and Friuli-Venezia Giulia regions is slightly higher than the average for this size category;

(ii) net farm income depends largely on production per hectare (in terms of value) and its variations are more closely related to changes in the gross production than to changes in inputs;

(iii) the net farm income per agricultural labour unit also depends on how labour-intensive the holding is. Thus, compared with the value per hectare of production, farm income is relatively high in Sicily and Sardinia and to a lesser extent in Languedoc, Provence—Côte d'Azur—Corsica, areas of relatively low labour intensity. The opposite situation is observed in Aquitaine, Midi-Pyrénées, Piedmont, Val d'Aosta and Lombardy.

51. Comparison of the accountancy results obtained from wine-growing holdings in the various size categories in each of the regions under consideration shows that the gross product per hectare is more or less the same in each category. The net farm income, on the other hand, varies according to labour intensity, which decreases as the area increases until an area of 10 to 20 ha is reached, above which the figure remains stable. As a result the net income is lowest on farms of less than 5 ha and rises until farm area reaches 20 ha. The net income on larger farms is about the same as on farms of between 10 and 20 ha.

52. Comparison of the accountancy results of wine-growing holdings with those of other types of farm of the same size in the same region shows first of all that the labour force is often larger on horticultural holdings and fruit farms. The reverse is true of olive holdings and farms based on general agriculture or grazing.

Wine-growing holdings often head the list for net farm income per ALU. In most of the regions observed the income of fruit farms, horticultural holdings and general farms of more than 20 hectares was in some cases competitive.

### Marketing and processing structures

53. In both France and Italy wine is marketed by both cooperatives and private firms. France is encouraging the processing and marketing of wine by producer groups.

54. In France four fifths of the wine produced by cooperatives (28 million hl = 42% of French production) is table wine, and one fifth quality wine p.s.r.

Cooperatives play a leading role in the south of the country, particularly in some departments along the Mediterranean coast. In these regions, cooperatives produce more than 60% of the wine. Cooperatives in these regions are, however, generally very small; their equipment is often not up to date and they sometimes have management difficulties. The services of a broker and a shipper are generally required for the marketing of a product which will be used as a raw material in the manufacture of wine for sale to the consumer.

Since 1973 the French Government has tried to accelerate economic reorganization in these regions based on producer groups, which should be larger entities producing at least 100 000 hl and capable of carrying out all the operations necessary for marketing a wine which can be drunk without further processing.

This policy has had some success, but is still inadequate. The volume produced by group members is considerable, but only a small proportion is sold through the group—6% in Languedoc-Roussillon, 5% in Provence—Côte-d'Azur, 8% in Midi-Pyrénées and 5% in Corsica.

55. The complicated marketing procedure for wine, in France places the cooperatives at a distance from the consumer, as only a small percentage (4%) reaches the consumer direct. Of the 96% which is always sold through a broker, only 11% is sent to shops and consumer cooperatives without passing through the wholesale stage at either the place of production or the place of consumption. 20% of all table wine takes a longer route to chain stores but is not sold on the wholesale market at the place of consumption. 16% of table wine is consumed on licensed premises after passing through the wholesale markets at both the place of production and the place of consumption. It is also interesting to note that at least part of the bottling is done by the trade.

56. In *Italy* 36.3% of all wine is produced by cooperatives, 48% by private holdings and 12% by industry and the trade.

Cooperatives have expanded considerably: their storage capacity increased ninefold between 1950 and 1970.

The storage capacity of wine cooperatives exceeds 40% of national production, but their size varies greatly from one region to another. Although wine cooperatives process about 50% of all grapes produced in Trentino-Alto Adige, Veneto, Emilia Romagna, Abruzzi, Puglia, Sicilia and Sardegna, the figure is much lower in other regions, particularly in Piemonte (20%) and Toscana (26.6%), two of the most important wine-producing regions in Italy.

In the four regions with the best organization (Emilia Romagna, Veneto, Puglia and Sicilia), the cooperatives supply:

- (i) 83% of concentrated musts;
- (ii) 85% of wine subjected to coupage;
- (iii) 41% of quality wines.

The Italian cooperatives generally restrict their activity to processing grapes into wine, practically ignoring the later stages of bottling and marketing. In 1973 only one third of cooperatives had a bottling plant. It was, moreover, impossible to determine the per-

centage of wine actually bottled, as only in a few cases could the bottling plant cope with all the wine produced by the cooperative. The high cost of equipment encourages the formation of 'bottling associations' (there were already 17 in 1973).

In addition to wine cooperatives, 126 associations in Italy have another legal form. These are mainly 'Enopoli', owned by the 'Consorzi' and the 'Federconsorzi'. Unlike the cooperatives, these bodies are not formed by producers, but producers may use them. In 1973, 40 of these 'Enopoli' had bottling plants.

57. The wine distribution network is not known exactly. Cooperatives are beginning to take an interest in distribution, but this is still only a marginal phenomenon. It is also difficult to distinguish the marketing of wine from that of other beverages.

### Chapter III

## Action programme for the wine sector

### The options available and the difficulties involved

58. The common organization of the market in wine provides for instruments to deal with temporary imbalances resulting from the annual variations in production caused by natural factors. These instruments cannot yield results unless there is a long-term balance between production and outlets. In the absence of such long-term balance, measures need to be taken to increase outlets and to control the production of table wine. This will entail the coordinated introduction of structural measures and market-related measures.

### The increasing of outlets

59. Wider and more diversified outlets should be found for wine products. There is a good chance of increasing table wine consumption in the northern regions of the Community where *per capita* consumption is well below that in the southern regions of the Community.

A number of obstacles still stand in the way of wine consumption, the important of these being taxation. The taxation of wine varies widely within the Community. Little progress is being made towards the harmonization of the taxes and charges levied on wine. As regards the level of taxation, the Commission would point out that its recommendation of 5 December 1975<sup>1</sup> to the effect that the highest rates of excise duty should be lowered, has failed to achieve its purpose? Since this recommendation, several Member States (Benelux, United Kingdom) have further increased the rates of taxation on wine. The Commission has opened infringe-

ment proceedings against the United Kingdom for its contravention of the second paragraph of Article 95 of the EEC Treaty in imposing a high rate of excise duty on table wine; there exists a competitive relationship between beer and wine such that the rate of excise duty on wine protects the consumption of beer in the United Kingdom. In July 1978, the Commission remitted this case to the Court of Justice.<sup>3</sup>

60. Another way of increasing outlets consists in information and promotion campaigns on behalf of table wine; such campaigns could concentrate on the table wine qualifying for some geographic description (*vin de pays*; *vino tipico*; *Landwein*) and could be conducted especially in those regions where consumption is relatively low. The improvement of wine labelling requirements at Community level could also be considered in the context of expanding consumption. It would improve the level of consumer information and assist the flow of intra-Community trade.

61. The Community currently exports 5 million hl of wine to non-member countries, 2 million hl (40%) of these exports being table wine. Although the chances of increasing table wine exports would seem limited, as compared with the possible uses within the Community, the external outlets should be developed where possible. During the last 15 years the trend of exports of wine from the Community shows a slight increase.<sup>4</sup>

62. There has so far been little success in the search for other outlets for wine products. Real opportunities may exist, however, particularly where the utilization of concentrated must and rectified concentrated must is concerned.

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<sup>1</sup> OJ L 2 of 7.1.1976.

<sup>2</sup> Graph 10.

<sup>3</sup> OJ C 214 of 8.9.1978.

<sup>4</sup> Graph 11.

### **Control of the quantity and quality produced**

63. In the long term the control of table wine production entails the adjustment of the production potential to the demand. The current trend is to move vineyards from their traditional locations to areas where wine-growing presents fewer problems; this often means a move away from the hills towards the plains. As a rule, such relocation of vineyards is accompanied by an increase in yield, sometimes to the detriment of quality. This trend does not always reflect the natural suitability of the various areas for wine-growing.

A study should therefore be made of the possible production alternatives for the areas located in the plains, where the natural conditions seem more favourable for conversion towards other types of production. At the same time it would seem necessary to devise a number of interrelated measures whereby a general improvement can be made in the structures of traditional vineyards, most of which are located on hillsides.

64. For this reason, the action programme for the wine sector must consist of measures differentiated according to the geographical situation of the vineyards and the socio-economic situation of the holdings.

The success of such an action programme will largely depend on the extent to which the wine-growers concerned are able to receive information and guidance on the various options open to them.

### *Quantity control*

65. One possibility is the cessation of all agricultural and wine-growing activities and the transfer of labour to other activities. The analysis shows that, given the present economic and social structure of regions with a high density of vineyards, wine-growers have little chance of finding an alternative occupation. Moreover, many wine-growers would have difficulty in taking up non-agricultural jobs

because of their relatively advanced age and their lack of occupational experience outside the wine sector. This being the case, the only way to bring about a cessation of wine-growing is to encourage early retirement among persons aged 55 to 65 and complete retirement for persons over the age of 65. The land released as a result of the final cessation of all farming and wine-growing activities should be used for the expansion of other holdings.

