

# GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

## WINE IN THE EIGHTIES

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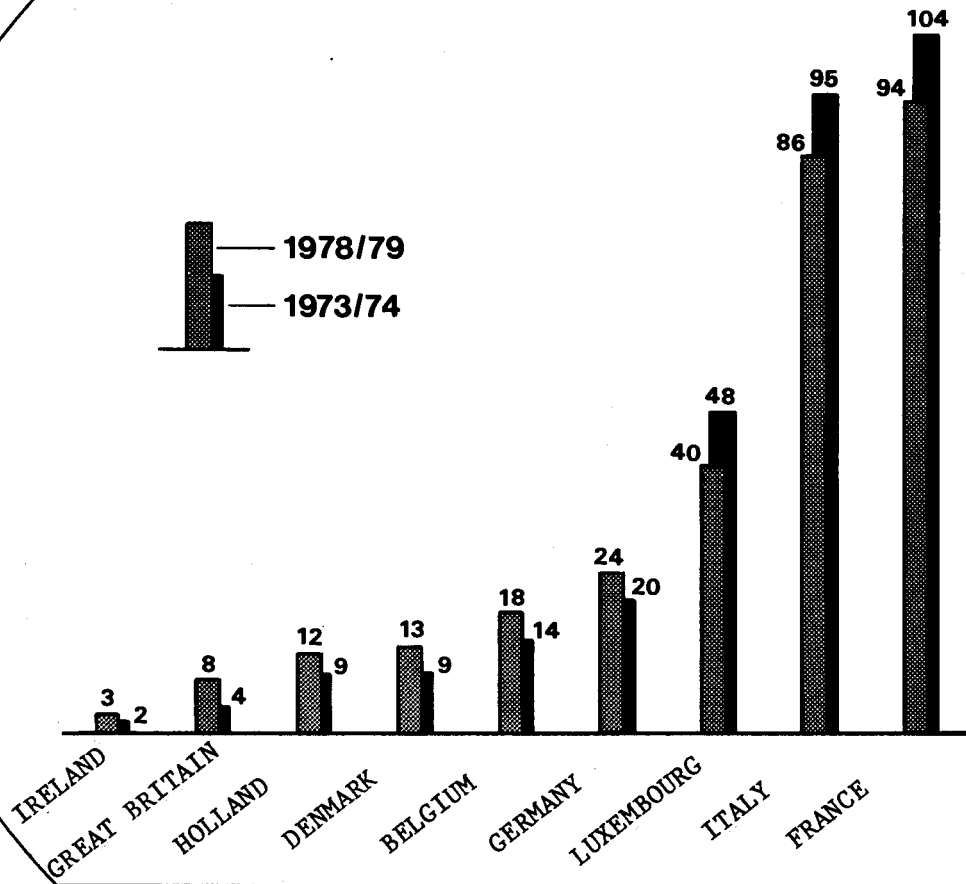
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WINE  
CONSUMPTION PER CAPITA IN LITRES



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## PART ONE

Never has wine been talked about so much as in the past ten years whether from the economic, political, medical or gastronomic point of view. It might be said that everybody: men and women, connoisseurs and laymen, drinkers and abstainers have developed an awareness of wine.

Indeed it was in 1970 - exactly ten years ago - that wine began to circulate freely throughout the European Community. After interminable debate the then six member countries of the EEC finally decided to bring down the barriers and the effects were not long in coming. In a very few years trade more than doubled and consumption began to grow even in areas with no wine-growing tradition.

As of today the European Community - with its 265 million inhabitants - consumes around 130 million hectolitres of wine per year. In other words each European drinks almost fifty litres of wine in the space of the four seasons. This is obviously an "average" figure whereas the figures vary significantly from country to country: the French head the lists with nearly a hundred litres per head (94 to be precise), followed by the Italians with 86. Well behind but not too far off come the Luxembourgers with 40 litres, then the Germans with 24. Under the 20, but still in a good position, is a group of three countries: the Belgians with 18, the Danes with 13, and the Dutch with 12 litres. At the bottom of the list, those isolated island dwellers, come the British with eight and the Irish with three.

The major drinkers - as is obvious - are also the major producers. France and Italy together provide for 93% of Community production. The other two wine-growing countries, Germany in the main, and Luxembourg, account for the remaining production.

Hence the European Community as a whole, is the biggest wine producer and also the biggest consumer of wine, in the world. It is enough to bear in mind that in 1978 the United States and the Soviet Union produced 17 and 24 million hectolitres respectively, while their levels of consumption as we shall see, are in both cases, very low.

## WINE WORLDWIDE

What is the annual wine consumption in the world? In recent years, on average it amounts to nearly 300 million hectolitres. According to the latest available figures, in 1978, 286.5 million were consumed. The same applies to 1977 while the average for 1972-1976 is slightly lower at 283 million hectolitres. Wine is drunk in every Continent but there are significant differences. Europe for example, takes the lion's share. In 1978 all of 228 million hectolitres were consumed in our Continent while America - or rather the Americas - barely reached 50 million hectolitres (and the Soviet Union, 36 million).

Here too, Latin America betrays its Mediterranean origins in that nearly 30 million hectolitres are drunk by Argentinians, Chileans and Uruguayans while the United States (with a population of over 220 million) drink around sixteen million hectolitres of wine, or the equivalent of around eight litres per head. The Soviet Union (with 265 million inhabitants), is better off with a consumption of 14 litres per head. If it is true as the medical profession tells us, that wine helps you to relax, then the Americans and the Russians have a long way to go along this road.

Africa restricts itself to a total consumption of five million hectolitres, half of which is accounted for by relatively small population of the Republic of South Africa mainly descendants of the Dutch Boers. Oceania with a consumption of one and a half million hectolitres has a low overall consumption but a per capita consumption (of nearly 14 litres), which is higher than that for Africa (9 litres), and for Asia which is virtually non-existent, apart from the Japanese who have made a timid approach to the drink and for the time being, consume half a litre per head.

World production of wine - still in 1978 - was 292 million hectolitres. Over the past ten years the average was around 300 million: from a minimum of 272 million in 1969 to a maximum of 354 million in 1973. In terms also of production, Europe, EEC and non-EEC countries, has a massive preponderance: 229 million hectolitres in 1978, equal to 78%, the remainder being divided between the Americas (17%), Africa (3%), Oceania (1.2%) and Asia (0.7%).

