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Report

drawn up on behalf of the Committee on Budgetary Control

**on the report of the Special Committee of Inquiry concerning the
Guarantee Section of the EAGGF, wine sector**

Rapporteur: Mr R.C. BATTERSBY

The Commission of the European Communities transmitted, on 14 February 1978, to the European Parliament, the Report of the Special Committee of Inquiry concerning the Guarantee Section of the EAGGF, wine sector (XX/6/78).

By letter of 24 March 1980 the President of the European Parliament charged the Committee on Budgetary Control with the preparation of a report on the Report of the Special Committee of Inquiry concerning the Guarantee Section of the EAGGF, wine sector (XX/6/78).

By letter of 12 May 1980 the Committee on Agriculture was authorized to deliver an opinion.

At its meeting on 31 March/1 April 1980 the Committee on Budgetary Control confirmed the mandate of Mr BATTERSBY as rapporteur.

At the same meeting, the Committee considered the draft report and adopted the draft motion for a resolution by ten votes in favour and one against.

Present at time of voting: Mr AIGNER, Chairman, Mrs BOSERUP, Vice-Chairman, Mr PRICE, Vice-Chairman, Mr BATTERSBY, Rapporteur, Mr ANSQUER (deputising for Mr PONCELET), Mr COPPIETERS, Mr GABERT, Mr IRMER, Mr KELLETT-BOWMAN, Mr ORLANDI and Mr PATTERSON (deputising for Mr John Mark TAYLOR).

The opinion of the Committee on Agriculture is attached.

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The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the report of the Special Committee of Inquiry concerning the Guarantee Section of the EAGGF, wine sector

The European Parliament

- having regard to the report of the Special Committee of Inquiry concerning the Guarantee Section of the EAGGF, wine sector, (XX/6/78),
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Agriculture (Doc. 1-166/80),
 - (a) having regard to the capacity for production of wine both within the existing Community and in potential new Member States and having regard to the widening of the gap between production and sales;
 - (b) aware of the wide range of frauds and irregularities perpetrated in the wine sector;
 - (c) concerned at the growing cost of wine surpluses to the budget;
 - (d) anxious to safeguard the interests of the Community taxpayer;
 - (e) conscious of the need to take comprehensive steps so as to avoid a grave exacerbation of the wine surplus following on enlargement;
1. Notes with approval the work of the Special Committee of Inquiry and, in particular, its report on the wine sector;
 2. Asks the Commission of the European Communities to include, in its next report on the agricultural situation, a section studying the action taken in response to the recommendations of the report now under consideration;
 3. Deplores the fact that the Council has not acted more swiftly and in a more comprehensive fashion in the wine sector;

4. Expects an early strengthening and harmonising of the control measures, employed in Member States, on the production of wine so as to diminish the possibilities for manufacturing wine from sweetened raw materials or from raw materials other than grapes.
5. Also expects that Member States will strengthen controls by re-inforcing the inspectorates, by checking in a more comprehensive manner especially in the following spheres:
 - control of plantations, grubbing-out and reconversion of vineyards;
 - checking on declarations of stocks;
 - control of the coupage of wines; and
 - control of wine transit documentation;
6. Regrets that amendments to regulation no. 1153/75 have not been effected earlier by the Commission;
7. Is concerned at the rapid acceleration in the cost to the Community budget of intervention payments in relation to wine which show a disproportionate trend in relation to the increase in production;
8. Considers that voluntary distillation measures should no longer be regarded as an appropriate regulatory mechanism for a market disturbed by structural surpluses and that it is absurd to replace wine surpluses by alcohol surpluses;
9. Notes with concern the recent Council measures which authorised increased distillation and asks its Committee on Budgets to consider whether it is desirable to vote increased appropriations in this area;
10. Considers that the problem of rapidly escalating costs in relation to the wine sector could become a grave problem over the years immediately ahead and especially after enlargement;
11. Accepts that, in the future, conversion of surplus low-quality wine into gasohol may prove to be a viable proposition and suggests that, if appropriate technologies can be successfully developed on a commercial basis and there is a market demand in the Community for this product, conversion of surplus wine into gasohol could be considered as a possible alternative use;
12. Observes that, despite the extensive grubbing-out of large areas of low-quality vines, at the expense of the Community taxpayer, wine production has significantly increased;

13. Welcomes, however, the improvements in the grubbing out measures and hopes that these will make for better quality;
14. Encourages the Commission in its efforts to ensure that the most effective controls and regulatory systems operate in the wine sector following enlargement;
15. Askes the Commission to prepare an analysis of the frauds and irregularities, by main category, which affect the Community budget, and to suggest appropriate solutions;
16. Instructs its President to forward this resolution to the Council and to the Commission.

EXPLANATORY STATEMENT

What is the Special Committee of Inquiry?

1. The following extract from COM (79) 686/final, Vol I., ⁽¹⁾ summarises the role of the Special Committee of Inquiry. It

"was set up by the Commission at its 266th meeting on 3 October 1973 and had its terms of reference extended by decision of the Commission on 5 March 1975. Its principal task is to look into the possibilities for fraud and irregularity in the management of Community funds. This involves the study of known frauds and the examination of Community legislation and its application by national agencies to identify weaknesses. The Committee is also charged with proposing measures to ensure that in the future the scope for fraud is reduced to a minimum".

Reports to date

2. To date, the Special Committee of Inquiry has produced reports on the following sectors:

- milk and milk products;
- oil seeds and olive oil;
- beef and veal;
- wine; and
- cereals.

The report on wine

3. The report on the wine sector, which is now just over two years old, is drafted in a very clear style. The rapporteur does not consider that it is necessary or appropriate to attempt to summarise the text - which is available to colleagues. An excellent Parliamentary description of the content of the Special Report, provided by Mr d'ORMESSON, is annexed.

(1) report concerning the guarantee section of the EAGGF, cereal sector.

The wine problem

4. It is becoming increasingly evident that the wine sector is a source of some problems for the finances of the Community. The cost to the budget has risen substantially. There is some evidence of fraud and irregularities. Further, the enlargement of the Community is likely to add appreciably to the wine surplus within the Community of 12.

5. The following extract from a recent report of the Commission⁽¹⁾ highlights the growth of budgetary expenditure in relation to wine:

"Expenditure by the Guarantee Section of the EAGGF on wine amounted to 63.7 million EUA in 1978, is forecast at 94.4 million EUA in 1979 and is estimated at 203.3 million EUA in 1980, or 0.7%, 0.9% and 1.9% respectively of total Guarantee Section expenditure. The figure of 94.4 million EUA breaks down into 2.1 million EUA for refunds and 87.7 million EUA for intervention."

Since this text was produced in January 1980, the Commission put forward its new budget proposal for 1980⁽²⁾ dated 29 February 1979. At chapter 69 (Wine) of the new estimates, the January 1980 figure of 203.3 million EUA has been pushed up to 350 million EUA. This confirms the rapporteur's suspicions of a new upsurge in the cost of wine to the EAGGF.

Degree of self-sufficiency

6. The degree of self-sufficiency in the Community of Nine and of Twelve in so far as wine is concerned is the subject of varying estimates. The following table, based on official Community sources, gives one picture:

European Community	102.0% ⁽³⁾
Spain	101.6% ⁽⁴⁾
Greece	134.0% ⁽⁵⁾

Quantity of wine produced in 1979 (in million hl)⁽⁶⁾

EUR 9	<u>167.758</u>
France	80.400
Italy	79.500
Germany	7.791
Luxembourg	62

(1) The Agricultural Situation in the Community, 1979 Report, para 153.

(2) COM (80) 45 final

(3) Eurostat 1979, Table 39

(4) Bulletin of the EC, supplement 9/78, Table 14

(5) Bulletin of the EC, supplement 2/76, Table 12

(6) Agence Europe 17/18 December 1979

7. On the other hand, a separate table, based on the wine harvest of 1975/1976 and 1976/1977, shows the following weighted average:

	%
Europe of Nine	113.7
Spain	113.5
Greece	149.2
Portugal	111.5
Total for the 'Three'	128.3
Total for the 'Twelve'	116.9

Yield per hectare

8. As the figure in Annex I shows, the yield in hectolitres per hectare has risen appreciably over the past two decades. The reasons for this are manifold:

- improved cultivation methods;
- more efficient irrigation;
- better strains of vines brought into use; etc.