66. A second possibility is the replacement of wine-growing by other types of farming. On farms in the Mediterranean regions wine-growing is often combined with other forms of production such as field crops, horticulture, fruit-growing, cattle farming, pig farming and poultry farming.

The information provided by the Farm Accountancy Data Network has been used as the basis for a study of the types of farming which could take the place of wine-growing. Only a limited number of regions and holdings were covered by this study. In the case of the French regions a distinction was made between holdings producing quality wine p.s.r. and those producing table wine.

67. According to this study, certain field crops (maize, vegetables) and horticulture could provide an earned income greater than or equivalent to that provided by wine-growing. To give the same labour income, horticulture requires the same production factors (area, capital, labour) as wine-growing. Field crops, on the other hand, require considerably larger areas of land but a smaller permanent labour force.

Another possible alternative to table wine production would be certain fruit crops (excluding apples). Such crops provide an income equivalent to that from wine-growing, using slightly smaller areas and a slightly larger permanent labour force; they do not, as a rule, require much more working capital.

68. Various intensive field crops, horticulture and certain types of fruit-growing may also be considered as alternatives to wine-



growing from the incomes standpoint, and, particularly on the plains, vineyards could be converted to such crops.

Such conversion is out of the question, however, except where the markets concerned have no problems with surpluses; it also presupposes that the holdings being converted will have at their disposal the necessary capital and land.

69. Other types of farming could also replace wine-growing, e.g., maize growing, beef production, sheep farming. However, if these types of farming are to constitute a real alternative to wine-growing where income is concerned, their introduction would have to be accompanied by the restructuring of the holdings concerned, their size being increased and their labour force reduced.

70. This analysis demonstrates that the conversion of vineyards is possible but that it will be difficult to achieve, given the conditions to be satisfied. The farm structure situation in the Mediterranean regions is such that labour-intensive crops (wine, fruit, vegetables) represent the best way of giving employment to an excessively large labour force. Such labour-intensive types of farming may, however, find it difficult to dispose of their production.

On the other hand, conversion to crops which require less labour may cause employment problems, for some of the labour force would have to leave the agricultural sector. For example, even where a vineyard was converted to maize in optimum circumstances, although the labour requirement would be reduced by two thirds, the gross earnings per hectare would be lower than before. Lastly, mention should be made of the relatively high average age of the wine-growers concerned, which represents another obstacle to any substantial conversion measures.

### *Quality control*

71. Where a vineyard producing table wine enjoys favourable natural conditions, it

should be so reorganized as to facilitate the control of production and the improvement of quality. The Commission legislation on wine lays down minimum criteria for defining the quality of table wine; it also specifies which oenological processes are permitted and gives a classification of vine varieties. Despite the improvements made in recent years, these rules are not in themselves sufficient to ensure that production is of adequate quality in every case.

72. Given the vine's great capacity for adaptation to widely differing natural production conditions and given the technological advances made in wine-making, the range of wine quality is also very large. Experience shows, however, that the quality of a wine is better and more in line with consumer tastes if the vine has been grown on land naturally suited to wine-growing. This depends on the nature of the soil and the climate. The way in which these physical factors combine determines the quantity and quality of the wine produced. The vineyards which produce the best wines, finding a ready market, are those where natural factors place limits on production.

Unfortunately these vineyards are also those suffering from particularly serious structural problems: poor working conditions in the vineyard (high degree of fragmentation, variable spacing and alignment of rows) and vine varieties from which the production is of poor quality.

## **Measures proposed**

### **Measures to increase outlets**

73. The Commission recalls its recommendation of 5 December 1975 particularly in relation to an appreciable reduction in the rates of the higher excise duties charged on wine.<sup>1</sup>

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<sup>1</sup> OJ L 2 of 7.1.1976.

Discussion on the Commission's proposal for a Directive on a harmonized excise on wine (and on similar Directives for beer and alcohol)<sup>1</sup> has recently recommenced in the Council.

74. Effective information and promotion campaigns should be conducted in the countries concerned. The Commission proposes to carry out a study on the organization, with financial assistance from the Community, of specific information and promotion campaigns on behalf of certain table wines (*vin de pays*; *vino tipico*; *Landwein*). The combined effect of these actions (reduction of higher excise duties on wine, information and promotion campaigns) should be to stimulate further growth in wine consumption in the countries concerned.

75. Regarding the other possibilities for disposing of vine products, priority must be given to the use of concentrated must and rectified concentrated must in wine-making. To this end, the Commission proposes:

(i) amendment of the rules so as to allow the use of rectified concentrated must in wine-making (definition, oenological practices);

(ii) the addition to the basic regulation of a new Article enabling the Council to take rapid *ad hoc* decisions on aid for concentrated must and rectified concentrated must produced in certain regions of the Community and used in wine-making for enrichment.

These measures constitute the first stages in the replacement of sucrose by rectified concentrated must in wine enrichment and in the production of sparkling and aromatized wine. A research project on the technological and economic aspects of all the possible end-uses of vine products other than wine will be included in the research programme for Mediterranean agriculture.<sup>2</sup>

76. As regards refunds in the wine sector, the Commission intends to fix them in ac-

cordance with the aims of the Community rules, so that exports continue to develop reasonably.

### Measures to control production

77. The joint implementation of action to convert table wine vineyards in some areas and to rationalize them in others requires criteria to be laid down for the objective classification of land according to its natural suitability for wine growing. This depends on its soil and climate, and on its combination of altitude and slope. A distinction must be made between hills, with a slope of more than 5% and an altitude of more than 300 metres, and plains. In addition, alluvial soils with more than 50% recent alluvium must be treated separately.

78. The Commission proposes the following categories:

I. Land in the hills, excluding valley bottoms;

II. Land in the plains, with non-alluvial soil, situated south of a line defined by the following climatic criterion or criteria:

(a) rainfall: less than 200 mm during the growing season (April-September),

(b) average temperature: over 18°<sup>3</sup> during the growing season (April-September);

III. Land:

(a) in the plains, with alluvial soil, and situated south of the line defined above,

(b) in the plains, situated north of the line,

(c) in valley bottoms.

As recent, harmonized statistics are not available, it is not possible to give exact figures for the vineyards in each category. A cautious estimate of the breakdown of the

<sup>1</sup> OJ C 43 of 29.4.1972.

<sup>2</sup> OJ C 176 of 25.7.1978.

<sup>3</sup> Provisional figures which will be confirmed or adjusted in the light of current work on meteorological data.

total of about 1.7 million hectares producing table wine would be as follows:

	<i>(in ha)</i>			
	Category I	Category II	Category III	Total
France	450 000 <sup>1</sup>	100 000	200 000	750 000
Italy	580 000	170 000	200 000	950 000
Total	1 030 000 <sup>1</sup>	270 000	400 000	1 700 000

<sup>1</sup> Of which about 100 000 ha of hills in French wine-growing areas other than the south should, on closer technical examination, be classed as category II.

The aim of setting up this classification is not to delimit geographically all the land under vines, but to create an instrument for tailoring measures, case by case, to specific wine-growing areas.

79. Classification of vineyards into these three categories is, for each individual measure, a prerequisite for the granting of national and Community aid and for any authorization of new plantings.

It is also a prerequisite for working out general or sectoral regional programmes.

In addition, it is a prerequisite for collective operations to improve vineyard structures (for instance, improvement of the arrangement of vine plots, of plantings and of roads, and introduction of new vine varieties).

### *New plantings and replanting*

80. The Commission proposes the introduction of Community rules for advance authorization of vine plantings and replantings (wine grapes and table grapes), with administrative instruments for application, supervision and sanctions. The authorization systems already set up in certain Member States will be taken into account when this system is put into effect.

81. The Commission proposes that plantings and replantings should be governed in line with the classification of vineyards into three categories according to their natural suitability for wine-growing:

— replantings will be authorized for all table wine vineyards, provided only certain varieties (to be laid down) are used. The determination of these varieties implies a tightening-up of the general rules for the classification of vine varieties and of the classification itself;

— new plantings will be authorized only on land in the first category; authorization for new plantings will be blocked until it is established that wine-growing has been finally abandoned on land in other categories, thus guaranteeing that the table wine production potential of each Member State is reduced; new plantings will come under the same rules regarding varieties as replanting.

The exceptions to the ban on new plantings currently provided for by the Council Regulation of 17 May 1976 on measures designed to adjust wine-growing potential to market requirements<sup>1</sup> for growers having development plans within the meaning of the Council Directive of 17 April 1972 on the modernization of farms<sup>2</sup> and for reparcelling of holdings, will be maintained for vineyards in the first category, as will the exceptions for member States producing less than 5 000 hl per year.

82. A special system governing plantings will be set up for vineyards producing quality wines p.s.r. This system will involve an annual review and previous coordination at Community level for authorization of new plantings envisaged by the Member States, depending on how market outlets develop. The ban on new plantings of quality wine p.s.r. vineyards will be maintained for two years in the Member States where this is the main product.

<sup>1</sup> OJ L 135 of 24.5.1976.

<sup>2</sup> OJ L 96 of 23.4.1972.