In order to complete the picture worldwide another two figures relating to international trade and to growing areas, are relevant. Between thirty and forty million

hectolitres of wine are traded each year, of which about twenty million are accounted for by inter-EEC trading alone, and the three major exporting countries in the world are Italy, France and Spain. Italy comes first in terms of volume while France heads the list in money terms.

Finally, vineyards throughout the world cover a total area of 10 million and 200 thousand hectares. Imagine a single vineyard the size of Belgium, Holland Luxembourg and Switzerland put together. Four countries united in one great, peaceful vinegrowing confederation.

#### AN X-RAY PICTURE OF THE EEC VINE-GROWING INDUSTRY PRODUCTION

The European Community produced an average of 147 million hectolitres over the past eight years (1971-1979). France and Italy produce equal quantities (68 million hectolitres), followed by Germany with nearly nine million and Luxembourg with 145 thousand hectolitres.

The highest individual yields are in Luxembourg (122 hectolitres per hectare) and Germany (194) and the lowest - fortunately - are in the two major producing countries: Italy 63 and France 56 hectolitres per hectare.

Community vineyards together cover an area which amounts to two million and seven hundred thousand hectares of which nearly one million are devoted to quality wine-grapes and one million and seven hundred thousand hectares to table wine-grapes. Hence the Community wine production is divided as follows: 27% quality wines; 69% table wines and the remaining 4% used in the manufacture of aquavita. Red wine production (nearly 100 million hectolitres), is significantly higher than that of white wines.

With the entry of Greece, Spain and Portugal the total wine-growing area would rise from 2 7 million hectares to 4 5 million and wine production within the EEC which currently accounts for less than one half of world production (45%), would reach 60%.



## CONSUMPTION

Between 1970 and 1977 the average direct consumption of wine per year amounted to 129 million hectolitres while 15 million hectolitres were converted (aperitifs, aquavitae etc.). Per capita consumption which was 67 litres in 1969, fell to 48 litres in 1973 following the entry of Great Britain, Denmark and Ireland, and in 1978 amounted to 47 litres.

## IMPORT - EXPORT

The EEC imports significant quantities of wine from other countries. Over 60% of imports come from Spain, Portugal and Greece. The remainder comes from Magreb countries (Algeria, Morocco and Tunisia), and in lesser quantities from Jugoslavia, Hungary, Cyprus, Austria, Roumania and South Africa.

The non-producing countries within the Community are the major importers of wines from outside the Community. In Great Britain for example, the consumption of non-Community wines was greater than that of Community-produced wines right up to 1978.

For the past four years imports of wine into the Community have constantly risen, passing from four million, nine hundred thousand in 1975/76 to five million, six hundred thousand hectolitres in 1978/79.

The EEC has significantly increased its wine exports to other countries, rising from less than three million in 1970/71 to nearly seven million in 1978/79. A major portion of the wines exported are quality wines and it should be pointed out that this represents a positive factor in the export situation of Green Europe.

## Surpluses

From the beginning of the common wine market (1970-1971) up to 1979, surpluses have averaged five million hectolitres per year. There are four reasons for this: 1) the reduced consumption in the two traditional consuming countries, France and Italy; 2) increased productivity among some vineyards; 3) too slow an increase in the consumption rates of nearly all other countries, mainly because of the excessively high duties and taxes levied; 4) wine imports from non-EEC countries averaging over five million hectolitres per year.

## Socio-economic aspects

From a socio-economic point of view, the wine-producing sector of the Community involves a high volume of labour in the areas both of production, conversion, and marketing. A conservative estimate put at around three million, the people involved in wine-growing in the four member countries. Suffice to say that in Germany alone there are around 100 000 firms engaged in the wine industry. In Italy wine-growing is carried on in all twenty Regions, especially in Apulia, Sicily, Emilia-Romagna and the Veneto Regions. In France the number of regions involved is not so high but - given the greater concentration - in certain areas wine-growing is not only the most important agricultural activity but also represents the structure on which the economy of the local inhabitants, is built.

It should suffice to point out that two thirds of French table wines are produced in only four regions: Languedoc - Rousillon, Midi-Pyrenees, Provence - Cote d'Azur and Corsica. In Germany the most important wine producing areas are: the Rhineland - Palatinate, Baden-Wurttemberg, Bavaria and Hesse.

In the two major wine-producing countries, wine growers operate collectively in co-operative organisations which play a very important role. In France the total production of the co-operatives represents 42% of national production and in Italy, 36 3%. Co-operatives are also active in Germany where there are 350 wine co-operatives with over 65 million members.

## TOTAL TURNOVER

Apart from the importance of wine production consideration should be given to the turnover which it provides in industry in terms of the machinery required for production, conversion, transport and marketing, the indispensable link between producers, industry and consumers.

Here, a significant role is played by the liquor industry (aquavita, aperitifs, digestive drinks, vermouths etc.) which absorb a yearly average of 15 million hectolitres of wine, equal to over one tenth of the total Community production.

It is difficult to quote a figure for the total business turnover "generated" annually by the wine industry within the Community. It is certainly in the region of several thousand, thousand millions of lire. The export of Italian wines alone amounted to 16 million hectolitres, of which 12 million were destined for the EEC countries and represented 900 thousand million lire while French wine exports exceeded seven and a half million hectolitres equivalent to 10 thousand million NF (around 2100 thousand million lire).

German wine exports - hence from a country where wine is considered as a secondary industry - exceed one and a half million hectolitres (of which over a half goes into Community markets), equivalent to an income of over 500 million marks (about 250 thousand million lire). It is of interest to note that the earnings from German wine exports cover more than 40% of the cost of all of the wine imported by Germany (around seven and a half million hectolitres).

Even from this brief "X-ray" analysis of the Community wine-growing sector it clearly emerges that the wine problem had to be tackled in Brussels from three points of view: technical, economic and political. This is precisely what the EEC has been doing since the setting up of the European Common Market i.e. since 1958.

Today, as the result of a series of events which have cropped up (and overlapped), over the past few years, the problem is once again, on the table. In order to resolve it in a lasting way the European Community has launched, in 1980, a "Five Year Action Plan", which will apply simultaneously to both the production and the consumption aspects of the problem.

## SUMMARY OF THE ACTION PROGRAMME

The Programme - which we will look at in greater detail - is essentially based on a study of the causes which in recent years, have brought about the state of imbalance. This is developed under three main headings: Consumption, Production and Market.

