Wine sector: common organisation of the market COM

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PURPOSE: to reform the wine sector in order to increase the competitiveness of EU wine production.

BACKGROUND: the EU is the largest wine producer in the world. The wine sector in the EU represents a vital economic activity, especially as regards employment and export revenue. With more than 1.5 million holdings using 3.4 million ha (2% of the EU-25 agricultural area) wine production in 2004 represented 5.4% of agricultural output. Wine production represents around 10% of the value of agricultural production in France, Italy, Austria, Portugal, Luxembourg and Slovenia, and a little less in Spain.

Council Regulation 1493/1999/EC on the common organisation in wine (wine CMO) established a complex EU regime notably as regards production potential, market mechanisms, wine making practices (WMPs), wine classification, labelling and trade. Many support schemes have remained unchanged for some years, as has the level of aid they offer. All the measures financed from the Community's budget need to be reviewed to ensure that future policy is cost effective and that the money is well spent.

CONTENT: this Communication represents a Commission initiative as part of the continuing common agricultural policy (CAP) reforms of 2003, 2004 and 2005, which cover all the main sectors except wine and fruit and vegetables.

The objectives for a new EU wine policy are to increase the competitiveness of the EU's wine producers; strengthen the reputation of EU quality wine as the best in the world; recover old markets and win new ones; to create a wine regime that operates through clear, simple rules – effective rules that balance supply and demand; to create a wine regime that preserves the best traditions of EU wine production, reinforces the social fabric of many rural areas, and respects the environment.

The Commission considers four options for reform, and comes out clearly in favour of a **radical reform model specific to the wine sector**. This would involve either a one-step or a two-step approach. The two-step approach would begin with measures to bring supply and demand back into balance before focusing on improving competitiveness, including the abolition of the system of planting rights. Producers would be offered generous incentives to grub up uneconomic vineyards, outdated market support measures such as distillation would be abolished and the systems of labelling and wine-making practices would be updated and simplified.

Variant A (One-step) includes the following points:

- abolishing the Planting Rights and Grubbing-up Scheme;
- the system of planting rights restrictions would be either allowed to expire on 1 August 2010, or be abolished immediately. However, rules regarding access to GIs would de facto limit the number of hectares;
- the current grubbing-up scheme would also be abolished at the same time;
- each hectare of vineyard grubbed-up at the farmer's expense would become part of the area eligible for the SPS.

Variant B (Two-step) includes the following points:

This approach is analogous to that adopted for the sugar sector – the first phase is restoring market balance and the second phase is building improved competitiveness, including the abolition of planting rights:

- the principal feature of variant B would be a structural adjustment, i.e. temporarily reactivating the grubbing-up scheme. The system of restrictions on planting rights would be extended until 2013, when it would expire. The least competitive wine producers would have a strong incentive to sell their planting rights;
- the grubbing-up premium will be set at an attractive level. To encourage take-up from year 1, a decreasing scale would be set for the premium over the remaining period of planting rights. The aim is to grub up 400 000 ha in the EU over a five-year period with a maximum total aid of about EUR 2 400 million;
- vine growers should be free to choose to grub up or not;
- the agricultural area formerly used for vine production, once grubbed up, would qualify as an eligible area under the SPS and be granted the average regional decoupled direct payment;
- the Member State envelope could be topped up by a certain amount per grubbed up hectare;
- minimum environmental requirement would be attached to the grubbing up premia to avoid land degradation.

Both variants contain common measures such as:

- abolishing market management measures and introducing more forward-looking measures;
- market management tools – such as support for by-product distillation, potable alcohol distillation, private storage aid and must aid – would be abolished. Crisis distillation would be abolished or replaced by an alternative safety net using the national financial envelope;
- this national envelope would be allocated to each producer country, to finance measures best suited to each national situation;
- money would be transferred to Rural Development for wine-specific measures such as an early retirement scheme worth EUR 18,000 per year and agri-environmental programmes;
- a clearer, simpler, more transparent quality policy, establishing two classes of wine: wine with Geographical Indication and wine without GI;
- simpler labelling rules, to help consumers and make it easier for producers to compete. This would include allowing the indication of grape variety and vintage on wines without GI status, which is not possible under current rules;
- transfer of responsibility for approving new wine-making practices to the Commission. Recognition of wine-making practices accepted by the OIV;
- a ban on the use of sugar for enriching the alcohol content of wine.