Comparing the position as regards yield per hectare in the three applicant countries with that of the three major wine producing countries, one observes an apparent spectacular possibility for a significant increase in yield for the three potential new Member States:

	hectolitres per hectare
Germany	85 / 105
France	55 / 70
Italy	50 / 65
Portugal	25 / 40
Greece	28
Spain	20 / 25

Whilst this potential increase in the enlarged wine lake is a prospect which will not materialise fully for several years, the time to take corrective actions is now.

9. It appears that the wine yield per hectare is low in some areas of the applicant states because of the difficulties of finding markets which discourages producers from maximising yields. As well, the more fertile and better irrigated areas of agricultural land have been devoted primarily to the production of cereals, fruit and vegetables for which better market prospects offered. In Spain, for instance, the irrigation of vines is forbidden and very strict rules applied - at least up to recently - to the extension of vineyards.

Production

10. Wine production fluctuates from year to year depending largely on climatic conditions. Figures for the past three years would appear to indicate that the Community wine production may be experiencing a steady upward trend:

	million hls
1977	129
1978	139
1979	168

However, it should be noted that, in 1974, a yield of 160 million hectolitres was recorded.⁽²⁾ Comparable figures for the European Communities plus the 'Three' are not readily available for the past two years. However, for 1977 the following yields have been indicated:

	million hls
Italy	64
France	52
Germany	11
Total - Europe '9'	129
Spain	22
Greece	5
Portugal	7
Total - Europe '3'	35

(1) Source: Agence Europe 17/18 December 1979

(2) For further statistical data, see Annex II.

As matters stand, therefore, the accession of the three new Member States would add considerably to the Community stock of wine. Already the Community is in surplus, at some cost to the budget, as the figures at paragraph 6 above reveal.

Grubbing-out

11. One of the measures favoured for easing the overall pressure of surplus wine supplies has been grubbing-out of vines. This course has, apparently, been of doubtful impact because, in 1976/1977, the area under vines producing table wines was reduced - according to the Commission - by 15,600 hectares and by some 20,000 hectares in 1977/1978. Yet, despite this, as the first table in para 10 above shows, there was a strong upward trend in table wine production following these years.

Distillation

12. To help dispose of the wine lake, recourse has been had to distillation on a regular basis over the years. The following table shows the cost to the budget for eight years in the recent past:

	Voluntary distillation m.u.a.	Obligatory distillation m.u.a.
1971	4.2	4.4
1972	12.8	1.1
1973	1.1	3.5
1974	13.9	0.6
1975	99.9	0.2
1976	125.4	2.5
1977 (1)	44.0	8.9
1978 (2)	138.7	20.0

(1) Using estimated figures of expenditure for the last quarter.

(2) Budget appropriations.

In Agence Europe of 1 February 1980, it is stated that "the European Commission acted on a decision in principle taken by the Council on 22 January by passing a proposal whereby an extra 6 to 8 million hectolitres of red and white table wines be distilled The whole operation would cost, at most 89 million ECUS."

Consumption

13. Annual consumption per head in litres¹

	1977-78
Germany	23.6
France	96.6
Italy	89.3
Netherlands	10.7
Belgium	15.4
Luxembourg	41.7
United Kingdom	6.2
Ireland	2.8
Denmark	12.0
Spain	66.0 [*]
Greece	41.0 [*]
Portugal	89.8 [*]

* 1975-76.

It has been suggested, in some quarters, that a possible solution to the wine surplus would be to encourage increased consumption in those Member States where the consumption of wine per person is appreciably lower than the average. Such a course could come up against health and legal obstacles, and is certainly no short-term solution.

Sizeable problem

14. The growing cost to the budget of the existing wine surplus together with the prospect of further surpluses, resulting from enlargement, make it essential that the Community gets to grips, at a very early date, with this difficult situation. A number of proposals for action have been put forward by the Commission and some of these have been adopted by the Council. These touch on re-structuring the wine growing capacity, prohibitions on new planting, premiums for cessation, improved market management and so on. It is the view of the rapporteur that steps taken to date, in the wake of the report of the Special Committee of Inquiry, did not go far enough and were taken far too tardily.

¹ Source: Eurostat and EC Commission

Frauds and Irregularities

15. A wide variety of ingenious frauds in the wine sector are perpetrated each year. Twenty such cases of these are described by the Special Committee of Inquiry in Annex I of its report. Cases detected are, of course, likely to be no more than a small part of the total number of irregularities committed. To the extent that this represents a cost to the general budget, it is to be reprehended.

Need for inspection

16. It is evident that there is a real need for stricter inspection of the wine sector to ensure that grubbing-out is effected, to supervise fortifying of wine, to verify documentation, to check on stock declarations and to control the use of transit documents.

Council action

17. The action of the Council could be summarised as follows:

- adoption of regulations 337 to 359 of 5 February 1979 (OJ L 54 of 5.3.1979) concerning codification;
- a decision to take further measures in regard to structures, following on the proposals in OJ C 209 of 2.9.1978 and OJ C 232 of 30.9.1978: these measures involve the adoption of new texts and the modification of others and have not yet been published;

- adoption of regulations 2960/79, 2961/79 and 2962/79 of 20 December 1979 (OJ L 326 of 22 December 1979): these regulations merely prolong the duration of existing regulations to avoid a gap in legislation arising pending the publication of other measures which are structural in nature.

Conclusions

18. The rapporteur considers that the figures included in this text prove convincingly that there is a major potential problem in the wine sector. The possibility of escalating costs to the guarantee part of the budget arising from ever increasing surpluses of wine is a real one. Distillation is no real solution because it merely gives rise to other problems in the alcohol sector (which is outside the common

agricultural policy at present). The time is not yet ripe to consider the use of alcohol produced from wine as an element in gasohol although it may well be that future technical developments will make this possible.

19. Past experience and the prospects indicate that, if the interests of the European taxpayer are to be safeguarded and if the usage of funds on useless surpluses of wine is to be avoided, positive and far-reaching action is called for. The Commission is therefore urged to put forward the necessary proposals and the Council is called on to take steps speedily in the matter of

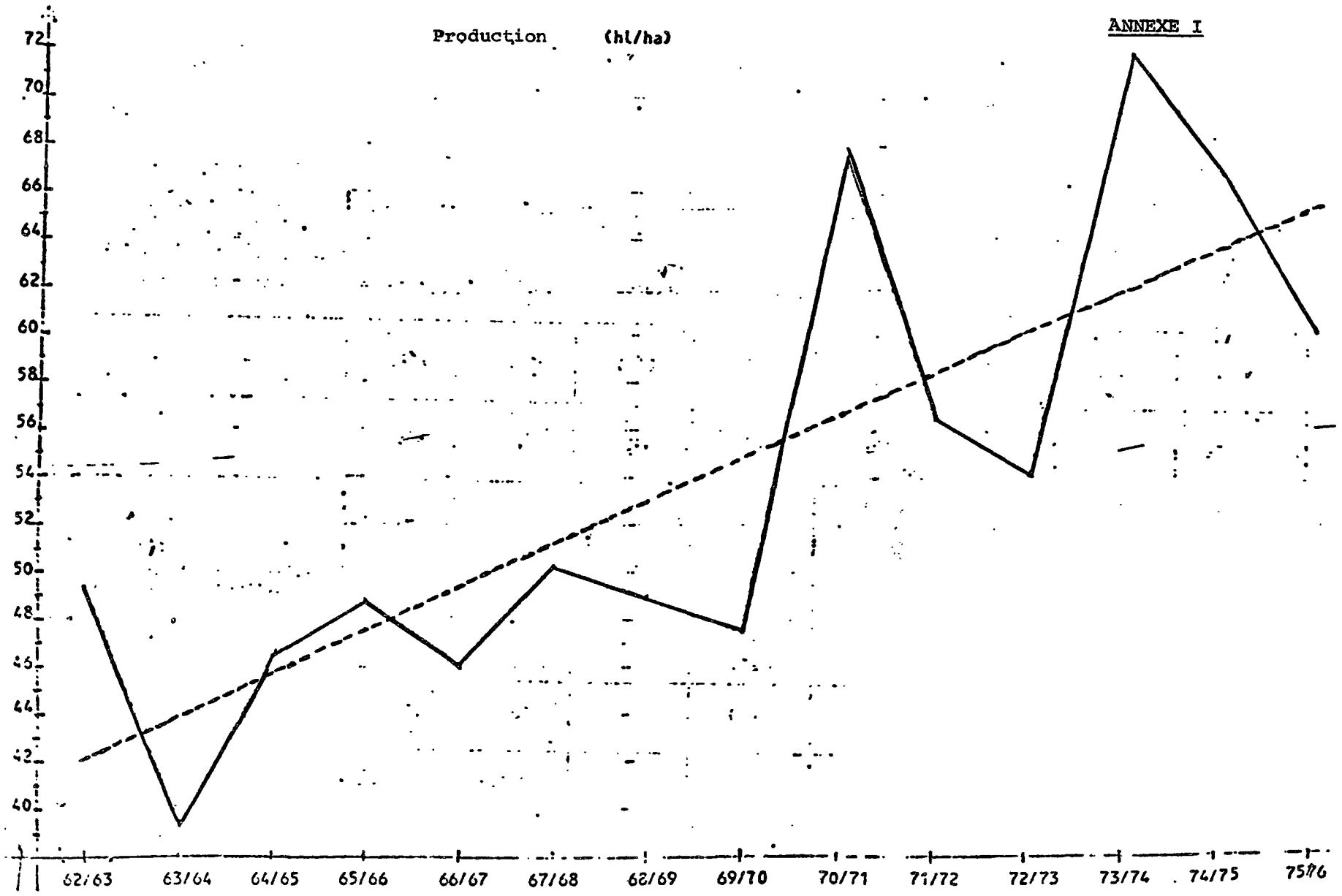
- control on the production of wine;
- control of plantations, grubbing out and reconversion of vineyards;
- checking on declarations of stocks;
- control over the coupage of wine; and
- control over wine transit documentation.