### *Measures for the modernization of wine-growing holdings*

83. The Commission proposes the following concrete measures:

— Aid for replanting vineyards in categories I and II, and for new plantings on category I land, will be granted only if there is a development plan as laid down in the abovementioned Council Directive of 17 April 1972;<sup>1</sup>

— However, the aid provided for in that Directive will be granted to holdings without a development plan provided they are taking part in collective action for structural improvement of vineyards; this aid will apply to replanting of category I and category II vineyards and to new plantings on category I land. On this basis and by way of derogation from Article 14(2) of the abovementioned Directive of 17 April 1972 the principle of favouring Community aid over national aid will not be applied to investments for replanting or new planting.

When the basic structure of a wine-growing area is inherently defective (fragmentation, spacing, alignment, etc.), collective measures to improve this structure may be necessary and the incentive for such an improvement cannot be discriminatory.

— Areas in the first and second categories covered by joint modernization operations (with the exception of new planting) are eligible for a lump-sum premium of between 1 500 and 2 500 u.a./ha, depending on the average cost of the operation. The minimum premium of 1 500 u.a. is granted where the basic vineyard structure is good at the start of the operation, while the maximum figure is reserved for operations entailing a complete restructuring of the vineyard. This lump-sum premium for the improvement of vineyards is the subject of a common measure introduced for the duration of the programme and applying to about 200 000 hectares. The EAGGF, Guidance Section, will reimburse 35% of eligible expenditure.

84. Aid for planting and replanting is granted only to recipients using vine varieties ap-

pearing on the list of varieties approved by the Council.

### *Measures concerning the conversion of vineyards to other crops*

85. The present wine surplus corresponds to an area of between 50 000 and 150 000 ha of vineyards, depending on the figure adopted for the yield. The present system of conversion premiums could lead to the grubbing of about 50 000 ha of medium- or low-yield vineyards, but does not guarantee that this wine-growing potential will disappear completely. The Commission therefore proposes to implement a programme whereby at least 100 000 ha of vines will be grubbed and definitively cease to produce wine. This programme should cover areas under vines which genuinely cease production under the accelerated programme for restructuring and converting vineyards in certain Mediterranean regions of France, which is intended to cover 33 000 ha of vineyards.<sup>2</sup>

86. In 1976 the Council decided to introduce, for the three wine years 1976/77 to 1978/79, a system of premiums for voluntary conversion open to all wine-growers in the Community.<sup>3</sup> These arrangements provide for the granting of a premium of 1 000, 1 500 or 2 000 u.a./ha, depending on the productivity of the vineyard; the premiums are intended to compensate for both the grubbing of the vines and the grower's undertaking not to replant for six years.

87. The Commission proposes:

(i) to modify these arrangements from the 1978/79 wine year onwards along the lines shown below;<sup>4</sup>

(ii) to make provision for their application during the validity of the action programme for the wine sector (1979-1985);

<sup>1</sup> OJ L 96 of 23.4.1972.

<sup>2</sup> OJ L 206 of 29.7.1978.

<sup>3</sup> OJ L 135 of 24.5.1976.

<sup>4</sup> Point 88.

(iii) to make provision for a review of the arrangements during the 1980/81 wine year.

88. The Commission proposes to make the following adjustments to the *provisional grubbing arrangements* laid down in the Council Regulation of 17 May 1976 on the granting of a conversion premium in the wine sector:<sup>1</sup>

(i) the conversion premium will apply to all vine varieties in third-category vineyards but only to the varieties at present covered in second-category vineyards;

(ii) the period during which the total area under vines on the holding concerned may not be increased is to be extended from six to eight years;

(iv) at the end of the eight-year period following the granting of the conversion premium, category vineyards will not qualify for modernization aid;<sup>2</sup>

(v) the conversion premium will vary between 1 500 and 3 000 u.a./ha, depending on the yield.

89. The Commission also proposes to introduce arrangements for encouraging farmers to cease wine-growing. If the farmer decides to cease wine-growing definitively on areas already qualifying for the conversion premium, he will receive a single payment of 2 000 u.a./ha. This amount will be reduced by 200 u.a./ha each year with effect from the fourth year following the granting of the conversion premium. Where a grower qualifies for such payments, he must not plant any vines on the eligible area in the future.

90. The Commission proposes to introduce a scheme whereby the right to replant may be bought back from wine-growers with vineyards of the second and third categories (France only). This scheme provides for the granting of a lump-sum premium in the same way and on the same conditions as the premium granted for the cessation of wine-growing.

91. Expenditure on the modernization necessary for growing crops other than vines

will be eligible for the normal system of aid laid down in the Council Directive of 17 April 1972.<sup>3</sup>

92. The Commission estimates that the proposed grubbing programme<sup>4</sup> will apply to some 77 000 hectares from the 1978/79 wine year onwards; a total of about 116 000 hectares will therefore be involved if the 39 000 ha which qualified for the conversion premium in 1976/77 and 1977/78 are taken into account. The Commission estimates that 89 000 hectares will be eligible for the proposed incentives for the final cessation of wine-growing.<sup>5</sup> The EAGGF, Guidance Section, will refund 50% of eligible expenditure.

#### *Measures concerning cessation of farming*

93. The Commission proposes that an annual premium be granted on application to growers aged between 55 and 65 whose holding has at least 20% of its total UAA under vines. This premium will be granted to growers who are eligible for the incentives to give up wine growing and who:

(i) receive the annual allowance provided for in the Council Directive of 17 April 1972;<sup>6</sup>

(ii) cease to work their farm as an independent economic unit;

(iii) transfer at least 85% of the land released to other holdings or for non-agricultural uses, or to land development bodies.

The premium is 500 u.a. per hectare of vineyard ceasing production and is granted until the recipient's 65th birthday. The Commission calls on the Member States to increase their efforts to persuade growers to cease their activities and release their land to farmers in the regions concerned as provided for in the Council Directive of 17 April 1972.

<sup>1</sup> OJ L 135 of 24.5.1876.

<sup>2</sup> Point 83.

<sup>3</sup> OJ L 96 of 23.4.1972 and Point 83.

<sup>4</sup> Point 88.

<sup>5</sup> Point 89.

<sup>6</sup> OJ L 96 of 23.4.1972 and Point 49.

The success of the vineyard conversion programme depends essentially on the mobility of the land released. The Commission estimates that the proposed annual premium will be granted in respect of some 16 000 hectares. The EAGGF, Guidance Section, will refund 50% of eligible expenditure.

#### **Measures concerning the processing of grapes and the marketing of wine**

94. The Commission intends to bear the following guidelines in mind when applying the Council Regulation (EEC) of 15 February 1977 on common measures to improve the conditions under which agricultural products are processed and marketed:<sup>1</sup>

(i) in the case of wine products from the first category of vineyards, investments in processing and marketing will be granted priority under Article 11(1)(a) of that Regulation;

(ii) products from the third category of vineyard do not normally qualify for aid under the Regulation, but the priority referred to in Article 11(1)(a) will apply to crops which replace vines.

95. The Commission would stress the important part in this action programme which is to be played by the producer groups in the wine sector.

#### **Other measures**

96. The Commission also proposes measures enabling vineyards producing quality wines p.s.r. to receive Community and national aid for investments in replanting in connection with collective operations to improve vineyard structures (total cost: 46 million u.a. of which 16.1 million chargeable to the EAGGF).

As regards areas for the production of spurs and seedlings, the Commission proposes measures relating to the adjustments required as a result of the structural measures provided for by the programme, as regards

both varieties and areas (total cost: 4.3 million u.a. of which 2.2 million chargeable to the EAGGF).

97. The Commission intends to apply all the principles and guidelines of the action programme for the wine sector when it examines State aid in the light of Articles 92 to 94 of the EEC Treaty.

98. The Commission asks the Member States to increase their vigilance and inspections to eliminate frauds in the wine sector. Such action is vital if the market balance, which it is hoped to attain by adjusting wine-growing potential, is not to be threatened by increasing supplies of artificially produced wine.

#### *Specific problems concerning Charentes wine*

99. In the Charentes region, production of wine suitable for the manufacture of cognac exceeds by one to three million hectolitres, depending on the harvest, the amount which can be used in the making of wine spirits of designated origin or processed in other traditional ways. This surplus may disturb the market in white table wine. The area with the potential to produce these wines is nearly 100 000 ha and must therefore be reduced by conversion to other crops. Because of the special nature of the problem, the Commission has asked the French Government to submit a regional plan concerning these vineyards, with the aim of ending wine-growing on 15 000 ha and converting them to other crops, during the period 1979/80-1981/82 so that authorized planting of wine will be in equilibrium with the market possibilities.

The same inducements as those mentioned in paragraphs 88 and 89 will apply to the vineyards having been authorized for planting when this regional plan is implemented but the condition whereby eight years must

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<sup>1</sup> OJ L51 of 23.2.1977.

elapse before replanting will become more restrictive, since the grower will have to undertake to cease wine-growing altogether on the area grubbed to qualify for the conversion premium and the incentive payments. This regional plan will constitute a common measure, of which 50% is financed by the EAGGF Guidance Section. The total cost to the EAGGF will be some 10 million u.a. over the three-year period.