### CONSUMPTION

- The absolute need to achieve fiscal harmony in all member countries. In other words, to permit wine to circulate freely throughout the EEC.
- The encouragement in all possible ways of an increase in the outlets for vine-based products. First and foremost therefore, aid in the applications of grape must for the enrichment of wines, the manufacture of fruit juices and other products.
- The launch of a PR and promotional campaign to create a better understanding of the product. the study is as yet, incomplete and the difficulties arising around it are numerous.
- Support for the sale of Community wines in non-Community countries.

### PRODUCTION

To give the maximum support to a policy of quality maintenance, with a view to encouraging those areas which are naturally suited to winegrowing and, at the same time encouraging the abandonment of those vineyards which produce mediocre wines. This policy should lead to the improvement of 200 thousand hectares of land under vines (by means of new plantings or replantings), and to the "freeing" of around 120 hectares under poor quality vines.

## THE MARKET

- In order to safeguard the product of the vine, it is planned, in the medium term, to prohibit the use of sucrose additives. These will be replaced gradually by natural derivatives of grape must which in themselves will not change the organic quality of the wine.
- Wine growers will see an increase in the quantity of wine destined for distillation. There are two reasons for this: firstly to avoid excess exploitation of grapes for the production of mediocre wines and secondly to reduce the total quantity of wine put on to the market.
- Aid is provided for in the production of natural derivatives from grape musts (the so-called "must-concentrates"), with the twofold advantage of reducing the quantity of must which is made into wine and cutting down on the use of sucrose additives.

This threepoint programme will bring about a threefold result: an improvement in the quality of the wines produced, a reduction in surpluses (almost always caused by inferior wines), and the opportunity for all EEC consumers to buy wines on favourable terms and at more or less comparable prices.

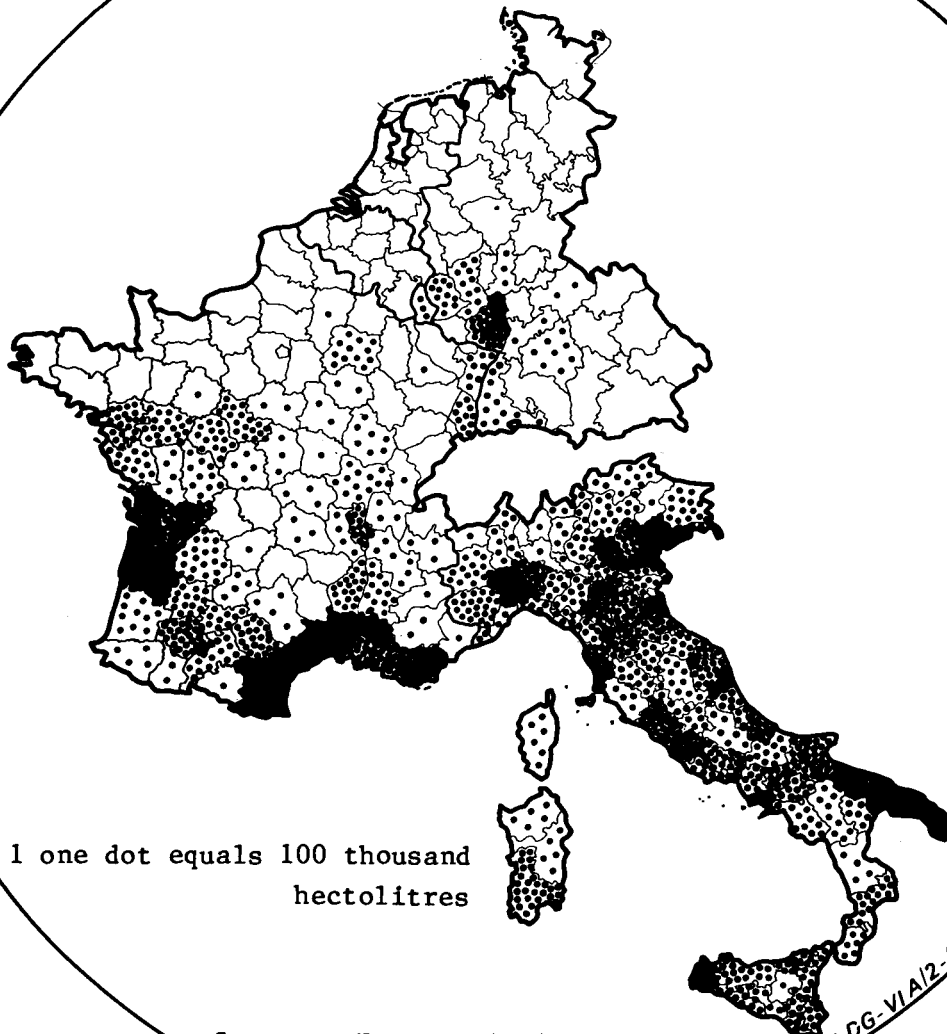
In order to evaluate the importance and to understand the strategy of the Action Programme for 1980-1985 a brief history of events is required, showing what has happened (and been achieved), over the past twenty years.

It should be borne in mind, before embarking on the history of events, that the European Community is bound to fight on two fronts: on the one hand it must satisfy the consumer and on the other, avoid dissatisfying the producer.

Between the two however, there are always the "middle men" who are less in evidence but whose decisions are effective in determining the rise and fall of consumption and of prices. In Europe, unfortunately it all boils down - in over-simplified terms - to a battle between those representing the producers and those representing the consumers.

In the case of the wine-growing industry the problem needs to be examined in depth. Only in this way can we arrive at a better understanding as to how the wine, and what wine, arrives on the tables of the European consumers; also most importantly, why the wine does not so arrive when in fact it could easily do so.

WINE PRODUCTION  
annual average 1961-1965



1 one dot equals 100 thousand  
hectolitres

Source: EEC Statistical Institute

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## PART TWO

### DEVELOPMENT OF A POLICY FOR THE WINE INDUSTRY

Having drawn a broad outline of the state of the industry, the question remains as to why, over the past ten years, the subject of wine is on everybody's lips especially as a topic of conversation.

Granting an "open door" policy to inter-Community wine trading was neither simple nor easy. There were many reasons for this: from one country to another the production methods, the marketing opportunities and the freedom of import were very different. Whereas in some countries for example, it was permitted to use SUCROSE in order to increase the alcohol content, in others the practice was absolutely prohibited. The same applied to the freedom to plant vines, to control production and to classify wines by category which were all affected to a greater or lesser degree by existing national laws.

