

Common organisation of agricultural markets (CMO): simplify the common agricultural policy (CAP), creation of one single Regulation ("single CMO Regulation")

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In accordance with Council Regulation (EC) No1234/20072 ('SCMO Regulation'), the Commission presents a report on the experience gained of the implementation of wine reform of 2008. The report:

- focuses on the first three years of the reform's implementation, in particular in what concerns the grubbing- up scheme and the measures included in the National Support Programmes;
- analyses the impact of the new quality policy, the new rules on wine labelling and on oenological practices;
- examines the trends in the EU wine market since 2007, following the adoption of the reform.

The Commission considers that the **2008 wine reform has been implemented successfully**. The removal of market intervention measures has occurred without major disturbances. The EU vineyard surfaces and production of wine have continued to adapt to demand over recent years. According to the latest data, the market is quite stable, prices have improved and in spite of a continuous decrease of internal consumption, there is no evidence of the existence of structural surplus in the wine sector. The grubbing-up scheme and the NSP have been fully implemented. 161 164 ha were grubbed up and around 305 000 ha restructured with EU funds. Other important measures are being widely used, like promotion and investment.

Grubbing-up scheme: this scheme intended to remove non-competitive, low quality wines destined for subsidised distillations from the market. It has been a very successful measure with 161 164 ha grubbed up, resulting in an **annual reduction of the EU wine production of around 10.5 Mio hl**. At the end of the three year period, EUR 1024.62 million was spent on this 'one off' measure, which has contributed to balancing the EU wine market and to make the sector more competitive. During the same period (2008-2011), 111 364 ha were grubbed-up without support.

National Support programmes: NSPs have been implemented over these first three years (2009-2011) without major problems. The overall budget execution rate remained high during that period since Member States spent 97% of the total available budget of EUR 2.8 billion. 42% of the funds were used for the restructuring and conversion of vineyards, 12 % on potable alcohol distillation, 10% on the distillation of wine by-products, 8.5% for promotion of EU wines in third countries and 8.2% on the use of the concentrated grape must by wineries. 7% of the funds were transferred by Member States from the SCMO to the SPS and about 6% were used for investments.

For the remaining two years (2012-2013), the phasing-out of certain market measures, such as aids for distillation and concentrated grape must, should lead to the growth in importance of some other measures: promotion (from 8.5% to 17% of the total spending), investments (from 6% to 15%), SPS (from 7% to 13%) and restructuring and conversion - the latter remaining the most important measure (about 40%).

While the global evaluation of the NSPs is very positive, some clarifications and improvements need to be introduced for certain measures. In addition, specific provisions for the NSP of Croatia must be established.

Trade: the total EU exports to third countries have grown from 17.9 Mio hl in 2007 to 22.8 Mio hl in 2011 (+27%). The total export value of EU wines increased from EUR 5.9 billion in 2007 to EUR 8.1 billion in 2011 (+36%). The first months of 2012 have shown even a slight increase compared to the equivalent period in 2011. While the penetration on new markets is impressive, market shares in other foreign markets and even in some Member States are decreasing due to the competition of third country wines. Market shares of EU wines are declining in countries like the USA and Canada, but are progressing in China and Russia.

The main export destinations in 2011 were the USA (23%), Russia (18%) and China (10%). In parallel, the total EU imports from third countries have grown from 12.9 Mio hl in 2007 to 13.6 Mio hl in 2011 (+5%). The total import value of non-EU wines decreased from EUR 2.7 billion in 2007 to EUR 2.4 billion in 2011 (-12%).

The **wine trade balance of the EU is positive** and increased from 5 Mio hl in 2007 to 9 Mio hl in 2011 (+80%) and, in value, a growth can be observed from EUR 3.2 billion in 2007 to EUR 5.7 billion in 2011 (+76%).

Labelling and presentation: these provisions have been largely simplified and harmonised among different wine products. They now give more flexibility for the EU wine sector, in particular as regards production of wines without PDO/PGI bearing vintage year and vine variety names ("varietal wines"). EU varietal wine production represents in 2011 4.6 Mio hl (68% from Spain and 20% from France), which proves the importance of this outlet, both for wine growers and consumers. However, several Member States are reluctant to develop their varietal wines, by excluding their most relevant varieties in order to preserve them for the PDO wines. The Commission also notes that the USA restriction on the vintage labelling is also affecting EU exports of varietal wines to that important market.

In order to reinforce this new outlet, **a new wine product category "varietal wine" could be added to Annex XIb to Regulation (EC) No 1234/2007.**

As regards the indication on wine labels of the wine grape variety, a lack of consistency remains in EU legislation in particular for wine grape variety names that coincide with EU PDO/PGI. In addition, no scientific data exist on differences between *Vitis* and *Vitis vinifera* wine grape varieties (e.g. some vine varieties can be classified as a *Vitis* or a *Vitis vinifera* depending on the Member States). With a view to responding to these concerns, it is necessary to **consider the modification of the rules applying to wine grape varieties.**

Oenological practices: there is a growing demand for wine products with **reduced alcoholic strength** and EU wine producers are quite interested by this new possible segmentation of the offer. Up to now, some Member States' legislations (e.g. Austria, Germany, etc.) have regulated the use of wine denominations for those products. In order to avoid any fragmentation of the EU market, the **EU should develop a single and uniform policy** in this respect, by introducing and promoting new grapevine product categories ("de-alcoholised wine" and "partially de-alcoholised wine"), in line with the recently adopted resolutions of the OIV on de-alcoholised wines.

The implementation of the reform has also shown that EU rules on oenological practices should be more harmonised and simplified in order to guarantee fair competition between EU wine producers and transparency for consumers. In particular:

- there are several minimum actual alcoholic strengths depending on grapevine products categories (e.g.: 4.5% vol. for PDO/PGI wines, 6% vol. for quality aromatic sparkling wines, 7% vol. for semi-sparkling wine, etc.), whereas the OIV only establishes a unique minimum actual alcoholic strength of 8.5 % vol., with the flexibility to be reduced to 7 % vol.;
- the same lack of coherence applies to maximum total alcoholic strengths depending on the zones;
- rules on over-pressing of grapes, including its control, as well as on the minimum quantity of alcohol contained in by-products and distillation of by-products, could be simplified.

To conclude, the Commission considers that the continuation of the wine reform will contribute to enhancing the competitiveness of the wine sector. The Commission will further examine possible legislative improvements with a view to clarifying and detailing some specific issues, in particular as far as the NSP, the quality policy, the labelling and wine-making practices are concerned.