## Basic information

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|---|---|
| **2006/2109(INI)**<br>INI - Own-initiative procedure | Procedure completed |
| Wine sector: common organisation of the market COM<br>**Subject**<br>3.10.06.08 Wine, alcoholic and non-alcoholic beverages | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| AGRI Agriculture and Rural Development | BATZELI Katerina (PSE) | 21/03/2006 |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| INTA International Trade | GLATTFELDER Béla (PPE-DE) | 11/07/2006 |
| REGI Regional Development | GARCÍA PÉREZ Iratxe (PSE) | 06/11/2006 |

### Council of the European Union

| Council configuration | Meetings | Date |
|---|---|---|
| Agriculture and Fisheries | 2745 | 2006-07-18 |
| Agriculture and Fisheries | 2758 | 2006-10-24 |
| Agriculture and Fisheries | 2750 | 2006-09-18 |

### European Commission

| Commission DG | Commissioner |
|---|---|
| Agriculture and Rural Development | FISCHER BOEL Mariann |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 18/05/2006 | Committee referral announced in Parliament | | |
| 22/06/2006 | Non-legislative basic document published | COM(2006)0319 | Summary |
| 18/07/2006 | Debate in Council | | |
| 18/09/2006 | Debate in Council | | Summary |

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|---|---|---|---|
| 24/10/2006 | Debate in Council | | Summary |
| 24/01/2007 | Vote in committee | | |
| 29/01/2007 | Committee report tabled for plenary | A6-0016/2007 | |
| 13/02/2007 | Debate in Parliament | | |
| 15/02/2007 | Decision by Parliament | T6-0049/2007 | Summary |
| 15/02/2007 | Results of vote in Parliament | | |
| 15/02/2007 | End of procedure in Parliament | | |

## Technical information

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| **Procedure reference** | 2006/2109(INI) |
| **Procedure type** | INI - Own-initiative procedure |
| **Procedure subtype** | Strategic initiative |
| **Legal basis** | Rules of Procedure EP 55 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | AGRI/6/36461 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE374.352 | 25/07/2006 | |
| Amendments tabled in committee | | PE378.887 | 11/10/2006 | |
| Amendments tabled in committee | | PE374.354 | 12/10/2006 | |
| Amendments tabled in committee | | PE378.889 | 12/10/2006 | |
| Amendments tabled in committee | | PE380.966 | 15/11/2006 | |
| Amendments tabled in committee | | PE380.983 | 20/11/2006 | |
| Committee opinion | INTA | PE376.665 | 24/11/2006 | |
| Amendments tabled in committee | | PE382.530 | 21/12/2006 | |
| Committee opinion | REGI | PE382.343 | 23/01/2007 | |
| Committee report tabled for plenary, single reading | | A6-0016/2007 | 29/01/2007 | |
| Text adopted by Parliament, single reading | | T6-0049/2007 | 15/02/2007 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Non-legislative basic document | COM(2006)0319 | 22/06/2006 | Summary |

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|---|---|---|---|
| Document attached to the procedure | SEC(2006)0770 | 22/06/2006 | |

# Wine sector: common organisation of the market COM

2006/2109(INI) - 24/10/2006

The Council held a policy debate, based on the Presidency questionnaire, on certain aspects of the Commission’s communication on the reform of the wine sector in the EU.

All delegations recognised that there was a need to reform the wine sector in order to increase the competitiveness of EU wine production. In general, delegations shared the Commission's views and analysis of the situation in the sector. Delegations also agreed with the general objectives of the reform as set out in the communication and specifically that of improving the sector's competitiveness.

Most delegations supported the reform option 2 ("profound reform"). Some delegations suggested that aspects of the decoupled payment scheme could usefully be attached to option 2.

On individual measures outlined by the Commission views diverged more widely:

- many delegations stressed the need to apply the measures proposed by the Commission in a balanced manner with appropriate phasing in arrangements in order to allow the sector to adjust to the changes in the support arrangements;
- most delegations were in favour of abolishing the present market instruments and supported the idea of setting up national envelopes with options for measures to implement from a given menu;
- many delegations expressed concerns about the proposed grubbing up scheme, which according to them might lead an untoward environmental impact in certain wine producing areas of the Community. Some delegations pointed out that the grubbing up scheme should be regionally and qualitatively selective. However, most delegations were in favour of curtailing surplus production in order to improve market balance;
- in order to strengthen the reputation and quality of EU wines, an enhanced marketing effort for EU wine is necessary as well as more clear and simple labelling rules; most delegations also welcomed the proposal to make available oenological practices approved by the OIV giving European producers the same possibilities as enjoyed by third country producers.