Hence it was with this technical, economic and legislative jigsaw puzzle that the European Community was faced when in 1958, it had to plan - as part of the common agricultural policy - the common wine market. The EEC Commission whose task it was to lay the foundations of this programme, - proceeded step by step:

PHASE ONE - Already in 1958, albeit on a modest scale, a move was made towards an initial lifting of tariffs at a Community level on the various wine quotas which up till then had been subjected only to bilateral trade between one country and another.

PHASE TWO - In 1962, following a comparative study, we saw the first Community ruling which was intended to create an awareness of the various wine-growing situations. This ruling which is the basis of the common wine-producer market prescribed as follows:



- The establishment of the vine-growing register (i.e. a census of all the vineyards within the EEC).
- The compulsory annual declaration on the part of the producers, of their total production of must and of wine plus a declaration, also annual, of existing stocks on the part of both producers and wholesalers.
- The compilation of an annual budget forecast of supply and demand.
- The setting-up of regulations governing "Quality wine produced in specific regions", the so-called V.Q.P.R.D.

PHASE THREE Seven years went by - from 1962 to 1969 - before a definitive set of rules and regulations was arrived at, concerning wine, as had been done for the other major agricultural products. It might have taken even longer, since the obstacles were numerous and difficult to surmount, had it not been for the fact that the EEC Council of Ministers had a fixed deadline: 31 December 1969. On that date the so-called "transition period" expired, within which the Member states of the EEC were bound to complete the unification of the agricultural markets whether they wished to or not.

It was close to Christmas Eve 1969 - 22nd December to be precise - when the six countries (but especially France and Italy), finally reached agreement. Having surmounted the political barrier the drawing up of the technical regulations was relatively rapid and they were issued in the following Spring: 28 April 1970.

The removal of objections was certainly facilitated by the expiry of the wine agreements of Evian, made between France and Algeria (which up until that time had supplied heavy quotas of wine: from seven to eight million hectolitres), and thus a reasonable compromise was reached between the control oriented attitudes of Paris and the liberalizing attitudes of Rome (and of Bonn).

Hence the wine season 1970/1971 began with the initiation of the common wine market.

In other words all of the EEC consumer public were able to enjoy the advantages which the free circulation of this agricultural product made available to them.

It should be added that consumers were well able to take advantage of the new situation except - as we shall see later - when unjustifiable barriers were erected in order to protect specific interests. Before discussing the various aspects of the Regulation we would do well to look at the situation of the wine business over the first decade (1959-1969), in terms of production, direct consumption (excluding the use of wines for other purposes i.e. aquavita, vinegar, aperitifs etc.).

<u>Year</u>	EEC Production*	Total Consumption*	Consumption per capita**
1959/60	129	132	70
1960/61	124	136	71
1961/62	103	130	69
1962/63	147	134	68
1963/64	116	138	69
1964/65	135	140	68
1965/66	140	143	69
1966/67	131	141	68
1967/68	142	140	68
1968/69	137	144	68

\* millions of hectolitres

\*\* litres

#### THE OBJECTIVES

Obviously, apart from the specific regulations on the wine industry, it was also subject, from then on, to the three fundamental principles of the common agricultural policy as follows:-

- The free circulation of products within the EEC hence no obstacles of any sort between Member States
- Community Preference EEC products must be safeguarded in relation to products from non-Member States.

## Financial solidarity

The EEC, as a whole, will bear the possible costs of the agricultural policy, incurred by the member countries.

It was to be on the basis and fully in the spirit of these principles that the organisation of the common wine market was codified in two Regulations. The first (better known as 816/1970), is of a general nature and deals with the totality of vineyards, musts, wines, trading and market interventions, while the second (817/1970), deals specifically with "Quality wines produced in specific regions," i.e. V.Q.P.R.D.

The European Community in creating the common wine market, had two ends in view: first, to improve the quality of the product; second, to match supply and demand or in other words to create, as far as possible a balance between production and consumption. Everyone agrees as to the improvement in quality which has become evident over the past four years. The growing success of Community wines on the main world markets adds further confirmation.

As regards maintaining the balance between supply and demand, the EEC would have achieved better results had it not been for a series of obstacles - which might be diplomatically termed as unwillingness on the part of certain member countries - which were later set up.

It should however be emphasized that in 1970, the common wine policy was devised in the light of a situation of under-production and consumption during the decade 1959-1969. In other words it started from the assumption that consumption in the European Community would continue to be higher than production. For such rare cases of surplus that might arise only two provisions were in fact made: assistance with stock levels and "exceptional" distillation operations.

## THE INSTRUMENTS

Having looked at the objectives, it will be easier to understand the machinery set up in Brussels for the creation of this market.

Firstly what is the definition of wine in Community terms?

It is that product which is obtained exclusively by means of the alcoholic fermentation, either total or partial, of fresh grapes whether of superior quality or not, or of the must of grapes.

"Table wine" must conform to the following requirements:

- to have been produced within the European Community and to be derived exclusively from those vines whose cultivation is permitted in the appropriate production "zone" as according to the EEC provisions;
- to have an effective alcoholic strength of not less than 8.5° and a total alcoholic strength of not greater than 15° (all measured after possible enriching processes). The upper limit of 15° may be extended to 17° in the case of wines produced in certain Southern zones which are obtained without enrichment and which do not contain residual sucrose.
- a total minimum acidic content of 4.5° per thousand, in the form of tartaric acid (indispensable for the taste balance of the wine).

Without going into technical details it is sufficient to point out here that the "base" wine must have a ratio alcohol/acidity in order to meet the tastes of the consumer. The Community in fixing the various standards, was primarily concerned with ensuring the levels of quality from a production and conversion standpoint.

The EEC has thus been divided into five "wine-growing zones", based on climatic conditions and types of soil. Each zone has been allotted a minimum alcoholic content plus fixed conditions for the possible enrichment by sucrose additives (in zones where this is already permitted).

Among the other instruments which were introduced there are two which need to be underlined: the freedom to "cut" wines (i.e. the addition of wine of higher alcoholic content in order to reinforce "weak" wines), exclusively with Community grown wines and the compulsory obligation to distil the remaining dregs and sedimentary products (the residue after the must), with a view to avoiding the resort to further pressings which would lead to the production of wines of mediocre quality.