20. Action take over the past two years as a follow-up to the work of the Special Committee of Inquiry in the wine sector is welcomed - even if apparently inadequate. The Commission is asked to include a rather more lengthy analysis of the wine sector in its next annual report on the agricultural situation in the Community.

21. Finally, the twenty typical cases of irregularities listed by the Special Committee of Inquiry, together with other instances of irregularity brought to the attention of the Committee on Budgetary Control, suggest that a report on the overall nature of frauds affecting the Community budget should be prepared.

Production (hl/ha)

ANNEXE I



QUANTITIES IN MILLION HECTOLITRES

	Production for wine making	Imports	Exports	Direct human consumption	Industrial Consumption (1)
1962/63	147.144	13.508	3.007	120.998	12.036
1963/64	115.772	14.068	2.388	123.654	12.300
1964/65	135.069	10.861	2.260	123.385	12.979
1965/66	140.238	11.781	2.232	124.725	13.547
1966/67	131.249	9.394	2.304	124.823	11.766
1967/68	142.236	7.911	2.607	125.082	10.276
1968/69	137.196	8.666	2.712	126.579	13.891
1969/70	127.777	13.449	2.680	125.891	11.441
1970/71	153.714	3.514	3.063	127.219	15.281
1971/72	132.510	2.766	3.429	124.751	10.490
1972/73	127.304	7.956	3.379	130.421	12.083
1973/74	170.646	7.217	3.231	124.610	17.287
1974/75	160.245	5.304	2.316	132.789	15.041
1975/76	145.375	4.980	4.322	130.040	15.926

(1) Exceptional distillation excluded

(Source: Report of the Special Committee of Inquiry on
the EAGGF - wine sector, Volume II, Annex IV)

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr O. d'ORMESSON

The Committee on Agriculture appointed Mr d'ORMESSON draftsman.

The committee considered the draft opinion at its meetings of 3/5 June 1980 and 23/25 September 1980.

At the latter meeting, the committee adopted the draft opinion by 23 votes with 8 abstentions.

Present: Sir Henry Plumb, chairman; Mr Ligios and Mr Caillavet, vice-chairmen; Mr d'Ormesson, draftsman; Mr Abens (deputising for Miss Quin), Mrs Barbarella, Mr Blaney (deputising for Mr Skovmand), Mr Blocket, Mr Clinton, Mr Davern, Mr De Keersmaeker (deputising for Mr Früh), Mr Delatte, Mr Gatto, Mr Gautier, Mr Helms, Mrs Herklotz, Mr Hord, Mr Howell (deputising for Mr Battersby), Mr Josselin (deputising for Mrs Cresson), Mr Lyngé, Mr Maffre-Baugé, Mrs Martin (deputising for Mr Jürgens), Mr Pisani (deputising for Mrs Castle), Mr Pranchère, Mr Provan, Mr Sutra, Mr Tolman, Mr Vernimmen, Mr Vitale, Mr Wettig and Mr Woltjer.

I. INTRODUCTION

1. This opinion, which examines the working of the wine sector of the Guarantee Section of the EAGGF, is based on one of a series of inquiries which the Special Committee of Inquiry, set up by the Commission on 3 October 1973 and renewed in office by the Commission Decision of 5 March 1975, has conducted or intends to conduct into the main sectors of the Common Agricultural Policy with a view to improving its efficiency.

2. The Special Committee of Inquiry has already carried out three inquiries dealing with milk and milk products, oilseeds and olive oil, and beef and veal. The Committee on Agriculture delivered an opinion on the first two sectors in an opinion by Mr Scott-Hopkins¹, and on the last in an opinion by Mr Liogier².

The report of the Special Committee of Inquiry concerning the wine sector is innovative in that it goes beyond the terms of reference laid down for the study. Not only does it deal with the Guarantee Section of the EAGGF, wine sector, it also examines the entire Community wine policy with particular reference to the cases of fraud and irregularities which have been detected in this sector.

The statistics available to the Committee in carrying out its work were very limited. Nonetheless, it is interesting to examine them since they enable us to gain a better insight into the trends which affect the development of the various types of fraud.

3. In this opinion on the wine sector, the Committee on Agriculture will consider the irregularities noted by the Special Committee of Inquiry, the recommendations it has made, the action which the Commission intends to take on the Committee's findings and, finally, will put forward a number of proposals to improve the efficiency of the wine sector.

Since the Special Committee submitted its report, the Council of Ministers of Agriculture has adopted a series of regulations in the wine sector³ which had been under discussion for almost two years.

In view of the fact that this programme is designed to reorganize the structure of Community wine-growing over the next five years and improve the organization of the market by supporting the production of quality wines and restricting wine production to those areas which are undeniably suited to the purpose, the rapporteur maintains that all existing wine growing areas can produce quality wines provided the varieties and a limited production per hectare make it possible to obtain an adequate minimum strength.

¹ PE 40.157/final

² Doc. 88/77

³ OJ No. L 57, 29.2.1980

He feels that the objective of Community wine policy should be to improve quality by reducing the volume of production through the following measures:

- (a) granting grubbing-up premiums for authorized varieties,
- (b) encouraging the planting of recommended varieties,
- (c) converting grubbed-up vineyards to the production of other products, particularly methyl alcohol,
- (d) and, lastly, effectively controlling all forms of fraud in wine-growing and wine-making, which is precisely the purpose of this report.

II. CONSIDERATION OF THE IRREGULARITIES IN THE WINE SECTOR, THE RECOMMENDATIONS OF THE SPECIAL COMMITTEE OF INQUIRY, AND THE ACTION WHICH THE COMMISSION INTENDS TO TAKE

4. In order to facilitate the reader's understanding of the complex problems involved in the operation of the wine sector, the Committee on Agriculture has decided to follow the plan used by the Special Committee of Inquiry in its report.

(A) Cultivation and measures to adjust wine-growing potential

(a) Planting and replanting

5. Regulation (EEC) No. 1162/76 on measures designed to adjust wine-growing potential to market requirements¹, prohibits all new plantings of wine grape vine varieties, with the exception of certain cases provided for in Article 2; Article 3 lays down criteria for replanting designed to improve the quality of wine production.

This regulation has been replaced by Regulation (EEC) No. 348/79² which is designed not only to extend the prohibition on all new plantings and encourage a reduction in production potential in unsuitable areas but also to introduce proper Community law on planting.

6. The Committee of Inquiry emphasizes that 'for such supervision to be effective the administrative services require adequate staff to visit the land and to check both that the new planting only takes place after grubbing, that it corresponds to the planting declarations and does not cover a larger area than has been grubbed, and also that the varieties used are those prescribed and finally, (that) it is necessary to ensure that new plantings are not made without prior declaration'³.

¹ OJ No. L 135, 24.5.1976, p.32

² OJ No. L 54, 5.3.1979, p.81

³ See report by the Special Committee of Inquiry (XX/6/78 En), p.30

7. Thus, the Committee of Inquiry found that in one Member State, planting without declaration carried no sanctions although the declarations of planting were obligatory. Leaving aside this extreme case, which has since been remedied by the Member State concerned, supervision of planting and replanting undoubtedly calls for a large specialized staff to keep a permanent check on the wine-growing areas. However, sufficient numbers of such staff are not available.