100. According to the Commission's estimates, the proposed action programme for the wine sector will cover modernization of 200 000 ha and conversion or cessation of wine-growing on 77 000 ha.

## Financial effect

101. The purpose of the information below is to provide a general indication of the financial effect of the measures envisaged. The usual financial statement will accompany the Commission's formal proposals.

### EAGGF — Guarantee Section

#### *Enrichment by concentrated musts*

102. If the Council agrees that the possibility which this report recommends should be provided for in the basic Regulation, the aid would be an additional 1 u.a. per °/hl. It is estimated that expenditure on this measure could, in some years, be about 45 million u.a., but enrichment would help to reduce the quantity of raw material available for vinification.

#### *Floor price*

103. If the prohibition on the marketing of wine below a minimum price is implemented, the distillation operations which would accompany the prohibition would cause additional expenditure. As the actual quantity for distillation would depend both on the size of

the vintage and on the buying-in price for this wine, it is difficult to estimate the financial effect at present, but it could reach 10-13 million u.a. per million hl distilled.

#### *Compulsory deliveries of wine for distillation*

104. The increase in the additional rate of compulsory deliveries of wine for distillation would, if it were actually implemented, also lead to additional expenditure of about 6.5 million u.a. per point<sup>1</sup> (= 1 million hl for a production of 100 million hl). If the measures were to be fully implemented the expenditure would be 23 million u.a.

105. Since the progressive reduction of excise duties on wine would encourage consumption this would have a favourable impact on expenditure.

106. It should be noted however that the new market proposals and the structural measures envisaged will have a favourable impact on expenditure:

(i) the market management measures (in particular application of the system of minimum prices and the compulsory deliveries of wine for distillation) would, in the case of a large vintage, enable the quantities supplied for traditional distillation operations, which are usually the most expensive, to be reduced;

(ii) the structural measures which should on conclusion (in seven years) diminish the areas under vines (90 000 ha for table wine and 15 000 ha for the Charentes wines) would consequently reduce production by about 5.7 million hl, corresponding to an annual saving in expenditure of about 50 million u.a.

### EAGGF Guidance Section

107. According to a provisional estimate, Guidance Section expenditure could come to

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<sup>1</sup> Point 75.

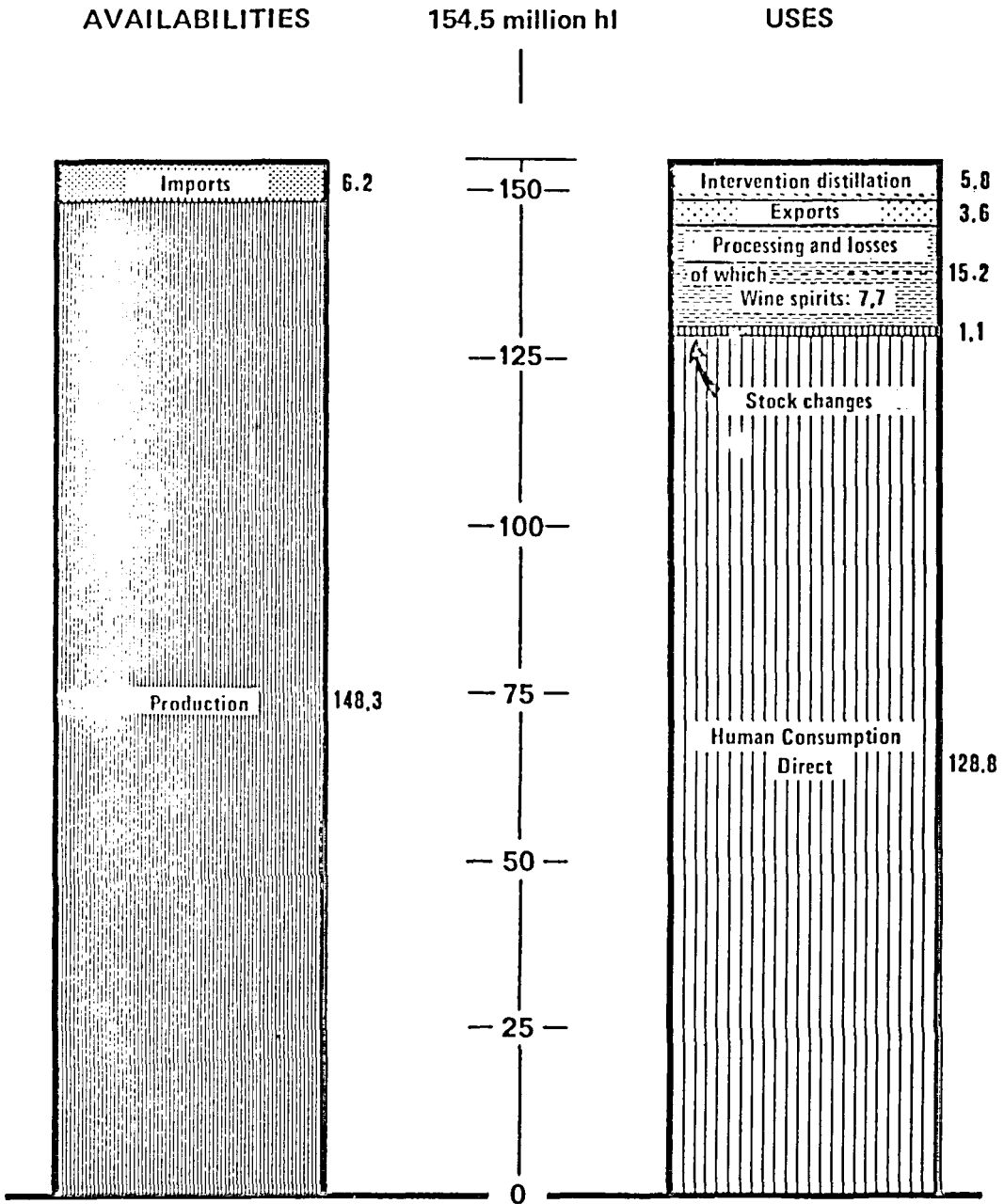
about 350 million u.a., that is, an annual average of about 47.5 million u.a., broken down as follows among the various measures envisaged:

(Million u.a.)

Measure	Cost		
	Total	Charged to EAGGF	
		Total	Annual average
Modernization	400	140	20
Conversion	193	96.5	14
Cessation of winegrowing	102	51	4
Cessation of farming	40	20	1.3
Purchase of planting rights	29.3	14.7	2.3
Charentes programme	20	10	3.3
Nurseries programme	4.3	2.2	0.3
Restructuring quality wines p.s.r.	46	16.1	2.3
Total	834.6	350.5	47.5