## STANDARDS OF PRODUCTION AND PLANTING DEVELOPMENT

With the aim of avoiding an increase in the production of mediocre quality wines financial support was prohibited for new plantings or replantings except for "natural wine-growing" zones. Vineyards were classified in administrative units as "recommended" and "authorised". A third category of vineyard (defined as "temporarily authorised"), were excluded from new plantings.

## THE MARKETING ASPECT

Having reorganized the production and conversion areas, the EEC Commission rounded off the organization of the wine market from the marketing point of view. In other words it was a question of providing wine growers too, with those guarantees of outlets for their produce and of assisting them to overcome - by means of appropriate measures - the critical stages in the marketing process.

The whole package is divided under two headings:

### Prices-Intervention and Trade; THE SYSTEM GOVERNING PRICES AND INTERVENTION

#### PRICES

In the case of wine it was not considered possible to institute "overnight" a system of total guarantee as had already been done in the case of cereal products or for milk (e.g. the purchase of unsold butter etc.). The variety of produce, the quality range, the problems of analysis and other obstacles indicated the need for another system more adapted to the industry's requirements.

Hence there was set up a "System of Prices and Interventions" with the aim of providing the maximum safeguards for community wine production. In mid-December of every year the EEC Council of Ministers fix the "indicative" and "limit" prices (i.e. the point at which intervention becomes necessary), for all types of table wine (of which there are six: three reds and three whites). The indicative prices derive from the average of the actual prices which have obtained over the previous two years, while the intervention prices are calculated on the basis of the following factors:

- the market conditions in general and price quotations in particular
- the need to stabilize quotations while avoiding the creation of surpluses
- the quality of the wine harvest.

INTERVENTIONS - They fall into three categories:

- A Short term individual stock-piling: this consists of aid to those producers who agree not to sell their wine for a period of at least three months. This is allowed at the point at which actual prices fall below the intervention price level. The same aid may be allowed when surpluses of table wine occur in specific zones.
- B Longterm individual stock-piling: aid provided over nine months. Community aid is provided for, when from the budget forecasts of the EEC it appears that the total availability of wine exceeds the forecast level of over four months consumption.
- C Distillation: should the two above forms of intervention prove insufficient then the European Community will subsidize an exceptional distillation of the surplus wine, thus ensuring that the producers obtain the best possible price.

(In 1976 new forms of distillation were introduced which were of a preventive or obligatory nature at much lower prices).

#### SYSTEM OF TRADE

INTER-COMMUNITY TRADE - The fundamental principles of the common agricultural policy apply equally to the wine industry: totally free trade between all of the member countries. Hence there can not exist barriers of any sort: neither customs duties, quota restrictions, nor legal provisions or equivalent national taxes.

EXTRA-COMMUNITY TRADE - Wines from non-Community countries have freedom of entry (whereas previously they were subject to quota restrictions), provided that they are subject to the common customs tariff and practise those indicative prices which were mentioned above. In order to avoid imbalances within the EEC - and to safeguard the Community wine industry - table wines from non-Community countries must consequently carry a price after customs duty which is not below the indicative price.

Where this is not so, a compensatory tax is automatically applied which makes up the difference between the price which emerges and the indicative price established by the Community.

It should be said that virtually all of the major wine-producers in non-Community countries have agreed to observe this price.

The export of Community wines to non-Community countries is only partially supported by EEC aid. All quality wines in fact are excluded from the so-called "restitution" (an export premium which applies to other products such as cereals and milk derivatives, in order to make them competitive on world markets).

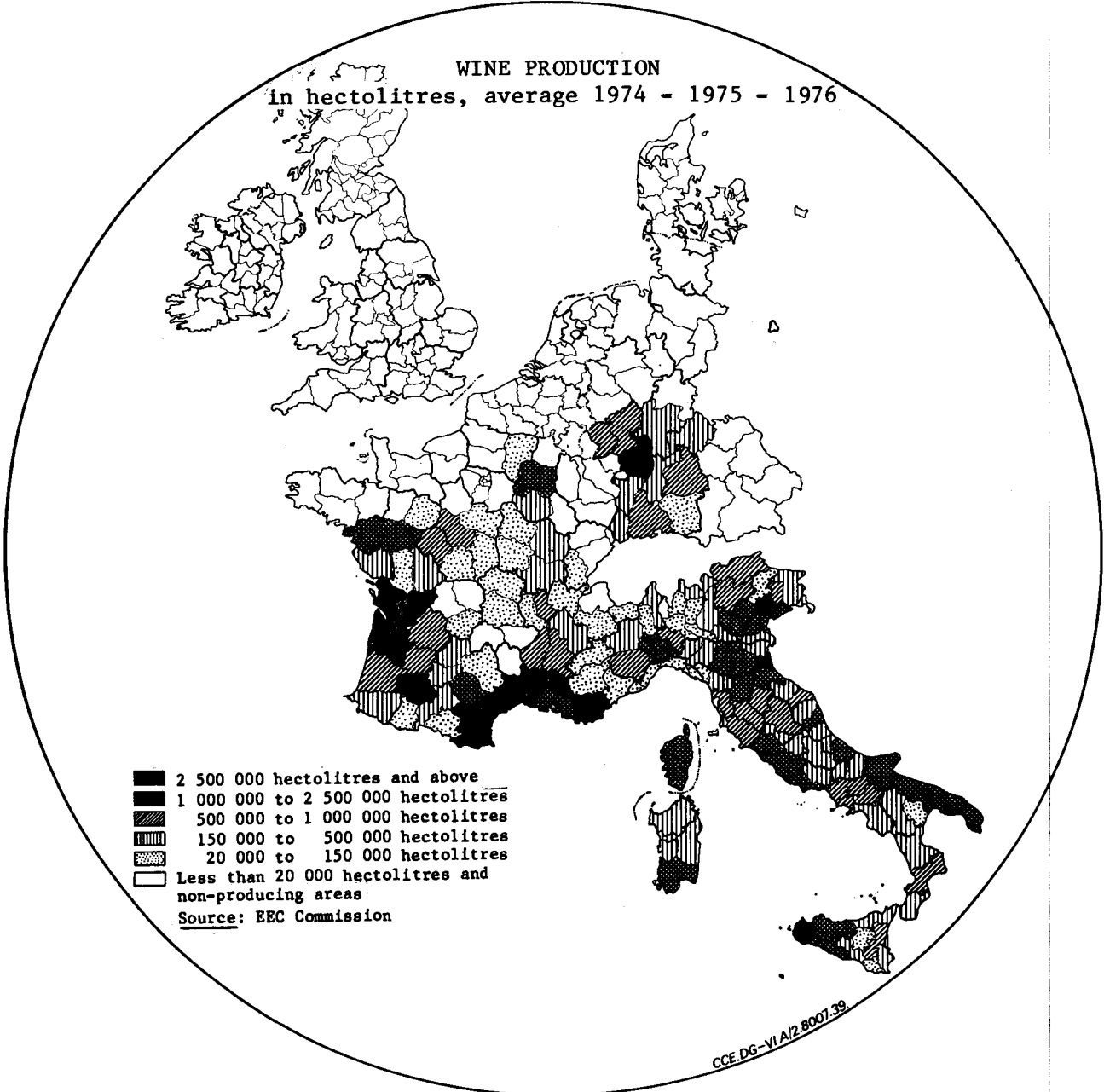
In the case of table wines, certain countries are excluded from the restitution e.g. the U.S.A., Canada, Switzerland and Austria or, in other words, the markets which are of greatest interest to the Community wine industry.