(b) Grubbing

8. Regulation (EEC) No. 1163/76 on the granting of a conversion premium in the wine sector¹, encourages the grubbing up of those varieties of vines which produce low quality wines and stipulates in Article 2 the varieties of vine eligible for the conversion premium.

Regulation (EEC) No. 456/80² has replaced Regulation No. 1163/76 which is now void.

9. Supervision of vine-grubbing poses the same problems as the supervision of planting and replanting.

On the one hand, a check must be kept to ensure that the vines to be grubbed are indeed vines in production and not abandoned vines and that grubbing actually takes place, and on the other hand that there is no replanting after such grubbing.

The supervisory operations therefore presuppose numerous inspection visits to the vineyards.

10. The Committee of Inquiry expresses reservations³ as to the effectiveness of the conversion premium, pointing out that it has speeded up the grubbing of certain varieties of vine which would have disappeared anyway in time, while no high-yield vines producing mediocre wines seem to have been grubbed up.

(c) Recommendations of the Special Committee of Inquiry

11. Genuine supervision of planting, replanting and grubbing presupposes detailed knowledge of the local situation. For this purpose, the establishment of a viticultural land register similar to the general land register is essential. However, to be effective, a viticultural land register would need to be kept permanently updated. This would not be possible unless the Member States had the necessary staff to carry out supervision. In view of these difficulties, the Commission considers statistical surveys⁴ to be a more effective way of assessing the situation in the Community's wine regions.

¹ OJ No. L 135, 24.5.1976, p.34

² OJ No. L 57, 29.2.1980

³ See report by the Special Committee of Inquiry, p.32

⁴ Regulation (EEC) No. 978/78 (OJ No. L 128, 17.5.1978, p.1)
Doc. 38/78 - Rapporteur : Mr Liogier

12. Since there can only be genuine supervision of planting, replanting and grubbing if the exact local situation is known, the Committee of Inquiry recommends that the Member States increase checks on the land by employing sufficient staff for that purpose.

However, the Committee of Inquiry is aware that, unless a very large staff is employed, local supervision is bound to be incomplete. It therefore requests that a test be made with aerial photography to examine the possibility of creating and updating, in sensitive areas, a viticultural land register similar to the general land register and of supervising planting and grubbing. A test of this kind is currently being carried out with a view to establishing an olive oil register: if positive results are obtained, the Committee of Inquiry would like the same methods to be used in viticulture.

13. The Committee of Inquiry has reservations about the effectiveness of conversion premiums in the wine-growing sector.

It therefore recommends

- that the system of premiums for the reconversion of wine-growing land be re-examined with a view to fixing the objectives by reference to quantitative definitions,
- that the cost-effectiveness of the measure be analysed, the cost being evaluated so as to take account of the reduction in intervention expenses,
- that measures be made more selective, with the aim of concentrating reconversion on vines which give a high yield of poor quality wine.

The Special Committee's recommendation on premiums for reconversion has led ultimately to the adoption of three new Regulations, Nos. 456/80, 457/80 and 458/80¹. Regulation (EEC) No. 457/80 concerns the establishment of a system of premiums for the cessation of wine-growing in France and Italy, and No. 458/80 deals with collective projects for the restructuring of vineyards.

(d) Action which the Commission could take on the recommendations of the Special Committee of Inquiry

14. The Commission has stated its willingness to consider the possibility of using aerial photography to establish a viticultural land register provided that positive results are obtained with the establishment of the olive oil register.

15. With regard to the supervision of planting, replanting and grubbing, the Commission will write to the Member States to draw their attention to the need for supervision to comply with the objectives of the Community wine policy.

¹ OJ No. L 57, 29.2.1980

16. Finally, the Commission is willing to examine the effectiveness of the conversion premium in the wine sector. It will give particular attention to the recommendation by the Committee of Inquiry that reconversion should be concentrated on vines which give a high yield of poor quality wine.

(e) Conclusions

17. The Committee on Agriculture supports the conclusions of the Special Committee of Inquiry.

It expresses interest in the idea of using aerial photography with a view to greater efficiency in establishing a viticultural land register but stresses the extremely high cost of such experiments - at present being undertaken by one Member State - and takes the view that their findings are somewhat unreliable. Reliable results will only be obtained if a viticultural land register is drawn up on the basis of precise declarations supervised by a staff of specialized officials, and with provision made for sanctions in the case of fraudulent declarations. The Committee on Agriculture therefore suggests that the Community take the initiative of granting subsidies to finance the creation or reinforcement of a fraud inspectorate in each Member State.

Finally, it agrees that there should be a periodic review of the cost-effectiveness of the measures to check wine supplies so as to ensure that Community funds are put to the best possible use.¹

(B) Production-Trade

(a) Check on production and stock declarations

18. The stock declarations and production estimates are used to prepare, before 10 December each year, a forward estimate of the resources and the requirements of the Community. This forward estimate serves to activate certain intervention measures where it appears that there will be a large surplus.

19. Production declarations are extremely important. They are the starting point for all the other checks and render the rest useless if they are not accurate. They also entitle producers to obtain documents to accompany their wine consignments.

20. The Committee of Inquiry considers that in some Member States production declaration rules are not as rigorously applied as they should be and that the checks on production declarations are also inadequate.

Admittedly, there are many obstacles in the way of checking these declarations. It is impossible, for instance, to check a large number

¹ Some additional statistical information is given in the three tables attached (pages 44, 45 and 46)

of declarations filed in a short space of time. This means that only selective checks are made, although such checks are important. Thus, it was found that in one Member State over-declarations were being made with the purpose of obtaining VA accompanying documents for much larger quantities of wine than those actually produced, the difference being made up by artificial wine. In a sense, the VA documents served to certify artificial wine as real wine.

21. Only one Member State where the authorities are responsible for the records keeps proper checks on stocks, both at production and trade level. The Committee of Inquiry considers that elsewhere checks on stocks are inadequate.

(b) Check of the natural alcoholic strength

22. It is important to know the natural alcoholic strength so that wines below the minimum alcoholic strength can be eliminated from the market and it can be decided whether the natural alcoholic strength of the wines may be increased. The rules stipulate that the alcoholic strength must be evaluated at the time of the wine harvest.

The Committee of Inquiry found that in some Member States the natural alcoholic strength is hardly ever checked. In one of these Member States, moreover, the inspection authorities took the average alcoholic strength of the wines held at a winery.

Finally, there is no simple and rapid method of measuring the alcoholic strength accurately at the harvesting or must stage. Results by refractometric and densimetric methods are only approximate and even with knowledge of the exact sugar content of must, it is not possible to forecast the alcoholic strength of the wine which will be obtained from it.

(c) Control of oenological practices

23. While enrichment by the addition of concentrated must poses few problems because of its cost, the same does not apply to enrichment by the addition of sugar (chaptalization). This method requires no special equipment and the price of the raw material is appreciably lower than that of must.

Since wineries are very numerous, control is difficult. Moreover, after a few hours, the inversion of the sugars will have taken place with the result that sucrose becomes indistinguishable from natural sugar.

24. While it is extremely difficult to control chaptalization during fermentation, checks can be made on the circulation of sugars, as is the practice in France and Italy.

The Committee of Inquiry also noted that in some Member States experiments are under way on the use of automatic equipment for wine analysis.

25. Finally, the addition of oenocyanin, which is authorized in one Member State until 31 August 1980 although prohibited in all the others¹, cannot be detected because it is a grape extract and therefore occurs naturally in red and rosé wines.

(d) Check on methods of obtaining rosé wine

26. Community rules do not give any definition of rosé wine. However, since the mixing of red wine with white wine to obtain a table wine or a quality wine is prohibited, it is obvious that rosé wine cannot be obtained in this way. The Committee of Inquiry found, nevertheless, that this method was often used.

Only checks on coupage through stocktaking can reveal whether there have been irregularities².

(e) Check on trade

27. The rules stipulate that a check must be made on holders of wine, excluding retailers, at least every two years.

These checks - for example on coupage - are extremely complex and, to be effective, they require a fairly large and competent administrative staff. In order to observe the compulsory two-yearly control, the authorities often have to limit themselves to a superficial check. As the traders are checked on a more or less pre-determined date, they can prepare in advance; once the check has been made they know that they will not be checked again for another two years.

¹ See Article 26C (3) of Regulation (EEC) No. 816/70 and Article 46 of Regulation (EEC) No. 337/79.

² See report by the Special Committee of Inquiry, p.50

Finally, the Committee of Inquiry noted that in one Member State, the failure to keep adequate, or indeed any records, was not penalized. However, it appears that the situation in that Member State is improving.

