Market in wine: reform of the common organisation of the market COM

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1. SUBJECT OF REFERRAL Proposal for a Council Regulation (EC) amending Council Regulation (EC) No. 822/87 on the common organization of the market in wine (COM(94)0117, 11 May 1994) 2. DATE OF REFERRAL 11 May 1994 (date of COM(94)0117) 3. COMMITTEE RESPONSIBLE Committee on Agriculture and Rural Development 4. COMMUNITY LEGISLATION IN FORCE Basic regulation: Council Regulation (EC) 822/87 of 16 March 1987 on the common organization of the market in wine (OJ L 84, 27.3.1987, p. 1). The common organization of the market (COM) in wine was created in 1962 (Regulation (EC) 24/62, OJ 30, 20.4.1962). It is based on specific market instruments such as: rules concerning production and control of development of potential in the wine sector; oenological practices and treatments; a regime governing prices, intervention and other market management measures (e.g. 'grubbing-up'); and a regime governing trade with third countries and rules on circulation and placing on the market. Expenditure is managed by the European Agricultural Guidance and Guarantee Fund (EAGGF), and represents 3.4% of the total EAGGF (Guarantee) budget, or, on 1992 figures, ECU 1087.2 m; the sector, however, accounts for 5.7% of the Union's final agricultural output. 5. POSITION OF THE EUROPEAN PARLIAMENT Parliament has twice expressed its position on the subject, in: a) the Sierra Bardaj-í report (A3-0070/94) of 16 February 1994, adopted in plenary on 9 March 1994. This represents Parliament's opinion on the Commission communication to the Council on the development and future of wine sector policy (COM(93)0380, 22 July 1993). Parliament welcomed the Commission's initiative and agreed that the sector stood in need of reform; the rapporteur was, however, sceptical as regards the effectiveness of the Commission's proposed measures. Parliament criticized the Commission's pessimistic view of the sector's future, and argued that new measures must be introduced aimed at creating a genuine marketing policy, thus strengthening the competitiveness of the Community's production on the world market without over-extending the principle of subsidiarity. b) the Fantuzzi report (A4-0055/95) of 23 March 1995, adopted in plenary on 6 April 1995. This represents Parliament's opinion on the proposal for a Council Regulation (EC) on the reform of the common organization of the market in wine (COM(94) 0117, 11 May 1994). Parliament took the view that market equilibrium should be achieved by taking account of average historical production over the previous ten years, consumption trends, new markets and the export/import balance (the Commission, by contrast, proposed setting a production ceiling of 154 m hl at Union level with quotas for each Member State, implying a reduction of 35.6 m hl on the average production figure for the period 1989-90 to 1992-1993. On the subject of chaptalization, Parliament felt that this practice should be limited by encouraging the 'natural qualities' of wine. It suggested that the threshold over which chaptalization would be permitted should be 6% (the Commission argued for 5%), with a maximum rate of 2.5% except in 'bad years', when the level of enrichment could be increased by agreement of the Commission and the Member States. In addition, Parliament called for measures to draw attention to the cultural, historical and dietetic value of wine, encouraging moderate consumption and the promotion of quality, to be accompanied by a targeted study of the market in thenew Member States. On the matter of regional programmes, Parliament felt that full account must be taken of the peculiarities of individual regions. 6. SITUATION OF THE WORLD AND COMMUNITY MARKETS A. The world market The total area under vines worldwide is decreasing, and currently stands at 8.3 m ha. Average world wine production over the last few tears has been around 300 m hl, of which 60% is accounted for by the EU. World wine consumption is approximately 240 m hl, over half of it in the EU. World trade in wine is some 44 m hl, corresponding to approximately 15% of world production. The EU accounts for 70% of world imports and 83% of world exports. B. The Community market The EU has over 40% of the world's total area under vines, i.e. some 3.6 m ha. This area has fallen by approximately 800 000 ha over the last twenty years. Some 90% of the areas under vines permanently withdrawn from cultivation over the period 1988-89 to 1992-93 are to be found in three Member States, namely Spain, Italy and France: the greatest extent of grubbing-up has been in Spain, which accounts for 40% overall. Wine production in