Furthermore, in the case of table wines, rigorous checks are carried out prior to the granting of aid.

First, they must be authorized by a wine-sampling Commission which is a recognised body in the producer member country, then they must produce a certificate of analysis, issued by an official body of the Member State, which confirms the good qualities of the wines concerned.



**WINE PRODUCTION**  
in hectolitres, average 1974 - 1975 - 1976



2 500 000 hectolitres and above  
 1 000 000 to 2 500 000 hectolitres  
 500 000 to 1 000 000 hectolitres  
 150 000 to 500 000 hectolitres  
 20 000 to 150 000 hectolitres  
 Less than 20 000 hectolitres and non-producing areas  
**Source: EEC Commission**

CCE DG-VI A/2.8007.39

## PART-THREE

### THE WINE INDUSTRY IN THE SEVENTIES

The first tangible results of the common wine market were very shortly apparent. During the wine year 1970/71 inter-Community trade was already notably on the increase with a corresponding reduction in imports from non-Community countries, as a consequence. In absolute figures this meant that over 10 million hectolitres of wine were traded between the various member countries. The biggest exporter, as might be expected, was Italy while the two largest buyers were France and Germany. Within this pattern, Italian wines, especially those from Southern Italy, began to replace the Algerian wines especially for purposes of "enriching" the French wines and of meeting the growing demands of the German market.

The wine market thus served a dual purpose. On the one hand it served to free another highly important agricultural product across the broad Community territory, and on the other it tended to compensate Italy who figured as a major importer of "continental" agricultural products from the other member countries (milk, beef, pork, ham etc. and cereal products).

Despite the inevitable "running-in" difficulties, the first three wine years (1970/71, 1971/72, 1972/73), passed without serious problems.

Year	Production*	Imports*	Total Consumption*	Per Capita Consumption
1969-1970	128	13,4	139	67 (litres)
1970-1971	154	3,5	148	67
1971-1972	133	2,8	140	66
1972-1973	127	5,9	140	66
1973-1974	171	7,2	149	48

\* Six EEC countries from 1969/70 and nine EEC countries from 1973/74

\* millions of hectolitres

A series of factors which, taken individually, would have had no influence on the creation of a market imbalance, but which, taken together led in 1974, to the first crisis in the wine market and the Community by a series of interventions, had come to its aid. The causes of imbalance may be briefly summarised as follows:

1. - The increase in EEC production
2. - The increase in extra-Community imports
3. - A reduction in consumption
4. - New member countries which were "nonbuyers".
5. - The imposition of inter-EEC taxes.

1. The increase in production

So the first three years passed peacefully: Community production - apart from the abundant harvest of 1970/71 of 153 million hectolitres - stayed around more or less normal levels: 133 million in 1971/72 "fell" to 127 million in 1972/73.

Over the following two wine years on the other hand there were exceptionally abundant harvests: 171 million in 1973/74 and 160 million in 1974/75.

These spectacular increases in production should have been at least partly absorbed by the market had it not been for the fact that at the same time, as we have said, two other phenomena emerged: an increase in imported wines and a reduction in consumption.

2. The increase in extra-EEC imports

In seeking for the origins of the crisis we must first go back to the EEC production deficit of 1972 which brought about a startling rise in prices, reaching figures which did not become standard until 1979. This deficit triggered off imports which prior to 1972 had never exceeded four million and a half hectolitres. In 1972/73 eight million hectolitres came into the Community and a further seven million in the following wine year.

The problems overlapped. On the one hand imports continued to come in during 1974 on the basis of contracts already made while on the other we find two excessively abundant wine years in the Community itself (1973 and 1974).

These two developments, coming together, aggravated the situation and led up to the crisis.

There was no other solution but to distil the extra four or five million hectolitres corresponding to these imports from outside the Community.

Over the years following, wine imports from outside the Community dropped to around five million and remained stable around this amount. Hence the sudden rearing up of the two years 1972-74 (imports of 15 million) was in the nature of an unusual event.

COMMUNITY IMPORTS FROM THIRD COUNTRIES  
DIVIDED BY BUYER COUNTRY

Member country	1971/72	1972/73	1973/74	1974/75
FRANCE .....	525.003	3.119.270	3.023.658	1.215.402
BELGIUM & LUX.	399.521	447.626	328.735	303.702
HOLLAND .....	613.999	642.190	532.821	501.184
GERMANY .....	1.031.986	1.240.662	817.619	1.166.274
ITALY .....	55.681	288.858	226.809	85.113
GREAT BRITAIN.	1.272.549	1.733.248	1.815.787	1.560.173
IRELAND .....	27.318	38.150	33.090	22.350
DENMARK .....	204.953	311.777	301.413	241.928
EEC .....	4.131.010	7.821.781	7.079.932	5.096.126

(Quantities in hectolitres)

Source : EUROSTAT

### 3. The reduction in per capita consumption

Average consumption of wine within the EEC from the beginning of the Sixties had followed a more or less constant course with a slight reduction being registered over the last three years, passing from 69 litres per head in 1963 to 66 litres in 1972. Prior to the entry of the three new member countries in 1973, the average was 66 litres. This slow but constant movement was caused by two factors: on the one side a "reduction" of around 20 litres per head in France and of about 12 litres in Italy over the decade 1964-1974 and on the other, an "increase" in the other countries which though considerable in terms of per capita consumption was small in global terms in that the starting figures were very low. The average obviously suffered a statistical change and went down - as a per capita consumption over nine countries - to 48 litres and virtually remained at that level with variations but always below 50 litres. (The latest figures - referring to 1978/79 - indicate an annual consumption of 47 litres).