(f) Manufacture of alcoholic mixtures imitating wine

28. The Community rules do not prohibit the manufacture of alcoholic products imitating wine. They may not, however, be put on the market as wines.

In some Member States, alcoholic beverages imitating wine may be produced but have to be exported to third countries. Some cases of fraud have, however, involved the placing of such products purporting to be wine on the market.

(g) Recommendations of the Special Committee of Inquiry

29. The Special Committee of Inquiry found that, on the whole, irregularities were few and did not involve large sums of money. However, it considers that the market organization could be improved by the following measures:

1. penalties should be laid down and applied to holders of wine who do not make stock declarations or who make incorrect declarations; these declarations should be subjected to random checks;
2. in Member States where this is possible, the local authorities should participate in the control of harvest declarations so as to discover producers omitting such declarations or those declaring harvests clearly in excess of the average yield for the region in question;
3. checks on the natural alcoholic strength of wines should be stepped up; the stage at which the natural alcoholic strength of wine should be measured (grapes, musts, etc.) and the unit to which this measuring should relate (vineyard, vat, harvest of a holding, etc...) should be laid down;
4. a Community method of analysis should be defined for detecting enrichment, or at least enrichment beyond certain limits;
5. an explicit definition of rosé wine should be given;
6. penalties should be laid down and applied to traders who do not keep the records prescribed by the rules or who do not keep them up to date;
7. checks should be made more effective by the allocation of adequate manpower to perform this work;

8. the compulsory two-yearly check on traders should be abolished; instead, thorough and unexpected selective checks should be made; specialized inspectorates with sufficient qualified staff should be set up to deal with the complex problems involved in checking the wine sector;
9. strict checks should be made on coupages to prevent any mixture of white wine with red wine and any mixture of wines from non-member countries with Community wines.

(h) Action which the Commission could take on the recommendations of the Special Committee of Inquiry

30. Since most of these points concern the Member States, the Commission will write to draw their attention to the need to comply with Community rules.

With regard to the abolition of the compulsory two-yearly checks on traders, the Commission intends to revise Regulation (EEC) No. 1153/75¹ which lays down this obligation in Article 21. Moreover, it will write to the Member States to draw their attention to this amendment and the need for thorough and unexpected selective checks.

(i) Conclusions

31. The Committee on Agriculture approves the conclusions of the Special Committee of Inquiry. It welcomes the changes made to the Community rules but emphasizes that a small number of problems remain in several areas. For example, the check on the circulation of sugars is inadequate throughout Europe, even in France and Italy where it has been introduced. It is essential to introduce a special circulation certificate similar to that required in France for concentrated musts.

When an attempt was made in one Member State to introduce rules of this kind, there was opposition from the agri-foodstuffs sector, which feared that the entire sugar transport organization would become extremely complicated. In this respect, an unequivocal statement by the Commission should enable certain doubts to be dispelled.

The need for a definition of rosé wine - emphasized by the Special Committee - is very important. Rosé wines should be produced by a special wine-making process and consequently identified by that colour in the harvest declaration, whereas at present they are declared with the white wines or the red wines, according to the country concerned. The Member States should therefore be encouraged to establish the principle of a wine declaration in three columns : red wine, white wine and rosé wine. Only

¹ OJ No. L 113, 1.5.1975, p.1

then will the check on coupage be effective.

It draws the attention of the Member States to the need to carry out properly the checks provided for under Community rules and supports the proposal to replace the two-yearly check on traders by unexpected checks.

Such checks should be carried out throughout the year on the basis of the declarations made in the registers recording the amounts entering and leaving the wineries, by product category and checked against the amount held in cellars. These random unexpected checks are at present carried out in France and are entirely satisfactory.

Finally, it recommends any measures to improve Community methods of analysis of the natural alcoholic content of wines.

(C) Movement of wine and trade

32. In principle any wine product originating in the Community or in free circulation in the Community, even within a single Member State, must be accompanied by a VA document, irrespective of the method of transport used¹; this is in addition to any T1, T2, or T2L documents.

33. Wine products from third countries which are not in free circulation are transported under the external Community transit system, and are thus accompanied by a T1 document or equivalent consignment note; this is in addition to VI 1 or VI 2 import documents².

(a) Movement within a single Member State

34. The Committee of Inquiry found that some Member States are using VA documents incorrectly or not using them at all.

However, correct use of VA documents is important. For example, VA 1 documents accompany table wines originating in the Community while VA 2 documents are used for quality wines. Traders who, as a result of irregular declarations, obtain VA 2 documents for excessive quantities, may be tempted to market table wines as quality wines.

(b) intra-Community trade

35. The Committee of Inquiry noted that in intra-Community trade, difficulties often arise through differences of national legislation on points that are not covered by Community regulations. Such is the

¹ For further details, see p. 61 of the report by the Special Committee of Inquiry

² For further details, see p. 62 of the report by the Special Committee of Inquiry

case with the analysis of wines: thus, a wine considered normal in one Member State is considered to have been improperly enriched in another. Rosé wine also presents difficulties, as was shown in point 26 of this opinion.

(c) trade with third countries

36. The Committee of Inquiry stresses the difficulties involved in applying Community regulations to trade with third countries, as for instance the checking of observance of the reference price¹.

The Committee of Inquiry also noted that the customs authorities of certain Member States are not well informed about Community rules and the consequences of failure to observe them and do not always insist on seeing the VA documents which should accompany the other customs documents for movement of wine.

Export refunds are only granted for table wines, not quality wines. The customs authorities take samples of wine to check that the wine exported is actually that shown on the analysis certificate. The Committee of Inquiry does not exclude the possibility that certain quality wines are being exported as table wines in order to obtain the refund.

Finally, the Committee of Inquiry noted that there are very few statistics or no statistics at all, on quantities of wine in transit through a Member State (for example, re-exported on leaving a customs warehouse). Owing to the absence of statistics, movements of wine through the distributive channels cannot be monitored, but knowledge of abnormal movements could lead to the discovery of fraud.

(d) recommendations of the Special Committee of Inquiry

37. As the Committee of Inquiry points out in its report, it 'does not exclude the possibility of far more numerous irregularities, seeing how lax the procedure for the issue of VA documents so often is, how easily operators can obtain VA documents stamped in advance and how superficial most of the checks made are'².

Irregularities generally consist of attempts to market table wines as quality wines by obtaining VA 2 documents or using VA 1 documents to market artificial wine as table wine.

¹ See report by the Special Committee of Inquiry pp. 72 and 73

² See report by the Special Committee of Inquiry, p. 74

According to the Committee of Inquiry, there are very few irregularities connected with export since very little table wine is exported; irregularities in the importation of wines are also few but involve large quantities of wine from third countries which is marketed as Community wine¹.

Taking all this into account, in addition to the observations made in points 34 - 36, the Committee of Inquiry recommends that points

- (1^o) controls in all Member States should be as effective as those undertaken for fiscal purposes (in one Member State controls for both fiscal and agricultural purposes are in the hands of the tax administration; consequently, smaller numbers of administrative staff are needed and controls are more effective);
- (2^o) all the Member States should strictly apply the rules governing the movement of wine; the documents should be issued only if the authority responsible for issuing them is certain that the applicant actually has the wine for which he requests accompanying documents; greater caution should be exercised in permitting traders to hold VA documents stamped in advance and to make them out themselves, and there should be careful scrutiny of the manner in which VA documents are made out;
- (3^o) the customs authorities should enter on the T2 or T2L documents issued on removal from the customs warehouse the reference numbers of the T2 or T2L documents presented when the wine products were first placed in the customs warehouse, since it has happened that wine covered by false T2L documents has been placed in a customs warehouse and then re-consigned under cover of authentic T2 or T2L documents. This measure would make it easier to detect fraud;
- (4^o) controls should be continuous from the production through to the marketing stage, particularly when several administrative or customs authorities are responsible for such control at different stages;
- (5^o) the customs authorities should be better informed of Community rules, the reasons for them and the consequences of fraud; they should also be kept informed of the different kinds of fraud detected in the Community in order to draw their attention to possibilities of fraud that they have perhaps not suspected and to put them on their guard against companies which have already been involved in fraud;
- (6^o) the administrative cooperation between the authorities in the Member States responsible for controls in the wine sector, which is provided for in Article 39A of Regulation (EEC) No. 816/70², should be considerably improved so as to make it flexible and quick; individuals and administrative services should be made more aware of the need for intra-Community cooperation;

¹ See report by the Special Committee of Inquiry, p.76

² and Article 64 of Regulation (EEC) No. 337/79.

