Special report 7/2012 (2011 discharge): Reform of the common organisation of the market in wine: progress to date

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PURPOSE: Court of Auditors' Special Report (n° 7/2012) on the progress to date of the reform of the common organisation of the market in wine.

CONTENT: the European Union is the world's biggest wine producer, accounting for around 60% of the world's wine production. However, there has been a significant fall in wine consumption in the EU in the last twenty years, in particular in the main wine-producing Member States (France, Italy and Spain). From 2000/2001 to 2008/2009, EU wine imports have also risen at a higher rate than EU wine exports. In this context, **a structural surplus of production** has been a constant feature of the European wine market over the last decades.

In order to improve the competitiveness of the EU wine producers and to balance supply and demand in the wine sector, the Council introduced a reform of the Common Organization of the Market (COM) in wine in 2008.

Court of Auditors' conclusions: in this Special Report (n° 7/2012), the European Court of Auditors performance audit assessed the progress achieved to date. The audit focussed on the "grubbing-up" and "restructuring and conversion of vineyards" measures, the two largest areas of spending.

The budget made available for grubbing-up in the 3 year application period of the measure from 2008 /2009 to 2010/2011 was EUR 1.074 billion. For restructuring and conversion, EUR 4.2 billion had been allocated to the measure for the 10 year period of 2001 to 2010.

Initially, when it prepared the reform, the Commission estimated the structural surplus of wine to be 18.5 million hl. In the end, the 2008-2011 grubbing-up scheme has **reduced the EU production by an estimated 10.2 million hl per year** only, largely because the assumptions on which the initial target was based did not materialise. The Court also considers that the aid rates were set at levels that were too high and that the scheme could therefore have been more efficient by achieving more significant results with the resources made available.

The objective of the restructuring and conversion measure is to increase the competitiveness of wine producers through paying compensation for the loss of revenue while a vineyard is being adapted and as a contribution to the costs incurred. This had a significant impact for large areas of vineyard across Europe. However, **increases in yields which result from restructuring** without any discernible impact on overall consumption **partially off-set the effects of grubbing-up.**

The Court of Auditors Recommendations: the Court makes a series of recommendations to the Commission to improve the effectiveness of the wine reform. These include the following :

- establishing an estimate of the balance between supply and demand in the wine sector based on updated data, including the planned liberalisation of planting rights;
- should further grubbing-up measures be considered necessary, the grubbing-up of modernised vineyards should be avoided by establishing additional eligibility criteria linked to the vineyard itself and not only to the farmer;
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- given the wide range of operations defined by Member States in implementing the restructuring measure, set up a more precise definition of eligible restructuring operations, in particular those allowed under the regulatory heading “Improvements to vineyard management techniques”;
- while on the one hand the EU finances the grubbing-up measure in order to reduce the surplus of wine produced, on the other hand the restructuring and conversion measure leads to increases in vineyard yields and therefore volumes produced which go against the objective of balancing supply and demand without securing new market outlets. The Commission should therefore ensure that **an appropriate policy mix** is available to address this tension.