In effect, the disappointing feature - as we shall see - is that the broadening of the Common Market had not created a new upward trend.

### 4. New "non-buyer" nations

The entry of the three new Member States - Great Britain, Denmark and Ireland - brought no substantial contribution towards the absorption of the Community wine production resulting from the two exceptional harvests. This is mainly due to the low per capita consumption levels in these three countries which in 1972/73 amounted to 10 litres in Denmark, five in Great Britain and three in Ireland.

In 1973/74 imports of Community wines into Great Britain represented 40.5% of the total and there was very little increase over the next two wine years: 41.3% in 1974/75 and 44.9% in 1975/76. In other words during the three year period under discussion, Great Britain imported in total, more wine from non-Community countries than it did Community wines: nearly five million as against three and a half million hectolitres. By comparison with the wine imports of another new member country - Denmark - the amount of wine absorbed by the British was extremely low and was due to fiscal obstacles which prevented the free circulation of agricultural products within the EEC.

It is a fact that, among the causes which led up to the wine crisis in 1974 and 1975, the final but by no means the least important, arose from the various forms of taxation (excise and duties etc.), which - in certain member countries - provided a substantial obstacle to the creation of a genuine common market in wine. The EEC Commission has always fought for fiscal standardization and has never neglected any means at its disposal to ensure that the principle of the free circulation of agricultural products, including wine, should be respected. When necessary it has had recourse to the Court of Justice which is the highest authority of the Community judiciary.

Let us briefly look therefore at what hindrances there have been and are, which block the free trading of wine in the EEC which result in denying the consumers in certain member countries, the right to buy this beverage at much lower prices than are actually being operated.

#### 5. Tax impositions between EEC members

BENELUX - There is a protocol - as a codicil to the Treaty of Rome - on the basis of which wines from Luxembourg are exempted from the payment of the internal duties which operate in Belgium, Holland and Luxembourg itself. However, such exemptions do not apply to French, German and Italian wines which are "imported" into the Benelux countries.

It is obvious that this protocol, added in the first place in order to protect Luxembourg's wine production, constitutes a serious obstacle for the other Community wines which are unable to compete - in a free market situation - in an area of 25 million consumers. The competition is not so much with the Luxembourg wines as against beer which is heavily advantaged by a much lower taxation.

Recently the level of duties both in Holland and Belgium has been raised further with the foreseeable results: a very slow expansion in wine consumption in these two countries and a vast disproportion in relation to the consumption of beer.

NEW MEMBER STATES - Since 1973, Great Britain, Denmark and Ireland have formed a part of the European Community. In these three countries, albeit in different forms, a strange phenomenon has arisen. Instead of proceeding towards a gradual breaking down of the barriers (over the planned period of six years), in the case of Community wines there has in fact been a sort of "escalation". In the UK in particular, at the end of the Seventies the various national taxes (excise duties), levied on Community table wines, came to an amount which was (and is), three and often four times the producer cost of the wine. Here is an example:

An outline of the distribution process and the relative costs (of production, packaging, transport and distribution plus taxes and duties), of a bottle (3/4 of a litre), of a quality community wine (i.e. Chianti of medium maturity) from its place of production (Florence), to its place of consumption (London)

1.	Production cost	400 lire
2.	Bottling (bottle, cork, container, label, labour costs)	270
3.	General expenses and commissions	230
4.	Carriage from Florence to London	<u>160</u>
		1060 lire
1.	Distribution cost in London (from importer to wholesaler)	140 lire
2.	Duty (1 600 lire per litre)	1200
3.	Wholesaler's margin (20-25%)	480
4.	V.A.T. (15%)	420
	<u>Total Duty Paid Delivered price</u>	<u>3 300 lire</u>
	Retail margin (25-30%)	800
	Price paid by British consumer	4000 lire

Less heavy - but still onerous - are the taxes levied in Denmark, while in Ireland they are simply prohibitive. It should however, be added that in Denmark, where in 1972/73 Community wines represented only 31% of total wines imported, Community imports gradually rose to 45% in 1974/75, arriving at 71.7% by 1978/79. Equally the annual per capita consumption today in Denmark (13 litres), is nearly double that of Great Britain and more than four times that of Ireland - only three litres.

It should be obvious that the situation in the industry - as a result of the surpluses which came about, aggravated by currency fluctuations - after around five years from the inception of the common wine market, could not stand up on its own. Then there broke out the so-called "wine war", a war between poor relations: the South of Italy and the French Midi. A "hot" war between Southern producers which aroused European public opinion.

Newspapers, radio and television, instead of seeking out the causes, played up the spectacular aspects (frontier blocks, destruction of trucks, wine-lakes on the motorways); with the effect of damaging the image of a Green Europe and, by implication, of the European Community as a whole.

The EEC and especially the Commission, took immediate steps in 1974/75, meeting the wine-growers' needs with the instruments available: stock subsidies (i.e. retaining the wine in cellars) so as to avoid "selling-off" on the part of the wine growers, compensation (i.e. assistance in the sale of wines to non-Community countries), and, above all, assistance in the distillation of wine which by then and under the existing conditions, no longer had a market.

These interventions proved themselves efficacious but only in the short term. Once this particular set of circumstances had been dealt with, the European Commission at once examined a series of provisions of a structural nature with a view to re-introducing a permanent equilibrium into the Community wine industry.



WINE : THE COMMUNITY SITUATION FROM 1971 TO 1978

Year	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
Production	132.511	127.304	170.646	160.245	145.375	148.416	128.288
Imports	:	7.956	7.217	5.297	4.980	5.496	5.872
Exports	:	3.379	3.231	2.316	4.322	4.660	4.021
<hr/>							
Total Utilization of which	142.504	143.701	148.932	169.208	149.204	145.502	137.287
- direct human consumption	127.239	130.421	124.610	132.782	130.241	127.059	125.623
- distillation in general	13.254	11.325	22.395	34.536	17.221	16.978	10.190
- "exceptional" distillation	3.500	-	5.893	20.277	2.168	5.390	1.030

(1000 hectolitres)

Source : EEC Commission

On the other hand the expenditure committed by the FEOGA for aid to the wine industry albeit a long way below that for other products e.g. milk, began to arouse comment. Suffice to quote that whereas over the three year period 1970/1973 expenditure amounted to 93 3 million UCE\* and in 1974 touched 41, in 1974/75 it exceeded 111 million UCE and in 1975/76 went right up to 133 6 million UCE.