- (7°) in view of the difficulties in applying and checking the reference price system, the whole system of operation and supervision of reference prices should be reviewed and improved;
- (8°) an effort should be made to harmonize national methods of analysis in particular in the area of wine enrichment and to achieve uniform interpretation of analyses; analysis laboratories should be appointed as arbitrators in disputes which may arise between Member States, in particular in respect of the interpretation of analyses.

38. Finally, the Committee of Inquiry mentions a suggestion that a descriptive reference index of wines should be compiled, including analysis data, to form part of the basic information available to the investigation departments.

The Committee of Inquiry recognizes the usefulness of this suggestion. It has, however, been advised that such a compilation could be dangerous if its contents came to the knowledge of illicit traders. Nevertheless, the Committee of Inquiry considers that the matter deserves closer examination.

(e) Action which the Commission could take on the recommendations of the Special Committee of Inquiry

39. The Commission intends to write to the Member States to draw their attention to the problems connected with controls, in particular the use of VA documents and the continuity of controls.

40. Furthermore, the Commission intends to organize one or more information seminars for those responsible for applying Community rules in order to explain the reasons for the rules and to make them aware of the economic consequences of fraud. The Commission has said that the programme for the seminar(s) will take account of the comments by the Committee of Inquiry, particularly those concerning trade.

41. With a view to detecting abnormal movements, the Committee of Inquiry recommends that the Member States should compile statistics relating to the wine leaving customs warehouses, a distinction being made between table wines and quality wines. The Commission intends to request the Member States to compile and make available such statistical information in accordance with the provisions of a regulation.

42. Finally, the Commission points out that it has already taken the following measures regarding administrative cooperation between the Member States:

- (1^o) further efforts to improve the cooperation between Member States provided for in Council Regulation (EEC) No. 283/72¹ concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field (see Article 4 of the Regulation);
- (2^o) uniform application of Community provisions in the wine sector, particularly those relating to controls laid down in Council Regulation (EEC) No. 1439/78² on direct cooperation between the bodies designated by Member States to verify compliance with Community and national provisions in the wine sector;
- (3^o) submission to the Council of a proposal for a regulation³ on mutual assistance between competent authorities of the Member States and between the latter and the Commission for ensuring the correct application of Community customs and agriculture regulations.

(f) Conclusions

43. The Committee on Agriculture approves the guidelines set out by the Special Committee of Inquiry. However, it questions whether the compilation of a descriptive reference index of wines would provide an ideal answer to frauds involving the quality of wines insofar as such an index would be cumbersome to operate and wine is not a product which remains consistent from year to year.

Furthermore, it would be virtually impossible to preserve the confidential nature of the data recorded in this index. The Committee of Inquiry properly emphasizes in this connection the danger that could arise from the utilization of this information by illicit traders.

In addition, the Committee on Agriculture emphasizes that the control on trade in wines and the prevention of fraud is greatly enhanced when carried out by a fiscal body. Nonetheless, whether this body is agricultural, commercial or fiscal, it can only be effective if it is based on work carried out by experts specially trained in the detection of fraud in this sector.

¹ OJ No. L 36, 10.2.1972, p.1

² OJ No. L 173, 29.6.1978, p.2

³ OJ No. C 100, 22.11.1973, p.31

We must therefore ask the Member States:

- 1^o to set up special fraud detection and prevention squads for wine, alcohol and spirituous beverages,
- 2^o subsequently to harmonize their methods of detection and analysis,
- 3^o to set up a specialized European squad to detect major frauds, with a view to normalizing intra-Community trade and monitoring imports of wines from third countries along the full length of the Community's external frontier.

A few months ago contacts were established between the control bodies in the Member States, and they have proved to be effective. In March 1980 they resulted in the detection of a large-scale fraud involving wine falsely designated as Bordeaux exported from the Netherlands to the United Kingdom and then re-exported to the United States.

The Committee on Agriculture approves the measures taken to combat irregularities in the wine sector, particularly Regulation (EEC) No. 359/79 on cooperation between the Member States. It further calls on the Council to delay no longer in adopting the proposal for a regulation mentioned above.

(D) Intervention

(a) Private storage aid

44. The purpose of private storage is to withdraw temporarily from the market a certain quantity of a type of table wine whose representative price remains less than the activating price for two consecutive weeks and thus restore price levels.

Wine placed under private storage contract cannot be sold or offered for sale.

45. The Committee of Inquiry found that irregularities in the field of private storage involved the sale of wine during storage, the placing under contract of wines no longer belonging to the producer, table wines sold subsequently as quality wines, wines not corresponding to the definition of table wine or the transformation into sparkling wine during the storage period¹.

Furthermore, the Committee of Inquiry noted a practice, which the Member States are powerless to prevent, whereby producers conclude a very large number of contracts, each involving only a small quantity of wine, and are thus able to sell their wine while at the same time obtaining EAGGF aid.

¹ See report by the Special Committee of Inquiry, p.96

Finally, the Committee of Inquiry found that no Member State provided for specific sanctions for failure to comply with Community storage provisions.

(b) Aid for re-storage

46. If the foreseeable volume of stock held by producers at the end of the marketing year and the outlook for the following harvest show that problems may arise, the Commission may decide to grant aid for the re-storage of table wines which are under long- or short-term contracts, i.e. for transport to another storage place in another locality or to the store of a third party.

47. The Committee of Inquiry noted the following irregularities in one Member State¹:

- . transport between two adjoining cellars by means of pipes;
- . re-storage in cellars belonging to the contractholder in the same commune;
- . arrangements between two producers for the reciprocal re-storage of wine.

However, no sanctions were applied as the Member State concerned does not provide for any.

(c) Voluntary distillation

48. The Committee of Inquiry did not uncover any irregularities in connection with voluntary distillation. However, there are some difficulties in operating the scheme. Thus, the Committee of Inquiry found that several factors had caused a reduction in distillation in one Member State: late payment of the aid, lack of distillery capacity and the absence of outlets for the alcohol in a free market.

It would also appear that the wines distilled are not always of the poorest quality since the Committee of Inquiry found that in at least one Member State poor quality wine was used for coupage with wines of higher alcoholic strength originating in another Member State.

(d) Obligatory distillation of the by-products of winemaking

49. As has already been pointed out, the quantities delivered for distillation cannot be checked unless the production declarations are genuine. The Committee of Inquiry found that there were irregularities in one Member State involving the non-delivery of grape musts to distilleries and the pressing of lees.

¹See report by the Special Committee of Inquiry, p.96

(e) Recommendations of the Special Committee of Inquiry

50. Since wine surpluses are now structural, the Committee of Inquiry recommends that:

- (1^o) the principle of private storage aid, in particular for short-term storage, should be reviewed from the cost-effectiveness point of view so that the aid is not used to finance normal storage of wine;
- (2^o) stricter quality criteria should be laid down for wines eligible for short or long-term storage aid;
- (3^o) the sales of wine having qualified for aid should be checked after expiry of the storage contract in order to verify that the sale did not in fact take place during the storage period;
- (4^o) measures to dissuade producers from selling their wine under storage contract should be introduced (contractual sanctions, a deposit as a guarantee that commitments will be fulfilled);
- (5^o) a new cost effectiveness study should be carried out in respect of the voluntary distillation of wines (since voluntary distillation should be an appropriate means of eliminating poor quality wines but not used systematically as a tool for regulating a market which suffers from structural surpluses); any decision to undertake voluntary distillation should be correlated with the outlets for alcohol produced in this way.

(f) Action which the Commission could take on the recommendations of the Special Committee of Inquiry

51. The Commission has already laid down stricter quality criteria in Regulation (EEC) No. 2775/77¹ for wine eligible for long-term storage aid during the 1977/1978 wine year. It will lay down similar provisions for table wines eligible for short-term private storage aid when price conditions make such aid feasible. The Commission will also study the cost-effectiveness of private storage aid.

52. The Commission considers that the problems posed by voluntary distillation could be resolved through a common organization of the market in ethyl alcohol of agricultural origin.

(g) Conclusions

53. The Committee on Agriculture supports the recommendations of the Committee of Inquiry for combating irregularities connected with private storage.

¹OJ No. L 320, 15.12.1977, p.26

It is of the opinion that a cost-effectiveness study of private storage and voluntary distillation could be useful insofar as this might lead to more efficient management of the wine market.

Furthermore, it considers that short-term storage gives rise to certain problems. It does not make a proper contribution to market support schemes, nor does it benefit the wine-growers as it should. It would probably be more advantageous to encourage medium and long-term storage contracts which could be negotiated throughout the year. Should wine prices suddenly rise sharply, there would be an opportunity to release certain amounts under contract.