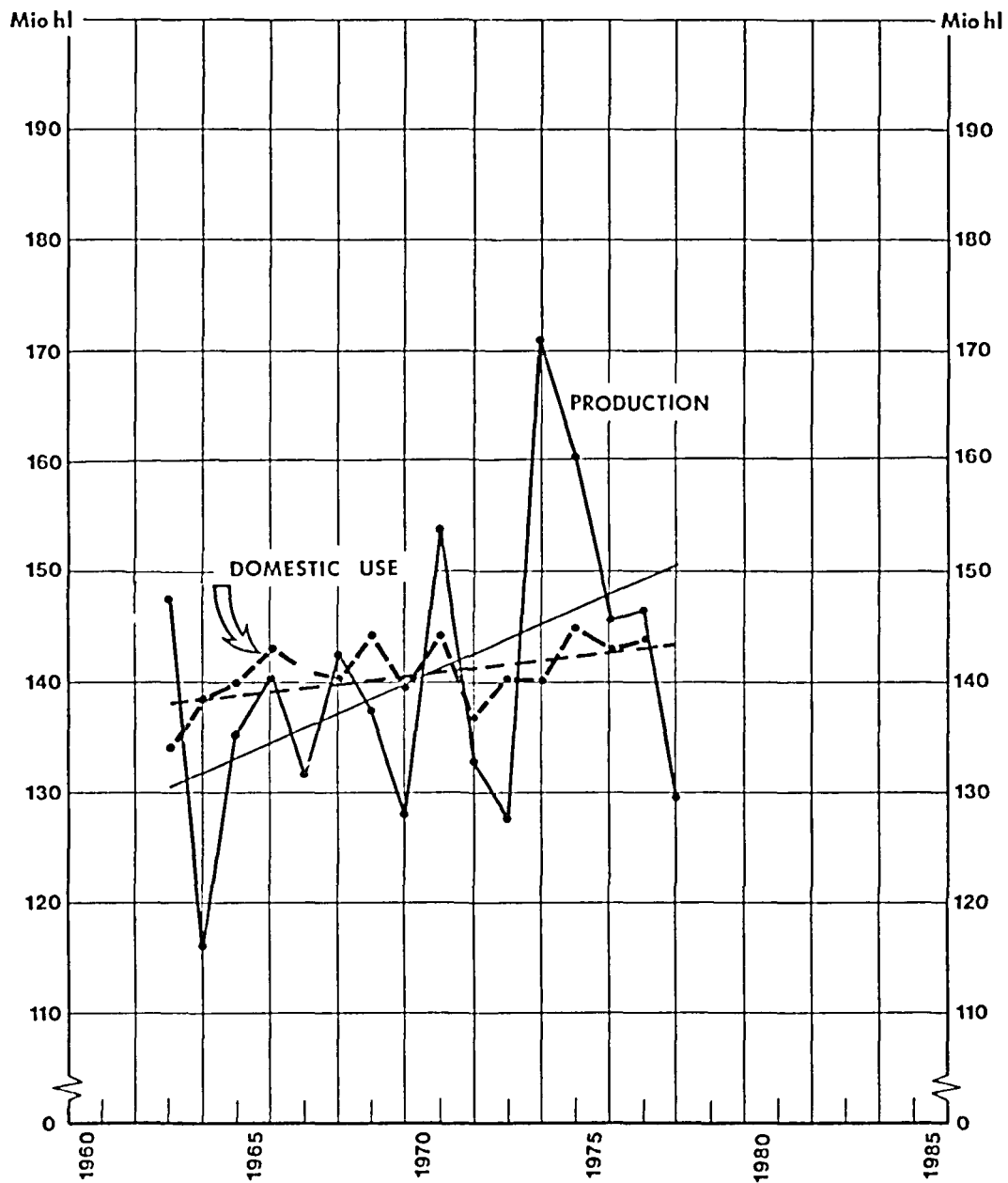


Graph 1 — *Wine supply balance of the Community*  
 Average for the marketing years 1970/71 to 1976/77



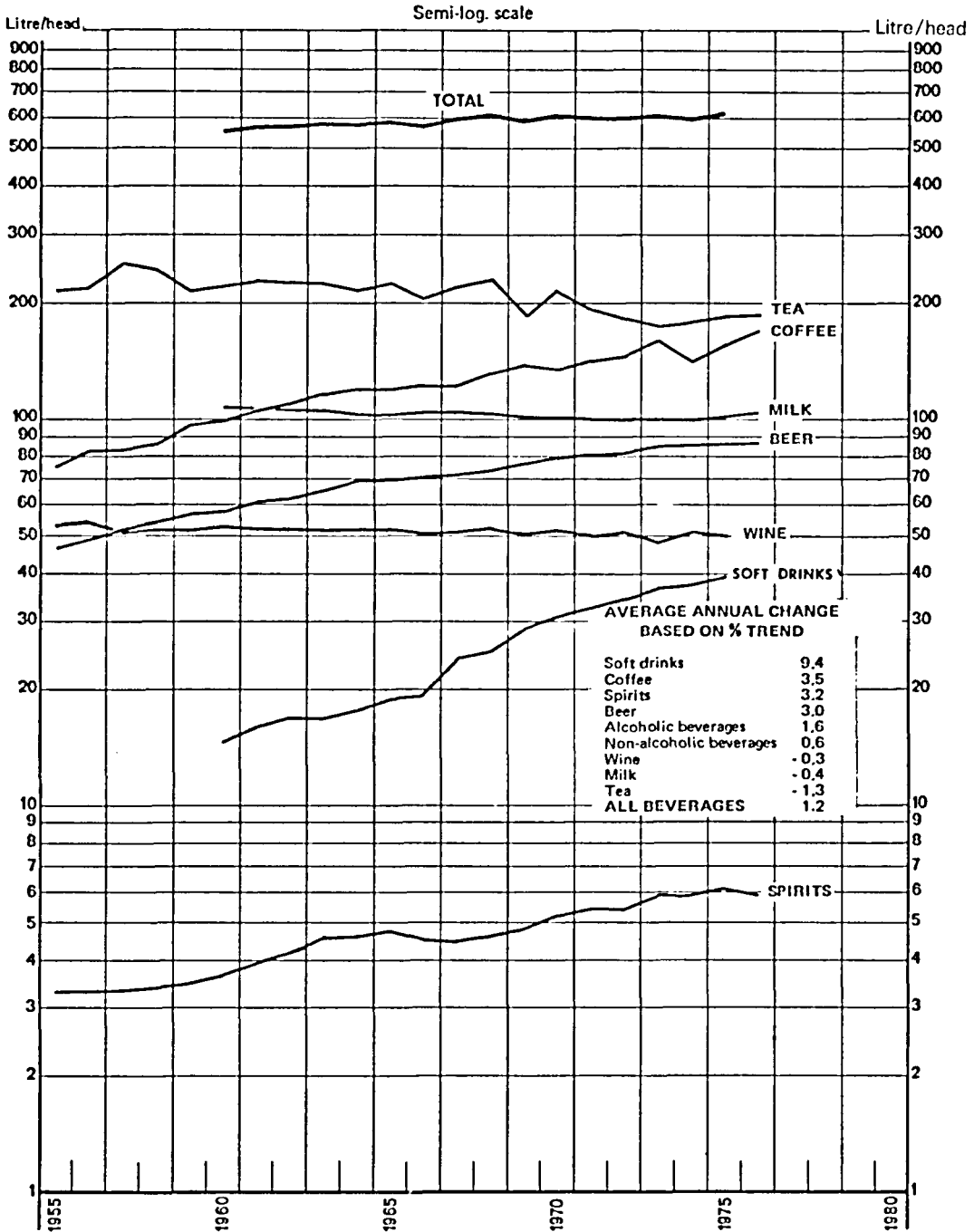
Source: EEC Commission — DG VI — on the basis of EUROSTAT.

Graph 2 — Production and domestic use of wine

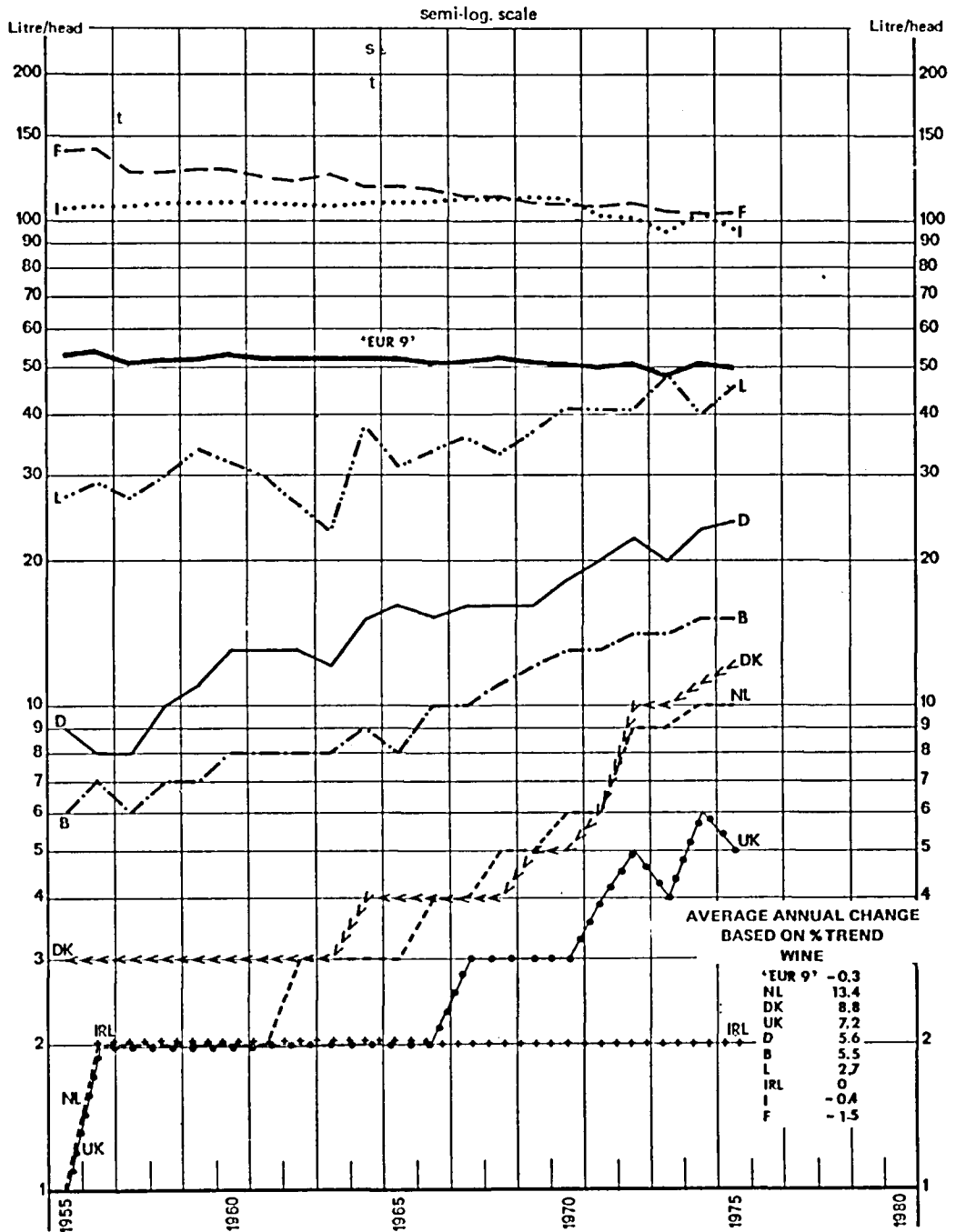


N.B. The figure for domestic use does not allow for exceptional distillation: for Germany (harvest 1974/75), for France and Italy (from the 1970/71 harvest).