On the basis of this discussion and the forthcoming opinion of the European Parliament, the Commission has a solid basis on which it can start reflecting on the concrete reform proposals for the sector.

The Council invited the Commission to submit the proposal for the reform of the wine sector to the Council during the first half of 2007.

# Wine sector: common organisation of the market COM

2006/2109(INI) - 18/09/2006

The Council held a policy debate, based on a presidency questionnaire, on certain key issues of the Commission's Communication on the wine sector reform.

The positions held by the delegations are as follows:

**Question 1: Is option 2 or option 3 the most adequate solution to the current difficulties of the wine sector? In this context, should we envisage a combination of these options?**

A large number of delegations supported option 2 as initially proposed by the Commission in its Communication; however some delegations either expressed their interest in option 3 or could envisage combining certain elements of option 3 with option 2;

**Question 2:**

**a) To what extent would the proposed combination of the grubbing-up scheme, abolition of planting rights scheme and abolition of specific market measures contribute to improving the sector's competitiveness and achieving better balance on the market?**

While many delegations stressed that grubbing-up should not be an objective in itself and should be subject to environmental, social or other criteria, several delegations supported the measure, as long as it was decided on by Member States on a national or regional basis, and managed through a national envelope. Some of these delegations suggested that Member States be granted greater flexibility when managing this envelope. Many producer Member States were reluctant to countenance the abrupt abolition of the planting rights scheme. Finally as regard specific market measures, several northern and eastern producer Member States opposed the ban on the use of sugar suggested by the Commission.

**b) If market management measures were to be abolished, should this be applied from day one or progressively and to what extent should alternative safety net mechanisms be permissible under the national envelope?**

In general, while many delegations acknowledged the need to abolish certain market measures, they believed that a progressive elimination was preferable, with some delegations preferring to retain some of the measures that proved to be efficient. Some producer Member States also supported the possible introduction of a safety net mechanism to be financed from within the national envelope.

**Question 3: Early retirement, agri-environment support, support to investments at producers and processing level, and the other measures are already available in the rural development menu. Do you agree with the proposed transfer of funds from market to rural development and that these be ring-fenced for the wine producing regions?**

While several delegations favoured a possible transfer of funds from market to rural development or could examine this possibility, a certain number of producer Member States were opposed to such transfer, arguing that the funding for restructuring the sector would be reduced.

# Wine sector: common organisation of the market COM

2006/2109(INI) - 22/06/2006 - Non-legislative basic document

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;
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- 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.

# Wine sector: common organisation of the market COM

2006/2109(INI) - 15/02/2007 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drawn up by Katerina Batzeli (PES, Greece) on the reform of the common organisation of the market in wine. The report adopted by 484 votes in favour to 129 against with 24 abstentions. Parliament felt that cautious, carefully-managed reform was needed to restore the vitality of the EU wine sector. It recommends retaining distillation measures, empowering Member States to restrict grubbing-up of vines, and liberalising planting rights only gradually. It also advocates strict labelling rules and maintaining current regulations on acceptable winemaking practices.

**Reform in two phases (2008-2011 and 2012-2015):** Parliament felt that the reform of the sector must be phased in two stages: in the first phase (2008-2011) the objective must be to balance, reorganise and increase the transparency of the market, strengthen productive bodies and wine-growing regions, by gradually adopting measures – which will be essentially of a uniform Community nature – and prepare the European wine sector for a more aggressive opening of the markets, gradually moving the resources recovered from distillation over to support for competitiveness and development. a mid-term review, accompanied by an intermediate phase, following the first phase, is essential, to assess the first impact and perhaps readjust all the resources already laid out or not yet expended taking account of the original aims.

**Distillation:** Parliament stressed that the Commission's proposals to maintain the distillation or withdrawal of by-products without funding do not make sense. Distillation concerns wine producers, but is carried out by distillers, which in effect makes the measure inoperative. It also stressed also that the Commission proposal for the controlled withdrawal of wine by-products will create serious environmental problems in major wine-producing regions. The proposal for abolishing dual-purpose distillation will lead to the vinification of large volumes, thereby significantly disrupting the regional and European market and creating problems within regions.