Finally, the Committee on Agriculture calls on the Commission to submit without further delay a new proposal for the organization of the market in Community ethyl alcohol of agricultural origin. Lack of a common organization is currently causing disturbances in this market and the alcohol surpluses resulting from wine distillation are further aggravating the situation in the sector.

(E) Description and presentation of wine

(a) Importance of the description and presentation of wine

54. The rules relating to the description and presentation of wine are of great importance because they provide the means of controlling the movement of wine from the production stage to consumption. They are also important to the consumer, who needs to be informed by the label of the nature and quality of the product and should be able to trust this information

55. The rules became obligatory only on 1 September 1976. However, the Member States were authorized to use the old labels until 1 September 1977. The Committee of Inquiry considers that it is too soon to draw any conclusions on the application of the rules.

56. However, the Committee of Inquiry does not exclude the possibility of fraud, which would involve mainly incorrect labelling or the coupage of quality wine with table wine. Moreover, the Committee of Inquiry has noted that in some Member States fairly large quantities of wine are imported from third countries while equivalent quantities of wine from third countries are not to be found on the market.

(b) Recommendations of the Special Committee of Inquiry

57. The Committee of Inquiry recommends that:

- (1^o) when VA circulation documents are issued and the checks are carried out on holders of wine, care should be taken to ensure that the wine products are described in accordance with the rules;
- (2^o) when checks are carried out on bottling establishments, it should be verified that the label affixed to the container both complies with the rules on labelling and tallies with the wine actually in the bottles;
- (3^o) checks should be carried out at the retail stage, if necessary by sampling on the labelling of wine both as regards its compliance with the rules on description and its truthfulness; in the course of the checks, the commercial circuit followed by the wine should be re-traced in order to verify that the information on the label corresponds to that appearing on the VA documents from the production stage onwards;
- (4^o) particular attention should be given to the control of wine from third countries.

(c) Action which the Commission could take on the recommendations of the Special Committee of Inquiry

58. Although the Commission has not commented on this particular issue, it will no doubt write to the Member States to draw their attention to the importance of the correct use of VA documents, compliance with the rules and checks.

(d) Conclusions

59. The Committee on Agriculture agrees with the recommendations of the Special Committee of Inquiry and asks that particular care should be taken to check the labelling so that consumers are not misled as to the quality of the product they are buying.

It considers that control of wine from third countries is essential to verify that the labelling complies with Community rules. Finally, it asks that, insofar as possible, periodic but random checks should be carried out to retrace the commercial circuit of wine. The committee is aware of the difficulty involved in such a check. However, it is only by making potential defrauders feel insecure that fraud can be discouraged.

Although so far the general rules for the description of wines and grape musts have been laid down in Council Regulation (EEC) No. 355/70, the application of the regulation in the various Member States has not enabled consumers to obtain all the information they need.

In some countries, for instance, the words 'table wine' are often used, and the name of the producer country is not mentioned. Distributors who supply wines which are a blend of Community wines usually add in very small type the words 'wines originating in various countries of the European Community'.

It would be desirable for the reference to the producer country to be made compulsory (and not optional) for all table wines originating in a Community country whether they are marketed in the producer country or exported.

Where the wine is blended with other Community wines, the words 'wines originating in various countries of the European Community' should be easily legible.

III. CONCLUSIONS

60. The Committee on Agriculture supports the technical recommendations of the Special Committee of Inquiry as a whole. In particular, it considers that the Member States should ensure that Community rules are applied.

61. Nevertheless, the Committee on Agriculture wishes to repeat some of the requests made in its opinion on the third report by the Special Committee of Inquiry on beef and veal¹.

62. With regard to the stabilization, simplification and classification of the rules, measures which would make it easier for the inspection authorities to become familiar with the rules and to apply them, the Committee on Agriculture notes that the Commission has given a favourable opinion on the first two matters and has submitted a proposal to the Council on rules for classification². The Committee on Agriculture hopes that the Council will adopt these rules without delay.

63. The Committee on Agriculture also hopes that the gaps in Community legislation will be closed so that potential defrauders are given as little leeway as possible. A Community definition of rosé wine will have to be drawn up and uniform procedures for analysis introduced in the Member States so that defrauders cannot take advantage of the situation.

¹ Doc. 88/77

² COM(78) 327 final

64. The Committee on Agriculture also stresses the need for the Member States to ensure that Community law is applied. The Member States should give the same protection to Community funds as to national public funds. Thus, Article 6(2) of Council Directive 76/308/EEC¹ on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the EAGGF, and of agricultural levies and customs duties, which was to have been implemented not later than 1 January 1978, stipulates that Community funds should be treated in the same way as national funds. The Committee on Agriculture calls on the Commission to report to the European Parliament on the action which has been taken to implement this directive.

Similarly, the Committee on Agriculture requests the Commission to report to the European Parliament on the action taken on the Council resolution of 16 December 1975 on stricter prevention of and proceedings against irregularities in the financing of the common agricultural policy².

65. It is also important, with a view to creating a European legal area, that the problem of sanctions should be examined to ensure uniform application of Community law. The law is worthless if, as the Committee of Inquiry found, several Member States lack the means to enforce it.

The Committee on Agriculture urges the Commission to study the possibility of including sanctions in Community rules. Furthermore, it supports the Commission's action in drawing the attention of the Member States to their obligation to prosecute infringements of Community legislation and to provide for sanctions.

66. The Committee on Agriculture considers that the problem of fraud could be solved by cooperation between the inspection authorities of the Member States at both national and international level and between the Member States and the Commission.

The Committee on Agriculture therefore regrets that the Council has not yet adopted the Commission's proposal on mutual assistance between competent authorities of the Member States and between the latter and the Commission for ensuring the correct application of Community customs and agriculture regulations³ which the Commission submitted on 25 April 1973.

¹ OJ No. L 73, 19.3.1976, p.18

² OJ No. C 298, 30.12.1975, p.1

³ OJ No. C 100, 22.11.1973, p.30

67. Regulation (EEC) No. 283/72¹ concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Guarantee Section of the EAGGF instituted an information system between the Member States and the Commission. The Committee on Agriculture considers that a similar system should be introduced in respect of own resources so that cooperation between the inspection authorities could be extended to this field.

68. Finally, the Committee on Agriculture points out that as far back as 30 July 1976 the Council received a draft for a Treaty² amending the Treaties establishing the European Communities so as to permit the adoption of common rules on the protection under criminal law of the financial interests of the Communities and the prosecution of infringements of the provisions of those Treaties. This draft for a Treaty provides for cooperation between the Member States and applies to own resources and to Community financial intervention. It would be desirable for the Council to deliver an opinion in favour of calling a conference of representatives of the Governments of the Member States for the purpose of bringing this Treaty into force, in accordance with Article 236 of the Treaty establishing the EEC.

69. Thanks to the efforts of the Special Committee of Inquiry, the Committee on Agriculture has been able to study the various cases of irregularities in the wine sector of the EAGGF Guarantee Section. Its work has enabled several important matters to be raised.

In the first place, the committee has noted that the Special Committee had to base its report on a fairly limited amount of data. The members of the Special Committee had information solely on the cases of fraud declared to the Commission's departments by the Member States. In this way, 25 irregularities involving 240,099 u.a. were declared by one Member State between 1975 and 1977. If we look at the four-year period 1975 - 1979, the number of irregularities amounts to 28, of which 26 were declared by one Member State and two by a second, involving 258,648 u.a. Should we conclude from that that no frauds were committed in those Member States which made no declaration?

Secondly, the Committee on Agriculture deplores the fact that the Special Committee did not have access to figures relating to offences concerning planting, stock declarations, the use of VA documents, labelling and oenological practices.

¹ OJ No. L 36, 10.2.1972, p.1

² COM (76) 418 final

The absence of the statistics made it impossible to prepare a thorough study of the wine sector. Effective cooperation between the Member States and the Commission is essential if such information is to be properly collated.

Finally, a reading of the available figures relating to the amounts involved in the irregularities prompts two observations:

(a) The total amount involved is extremely low: 258,648 u.a., the most prevalent type of fraud involving private storage (217,760 u.a.).

(b) The charge on the Community budget therefore appears to be insignificant. A comparison of the total amount involved in fraud and the total expenditure on the wine sector under the EAGGF Guarantee Section illustrates the minimal nature of the first figure compared with the second: 258,648 u.a. against 518,400,000 u.a.

The irregularities noted by the Special Committee do not therefore seriously jeopardize the smooth running of the wine policy.