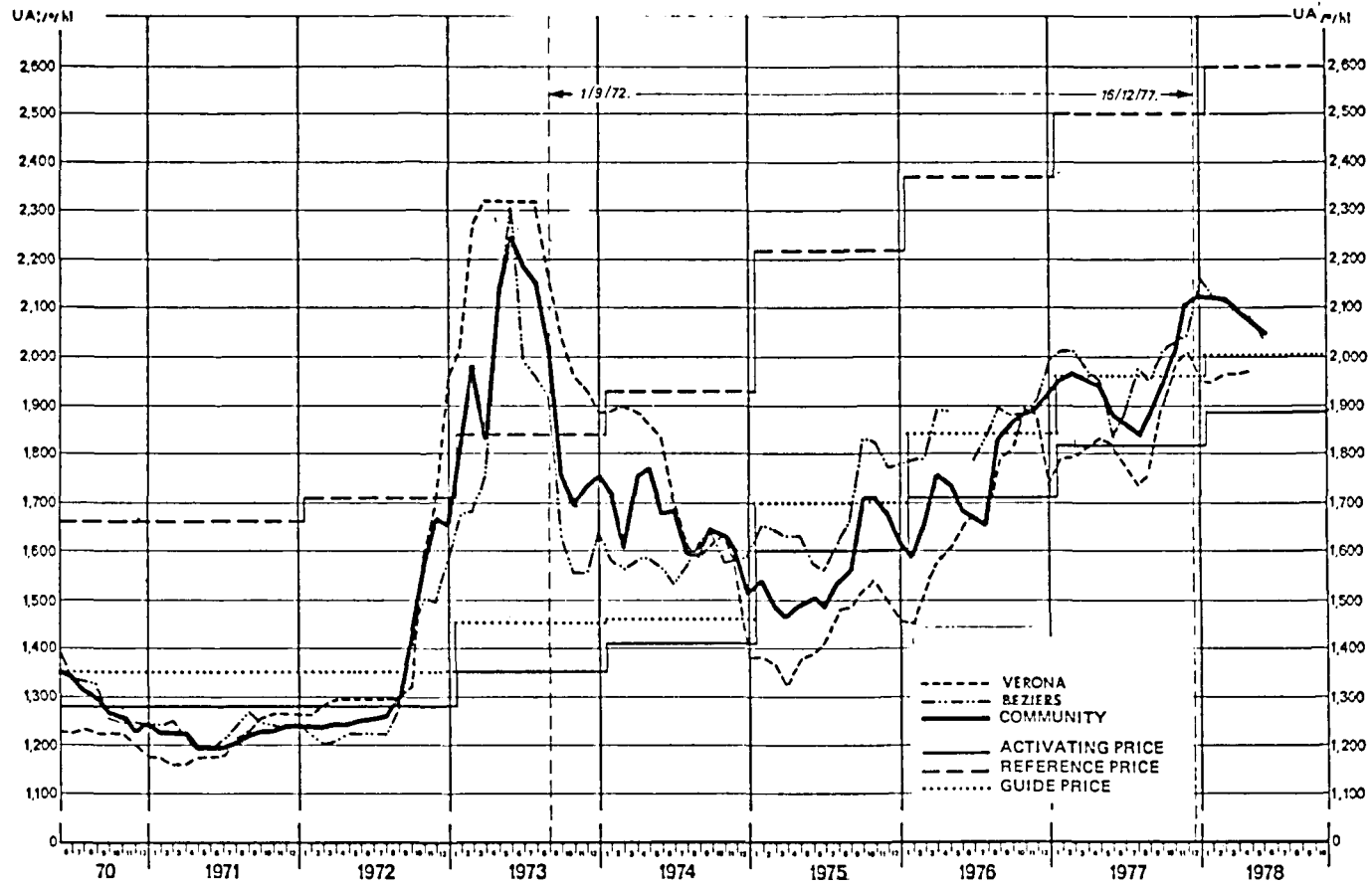
Graph 3 — Per capita consumption of beverages in the Community



Graph 4 — Per capita consumption of wine in the Community

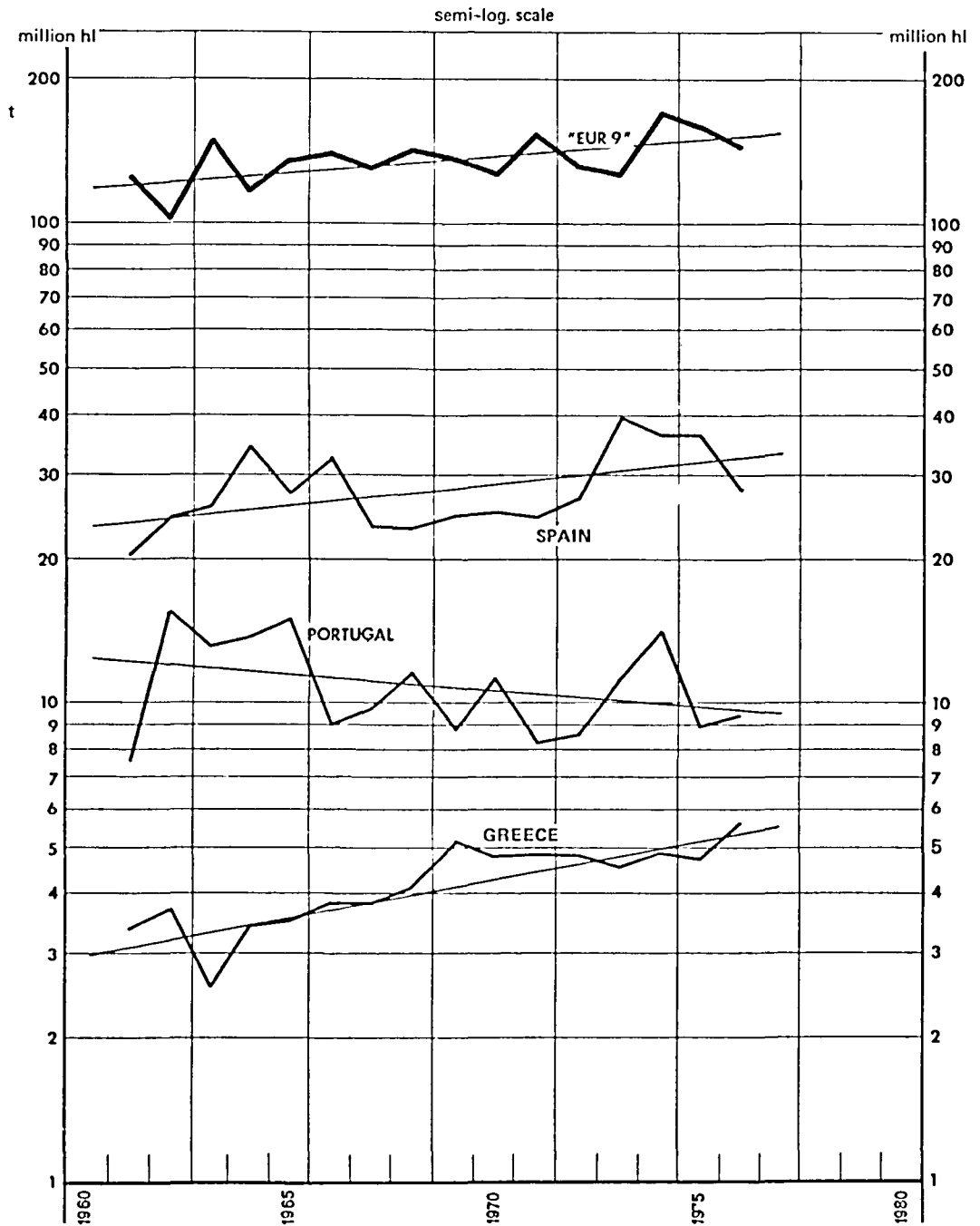


Graph 5 — Average Community producer price for table wine<sup>1</sup>  
 Type R1 — Red wine 10-12°