the Community is carried out on 2.2 m holdings, some exclusively dedicated to wine and others practising other types of farming: half of these holdings are in Italy. The average size of holding is 1.6 ha, with considerable variations ranging from 0.5 ha in Greece and Portugal to 10 ha in Spain. The productivity of holdings varies considerably between Member States: the Community average is 50 hl/ha, with the lowest level (Spain) being one-quarter of the highest (Luxembourg). The Union is the world's most important wine producer. Production fluctuates from one year to another (192.7 m hl in 1992-93; 152.4 m hl in 1994-95), thanks to the considerable influence of the weather, above all in the absence of irrigation. The Union is also the world's greatest consumer of wine. Nonetheless, consumption is steadily falling, especially in the case of table wines, of which 30 m hl less were drunk in 1991 than in 1980 - a fall of 30%, as opposed to 17% for wine consumption as a whole. The Union is the world's largest exporter and importer of wine: it exports 2.5 times more than it imports, with a favourable trade balance (on 1992 figures) of ECU 629 m. 7. CONTENT OF THE PROPOSED LEGISLATION In early May 1994 the Commission adopted the proposal for reform of the COM in wine (COM(94)0117, 11 May 1994). This is a proposal for a regulation whose purpose is to get the Community's wine-producing capacity under control and to achieve balance on the wine market in the medium term, via the following measures: - definition of the goals of production (the Community reference production level is set at 154 m hl, and is distributed among the Member States on the basis of their production and marketed volume; annual production is to be brought down to the reference level, by action either on the cultivated area or on yield); - regional programmes for adaptation of wine production, with Community cofinancing; - use of intervention or market reform mechanisms; - promotion of vine products; - recognition of activities of interprofessional organizations. The proposed regulation also includes: provisions concerning the set-aside of areas under vines outside the regional programmes for adaptation of wine production; provisions amending Regulation (EEC) No. 823 /87; specific control provisions amending Regulation (EEC) No. 2048/89; and provisions for the introduction of a simplified vineyard register. This Commission proposal does not differ substantially from the communication on the development and future of wine sector policy (COM(93)0380, 22 July 1993), except insofar as it sets out the actions proposed with specific figures, inparticular for such elements as the national reference quantities and the amounts of the grubbing-up premiums. This implies that the Commission has not, in general, taken due account of the comments submitted to it, inter alia by Parliament, in drawing up its reform proposal. Nonetheless, the proposal has been welcomed overall as providing a valuable starting-point by most of the delegations to the Council, although Spain and Italy have expressed greater reservations. The debates in Council, which are still going on, confirm the existence of marked divergences: there are as many particular interests as there are Member States. 8. LEGAL BASIS: Articles 42 and 43 of the EEC Treaty. 9. BIBLIOGRAPHY - Documents of the European institutions: - Commission: Recueil des Actes Agricoles, Vol. IV/1, 2 and 3 - 'Vin' - Commission: The Agricultural Situation in the Community - 1993 Report, Brussels and Luxembourg, 1994 - Commission: COM(93)0380, 22 July 1993; COM(94)0117, 11 May 1994 - European Parliament: report by Mr Sierra Bardají (A3-0070/94), 26 February 1994 - European Parliament: report by Mr Fantuzzi (A4-0055/65), 23 March 1995 - Other sources: - FAO: Production 1992, Vol. 46: Commerce 1992 - DICOPAC - Dictionnaire de la Politique Agricole Commune - Le guide de la nouvelle Europe Verte, Agra-Europe, 1994 edition 10. FURTHER PROPOSED RESEARCH The Directorate-General for Research has published a working document in the series 'Agriculture- Fisheries - Forestry' entitled 'The reform of the wine sector' (W-16, Rev. 1).