70. Nevertheless, the Committee on Agriculture welcomes this new report by the Special Committee of Inquiry, which throws light on the operation of the common agricultural policy. It therefore calls on the Commission to bear in mind the suggestions of the Committee of Inquiry when taking further action to improve the operation of the wine market. It also urges the Council to take strong measures to ensure that the Community has an equal chance against defrauders, who are too often adept at taking advantage of the flows in Community legislation or indeed, in some cases of its absence.

EAGGF GUARANTEE SECTION

Irregularities in the wine sector

	Year										Totals	
	1975		1976		1977		1978		1979			
<u>Type of expenditure</u>												
Number of cases and amounts involved												
- refunds	1	5,007	2	11,088					1	+MCAs 7,755 1,785	4	25,635
- intervention (number and total amount involved)			8	147,230	14	76,774	1	7,601	1	1,408	24	233,013
. aid to private storage			8	147,230	9	61,521	1	7,601	1	1,408	19	217,760
. aid to transport					5	15,253					5	15,253
<u>Total number of cases and total amount in u.a. involved in irregularities</u>	1	5,007	10	158,318	14	76,774	1	7,601	2	10,948	28	258,648
<u>Total expenditure in m u.a.</u>		139.1		172.9		90.9		62.5		53.-		518.40
- refunds		0.3		1.7		1.1		1.5		4.6		9.2
- intervention		138.8		171.2		89.8		61.-		48.4		509.2

Note: The amounts involved in the irregularities are charged to the year in which the quarterly statements were drawn up. The irregularity may have been committed in the year or in one or more years prior to its detection and the statement. The Commission's departments are unable to define in each case the amounts to be charged to the period when the irregularity was committed.

There is therefore no significance to be attached to an annual comparison of the amounts involved in the irregularities and in expenditure.

TABLE II

BREAKDOWN OF EXPENDITURE BY ECONOMIC CATEGORY -
1978 FINANCIAL YEAR

(m u.a.)

Sector	Total Expenditure	Breakdown according to economic nature of operations				
		Export Refunds	INTERVENTION			
			Storage ¹	Withdrawal and similar operations	Price Compensatory measures	Guidance premiums
Cereals	999.5	744.7	48.7	0	206.1 ²	
Rice	16.7	15.9	0	0	0.9	
Milk products	3,365.7	1,313.5	957.3		1,014.0 ³	80.8 ⁴
Oils and fats, including	333.9	0.1	31.4	0	302.4	
- olive oil	208.7	0	31.3	0	177.4 ⁵	
- oilseeds	114.7	0.1	0.1	0	114.5	
- flax seed	10.5	0	0	0	10.5	
Sugar	770.2	556.9	204.1	0	9.2	
Beef and veal	566.7	121.6	350.4	0	3.7	91.0 ⁶
Flour	38.3	26.4	0	0	11.9	
Eggs and poultrymeat	33.7	33.7	0	0	0	
Fruit and vegetables	100.2	47.5	0	23.7	29.0 ⁷	
Wine	62.5	1.5	34.9	20.2 ⁸	5.9 ⁹	
Tobacco	209.9	2.6	27.0	0	180.3	
Fisheries	14.0	7.2	0	6.8	0	
Flax and hemp	14.4	0	0	0	14.4	
Seeds	17.7	0	0	0	17.7	
Hops	9.1	0	0	0	9.1	
Silkworms	0.6	0	0	0	0.6	
Dehydrated fodder	38.7	0	0	0	38.7	
Refund on processed non-Annex II products	184.4	184.4	0	0	0	
Total	6,777.2	3,055.9	1,653.8	50.7	1,845.0	171.0
%	100	45.09	24.4	0.75	27.22	2.54

¹ Private and public storage, including certain disposal measures

² Of which production refunds (103.6 m u.a.) + aid for durum wheat (90.1 m u.a.) + other (12.4 m u.a.)

³ This amount takes account of the co-responsibility levy charged: 137.4 m u.a.

⁴ Premiums for the non-marketing of milk and for the conversion of dairy herds

⁵ Production aid (169.7 m u.a.) + other intervention (7.7 m u.a.)

⁶ Calving premiums to promote the restocking of herds (91.0 m u.a.)

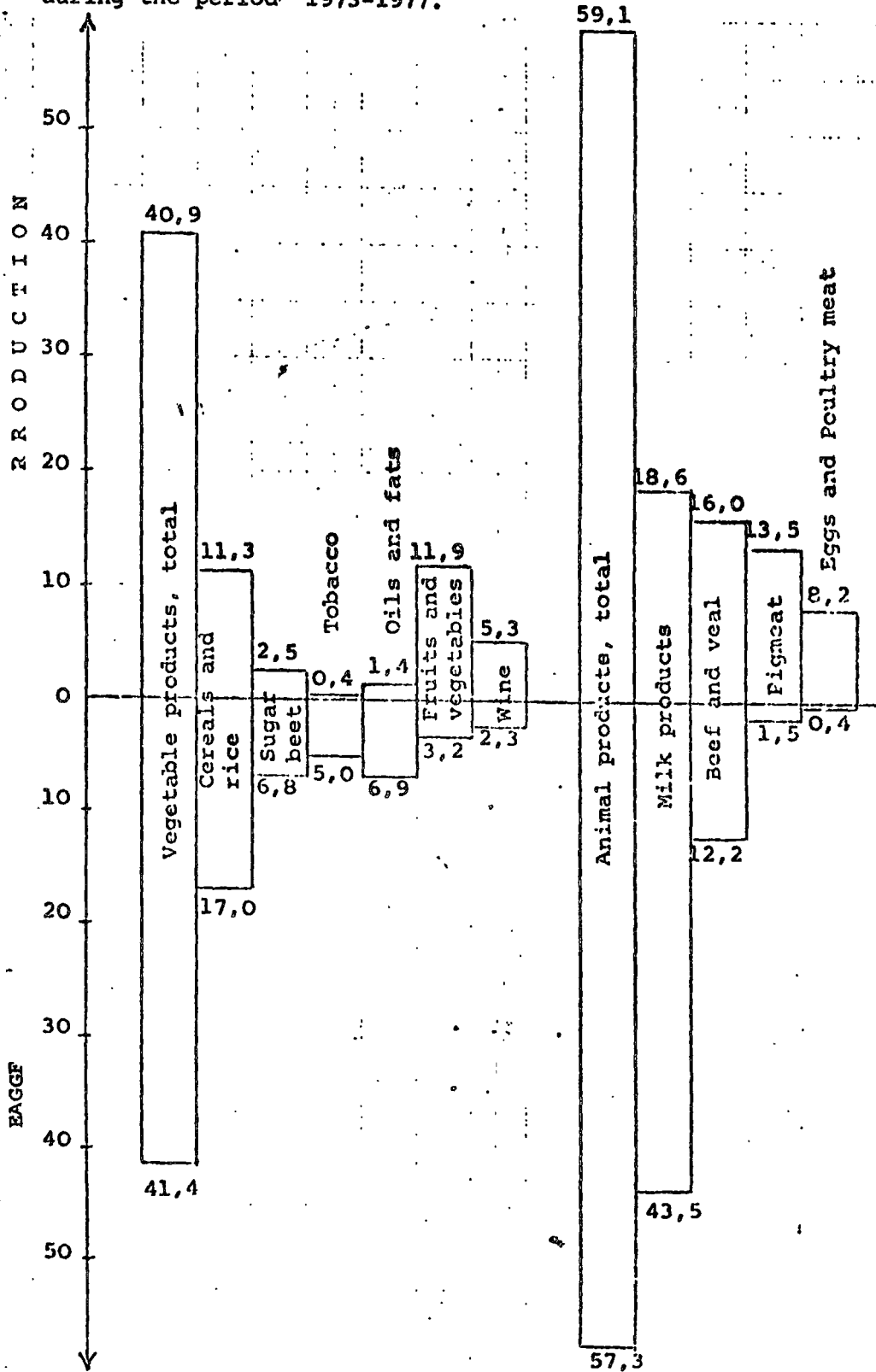
⁷ Promotion of Community citrus fruit (10.2 m u.a.) + processing of citrus fruit (15.2 m u.a.) + intervention in respect of products processed from fruit and vegetables (3.6 m u.a.)

⁸ Compulsory distillation of the by-products of wine-making (9.4 m u.a.) + distillation (10.8 m u.a.)

⁹ Aid for the re-storage of table wine (2.1 m u.a.)

TABLE III

Agricultural products as percentage of total production during the period 1973-1977.



Percentage of each product in Guarantee Section expenditure during the period 1973-1977 (excluding compensatory amounts)