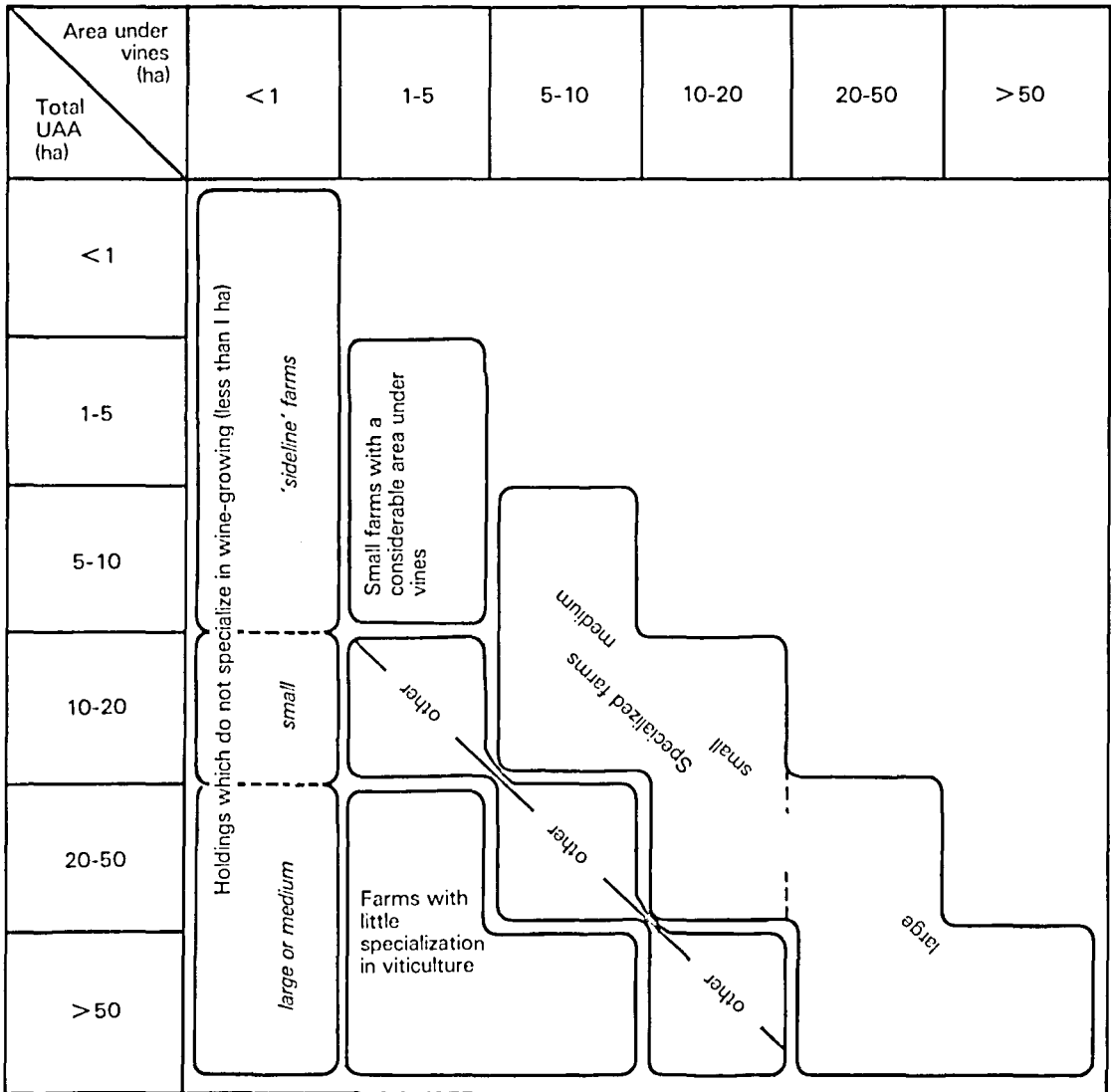


<sup>1</sup> Arithmetical average until August 1972; weighted average from September 1972 onwards. Representative prices from 16.12.1977.

Graph 6 — Wine production in the Community and the three applicant States

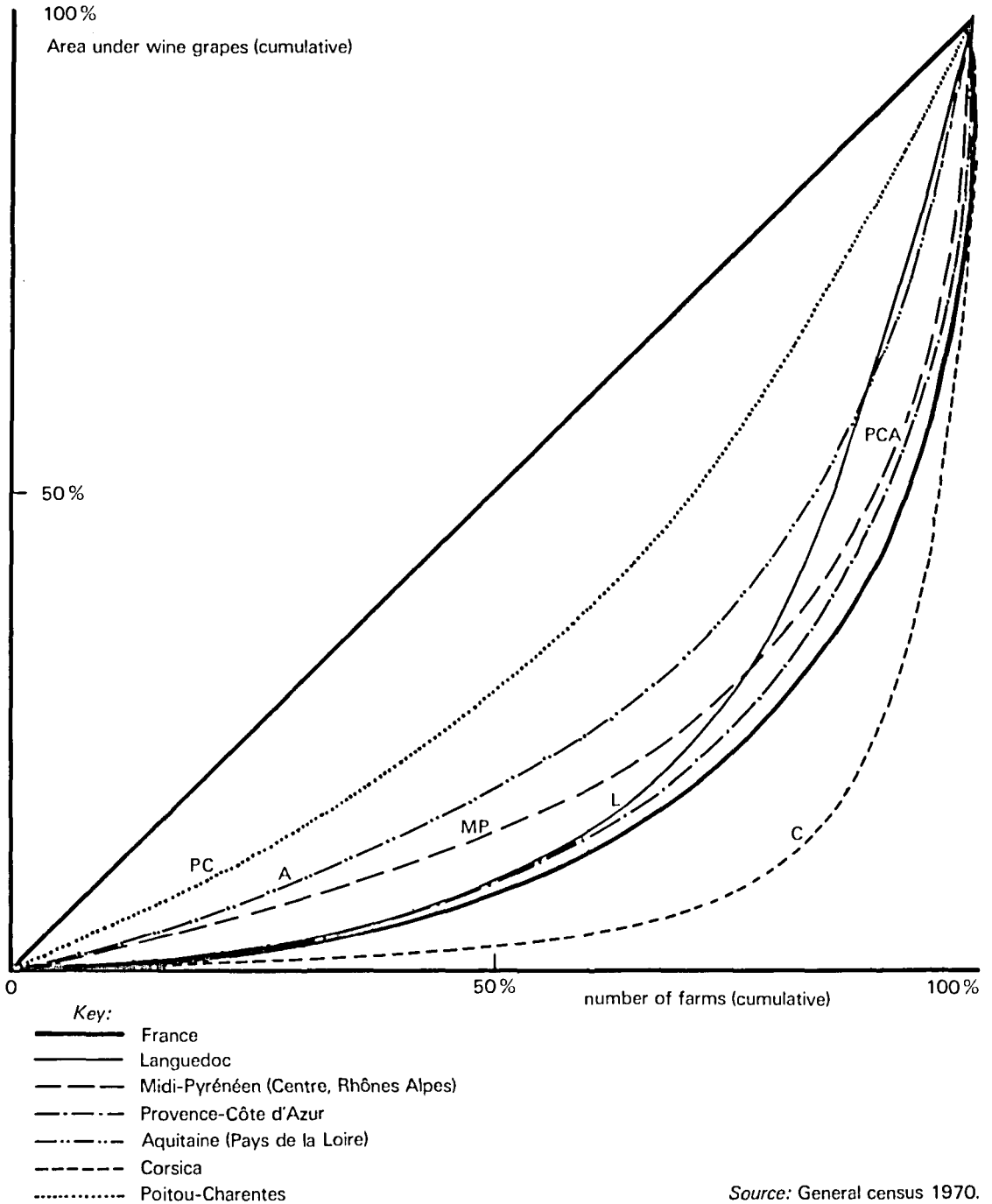


Graph 7 — Classification of vine holdings according to viticultural density (all vineyards)



Source: FAO Census of World Agriculture (France, Italy 1970).

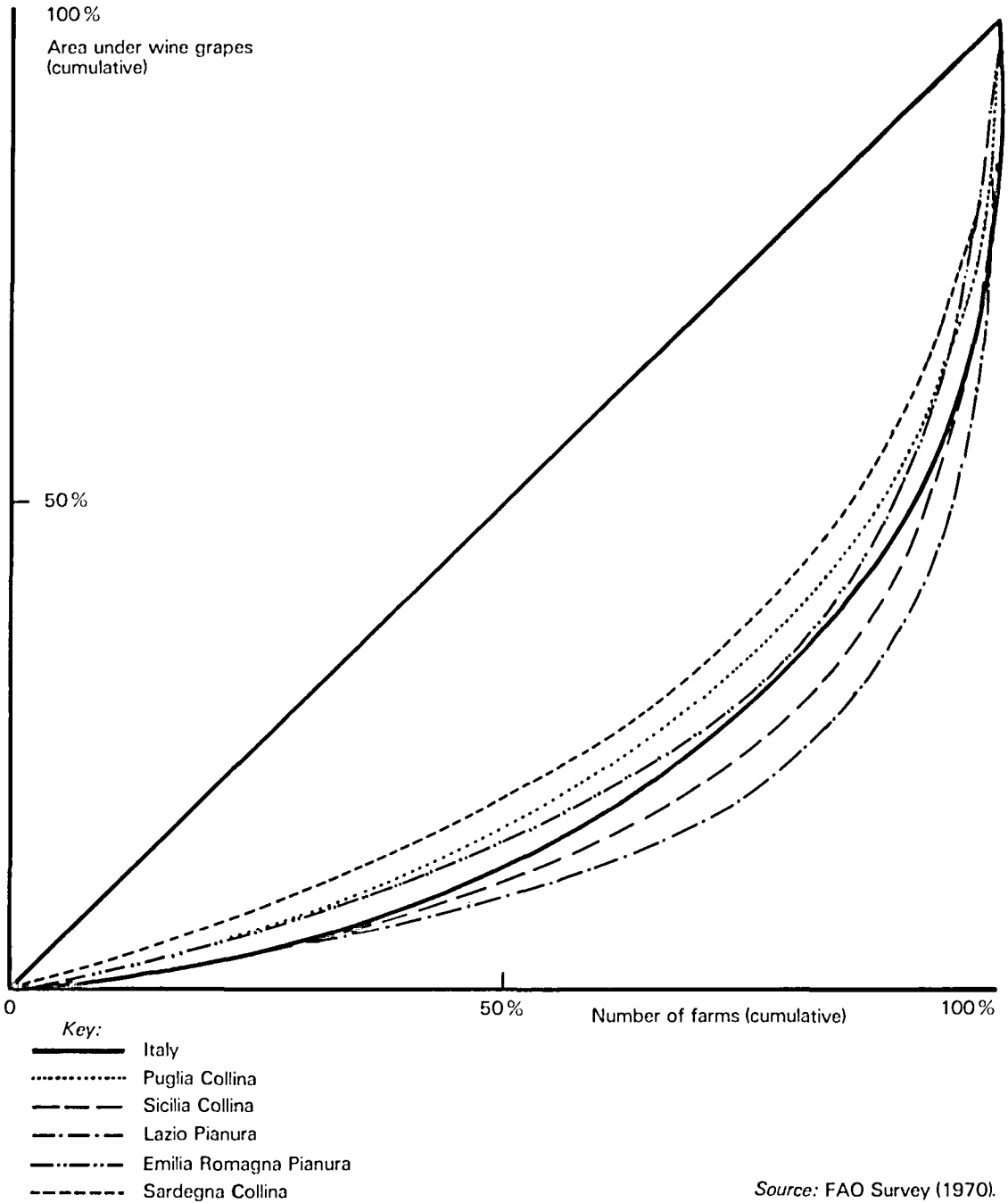
Graph 8 — Concentration of vine holdings by region (France 1970)