Parliament is opposed to the immediate abolition of the distillation mechanism and other market support measures because it does not seem appropriate to abolish them without a transitional period in order to take advantage of the benefits offered by some of those measures. During the transitional period, there should be a gradual reduction in the amounts allocated to market intervention mechanisms at the same time as including measures designed to improve quality, to promote and to market European wines. Aid for the distillation of wine by-products should be continued in order to maintain the quality of European wines and obviate any damage to the environment caused by the withdrawal of such products.

During the initial phase of the reform, the four present distillation measures should be converted into two:

1) compulsory distillation, which will act as a safety net and allow the gradual reorganisation of the market, serving environmental and quality objectives;

2) voluntary distillation of wine alcohol which will allow the adaptation of the sector for wine alcohol used for incorporation into certain wine products (liqueur wines, brandies) or in the wine balance.

Parliament went on to state that it was necessary to create a new crisis management mechanism to be used in the event of specific, serious and real situations of emergency that should be identified in accordance with objective criteria defined beforehand at Community level. The public storage of alcohol should be abolished and the sale of alcohol obtained through crisis distillation should be replaced by the immediate organisation of direct sales through invitations to tender.

**Grubbing up:** Parliament considered that the issue of permanent abandonment of wine-growing must not be the centrepiece of the reform of the CMO in wine, but that it should instead be one of the parameters of structural interventions financed by the CMO in wine budget through national financial frameworks, aimed at reviving wine-growing potential and gradually adapting the wine sector to market requirements. It was essential to make provision for each Member State or each region to set a permissible upper limit for grubbing-up for each region. They should have the opportunity to select which categories of wine will take priority in the grubbing-up programme. The objective Community criteria restricting the possibility of permanent abandonment may include the following:

- vineyards in mountainous, coastal and island regions;

- vineyards with geographical indications or registered designations of origin;

- vineyards where soil erosion or biodiversity loss could be a problem;

- traditional regions of historical importance;

- vineyards that have received structural aid from the EU;

- cases where the abandonment of wine growing creates environmental risks.

**Ban on new plantings – gradual liberalisation of new plantings:** the report maintains that a gradual reallocation of planting rights is necessary, in order to avoid an uncontrolled expansion of the EU's wine potential from having a negative impact on the market. To this end, the House favours allocating new rights primarily to young farmers, especially for the production of quality wines. It suggests that regional authorities should take decisions on liberalising planting rights, especially where geographical indications are involved. The Commission should lay down some activity guidelines for the promotion of European wines, based on moderate and responsible wine consumption. Parliament also suggested promoting specifically labelled European wines to the world market.

**Aid for "must":** Parliament emphasised the need to provide for aid for concentrated grape must or rectified concentrated used for enrichment, since it was necessary to preserve an historical oenological practice. It stressed the need to maintain aid for must used to produce grape juice, the aim being to maintain a product used for a purpose other than wine production that is important for the sector and helps to maintain market equilibrium. In the event of enrichment by the addition of concentrated must, the must should come from the same production area.

**International Organisation of Vine and Wine – bilateral trade agreements:** At a time when the EU is conducting difficult negotiations in the WTO, Parliament felt that the Council should – subject to consultation of the European Parliament – be the body responsible for approving new oenological practices. If this competence is transferred to the Commission the designation and classification of quality wines in the EU would be jeopardised. Such oenological practices should be entered on a positive Community list.

**Winemaking practices and labelling:** the report acknowledged that wine enrichment has a direct impact on production levels, but it nevertheless suggested that the current legislation be kept unchanged, as "the Commission's proposal on reducing the maximum level of enrichment is not justified. Enrichment of wine with sugar and concentrated must has to be allowed in every wine growing region where it was traditionally used and where no structural surpluses exist. The report stated that there should be a ban on the fermentation of imported musts and on the mixing thereof with Community musts, since such procedures are not consistent with other measures proposed by the Commission, such as grubbing-up and the withdrawal of funding relating to the use of concentrated must for the purpose of increasing alcoholic proof. With respect to labelling, the report stressed that the use of oenological practices that are not allowed in the EU should be clearly labelled on imported beverages. The European Parliament also stressed the need to secure protected geographical indications and protected designations of origin in WTO talks. To this end, it expressed support for bilateral negotiations with third countries on mutual recognition of such designations. Finally, the report also called for harmonisation of Member States' rules on languages to be used on labels within the EU.