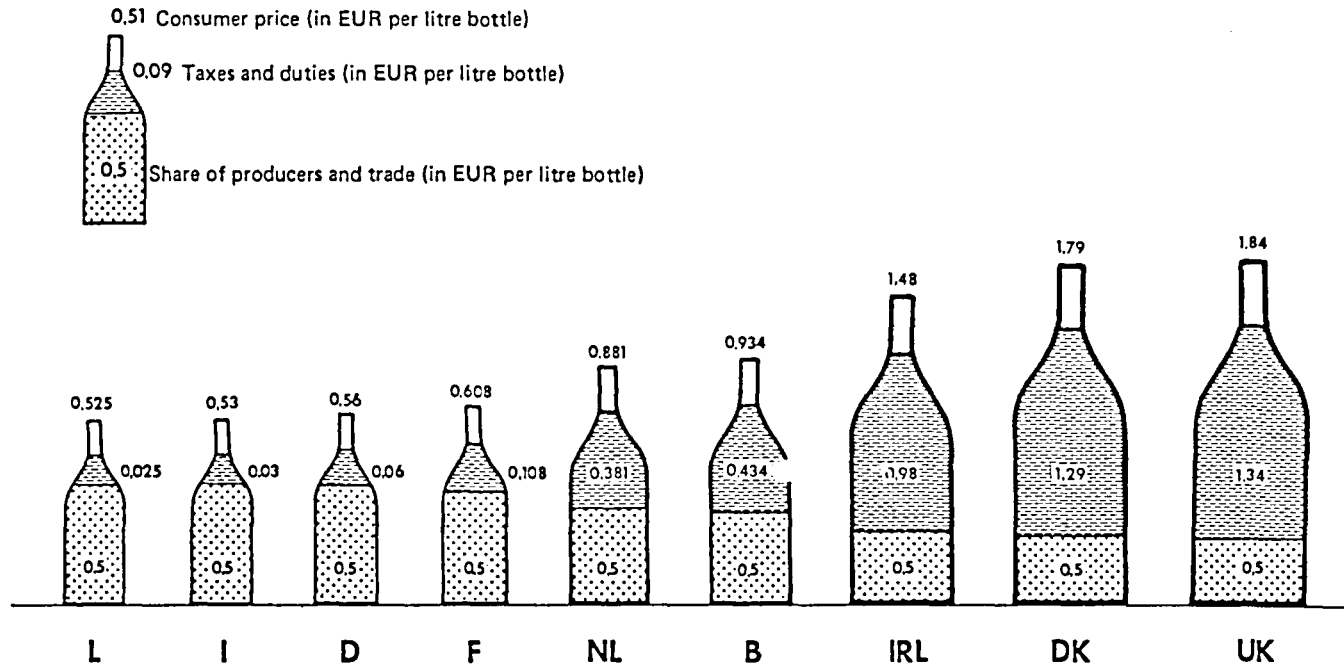
Source: General census 1970.



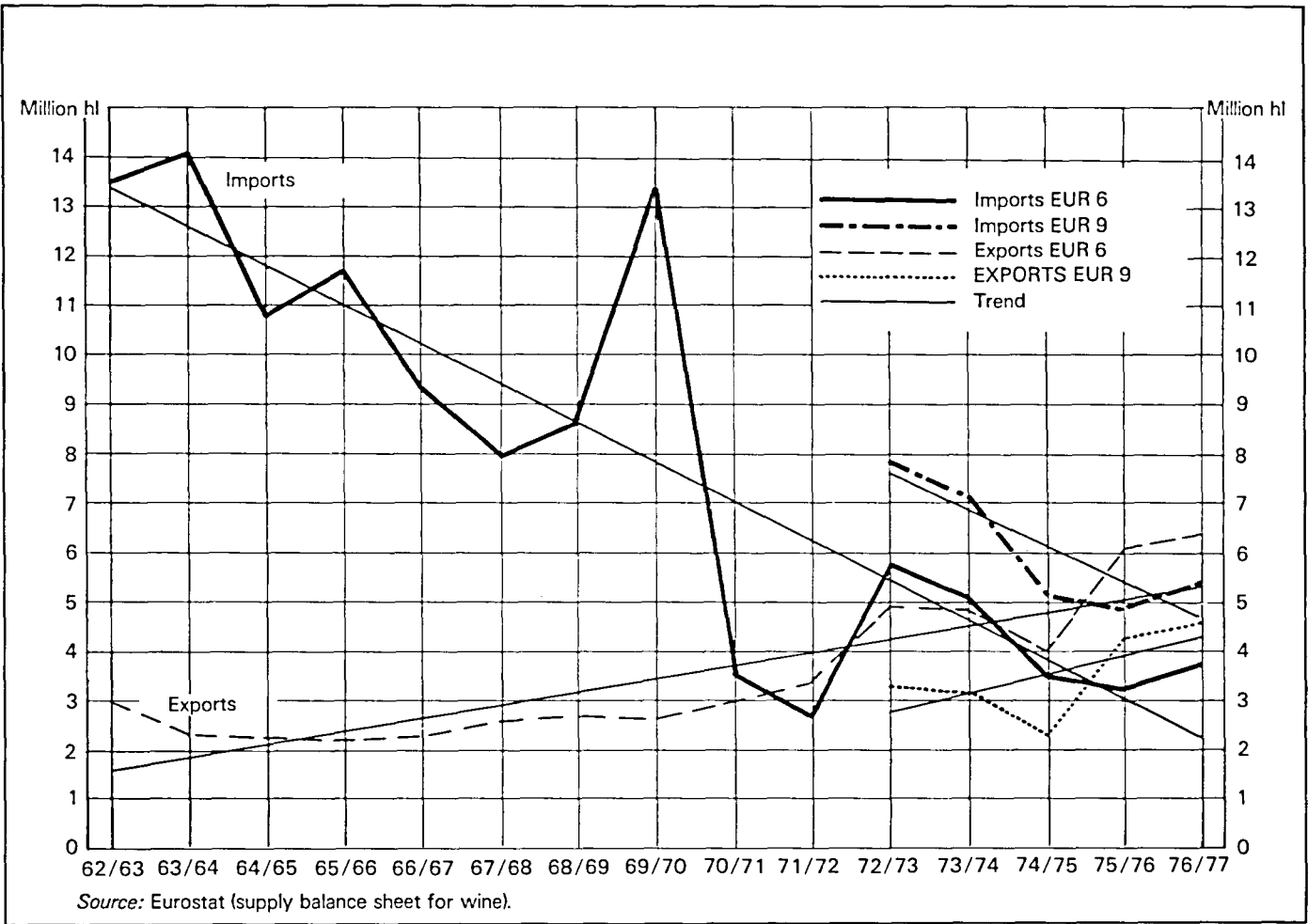
Graph 9 — Concentration of vine holdings by region (Italy 1970)



Graph 10 — Excise duties and vat applied to wine in the Member States



Graph 11 — Wine imports and exports of the Community  
EUR 6 — EUR 9



European Communities — Commission

**Progressive establishment of the balance on the market in wine — Action programme 1979-1985 and report from the Commission**

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The Council, concerned by the imbalance on the market in wine, asked the Commission to reconsider the problems affecting this market and to submit further proposals for structural measures. The Commission is proposing the implementation of an action programme in the period 1979-1985 covering the whole range of possible measures.