This may sound small in relation to the general expenditure of the Guarantee section of the European Agricultural Fund during the same years, but liable to further and more dangerous developments (1 8% in 1971; 2 5% in 1972; 0 3% in 1973; 1 3% in 1974; 3 1% in 1975 and 2 4% in 1976).

\* Currently 1 UCE (unit of European accounting) = 1158 Italian lire.

Thus it was that in 1975 the European Commission presented to the EEC Council of Ministers a series of measures designed to improve the basic regulations, issued in April 1970. In 1976 the Council reached agreement. The "novelty" lay in the fact that the wine problem was dealt with in its three essential elements:

1. Production
2. Conversion
3. Marketing

#### PRODUCTION

- Prohibition of new plantings: The object is to reduce quantity and improve quality. Hence there must therefore be a halt to new plantings for the wine years 1976, 1977 and 1978. Exceptions are to be made exclusively for quality wines: the vine for planting - in the case of re-plantings - must generally be of the "recommended" category.
- Up-rooting of vines: a three year programme with the aim of up-rooting 100 thousand hectares of vines which demonstrate - often both together - two negative characteristics: high yield, and mediocre quality. Three type of intervention are planned for vines of medium, poor and high productivity.

#### CONVERSION

- Minimum strength: Firstly, for a wine to be saleable it must from now on have a minimum alcoholic strength of 9 degrees. This level, has hence been increased by half a degree relative to the 1970 regulation.

- Table grapes: Wine obtained from the conversion of table grapes may no longer be put on the market.
- Super wine processing: The regulations governing wine processing - as we have already seen - seek to avoid the grapejuice being excessively "pressed" with a view to obtaining another wine which would be of mediocre quality. The wine-growers therefore had to produce a quantity of alcohol of up to a maximum of 10% of their production. As from 1976 that percentage can be increased in cases of superabundant harvests.

#### MARKETING

- Preventive distillation: Whereas up to 1976 distillations took place either during, or at the end of the wine harvest, from then on "preventive" distillations were introduced at the beginning of the harvest with a view to balancing out the market from the start by the elimination of wines of mediocre quality which are usually produced from high yield vines.

Such "preventive" distillations take place when, at the start of the harvest, the quantity of wines "held in stock" exceeds 10 million hectolitres. In 1977 that level would be reduced to only seven million hectolitres.

The price paid for the preventive distillation was fixed at 68% of the indicative price and hence at decreasing percentages for the three subsequent wine years (currently it stands at 55%).

- Guaranteed returns: This is pretty well the key clause which included in the 1976 regulations in order to provide guarantees for the wine-growers. In effect it is a guarantee which the producer has, at the end of his harvest, after other forms of intervention - preventive distillation, medium and long term stock-piling - have not produced the desired results. At that point the producer can, at the end of his long term (nine months) stock-piling contract:

1. Renew his stock-piling contract.
2. Take advantage of a distillation, paid for at a significantly higher price (almost double), than that paid for the "preventive" distillation.

This package of provisions - issued in the spring of 1976 - is important since not only did it "freeze" the so-called wine war between Italy and France but it also formed the basis of the Action Programme which in 1978 the EEC Commission would present to the community Council of Ministers when laying down the policy for the wine industry for the Eighties.

#### Events 1976-1978

It was already clear in the spring of 1976 that other measures needed to be taken for a number of reasons relating both to production, marketing and the political situation. We will start with the latter which is the most important.

#### Greece, Spain and Portugal

Three Mediterranean countries which at various times had drawn up preferential agreements with the EEC - Greece in 1962, Spain in 1970 and Portugal in 1972 - were by now knocking at the door of the European Community. The official requests for membership soon followed: Greece made its request in 1975, Spain and Portugal in 1977. By the beginning of 1976 the EEC Commission gave its opinion on the Greek request and in 1978 pronounced upon the Spanish and Portugese requests.

It was obvious that agriculture would form a key element in the negotiations and the wine industry would be one of the more problematic areas. It is sufficient to note that in 1975 the total area under vines in Spain alone (with 17 million

hectares), was greater than that either of Italy (12 million), or that of France (12 million). In 1975 Spain had produced all of 36 million hectolitres and it was to be expected that with the improvement in technology, the yield would increase. Consumption however was significantly lower in Spain than in either France or Italy and even in 1975, amounted to 75 litres per head of population.

Greece and Portugal offered much lower production figures (six and nine million respectively), which however, when added to the Spanish production, gave a total of over 50 million hectolitres which, one way or another, would over a few years, have to be absorbed into the EEC.

#### Internal Community Trade

The prospect of three new Mediterranean members hardly indicated a rose-coloured future for the wine industry. The wine trade within the EEC, after an encouraging start, had become stagnant. From 1974 to 1978, quantities varied around 16 million hectolitres (16 in 1975, 17 in 1976, 15 in 1977 and 16 in 1978).

#### The "Cold War" Between Wine and Beer

Since the common wine market began in 1970, discussions have been going on in an attempt to define the marketing relationships between these two forms of alcoholic beverage. Europe of the Six was already divided into two great zones of influence. France and Italy with a high wine consumption and low beer consumption while, vice versa there was Germany and Benelux with an ancient beer tradition and a small wine consumption.

Since 1970 the Northern countries began a progressive but slowly rising trend in the consumption of wine and on the other side, France and Italy increased their beer consumption.

Recently published statistics from the Dutch Association of Alcoholic Beverage Producers, demonstrates how, in the period 1966-1978, the consumption of the two beverages varied. Overall, the major increases were in beer consumption.

	* WINE *		* BEER *	
	1966	1978	1966	1978
France	117	98	40	45
Italy	111	91	10	15
Germany	15	24	126	148
Belgium	10	18	117	140
Holland	4	12	39	85
Luxembourg	35	43	129	121
Great Britain	2	6	92	121
Ireland	-	4	-	131
Denmark	4	12	117	117

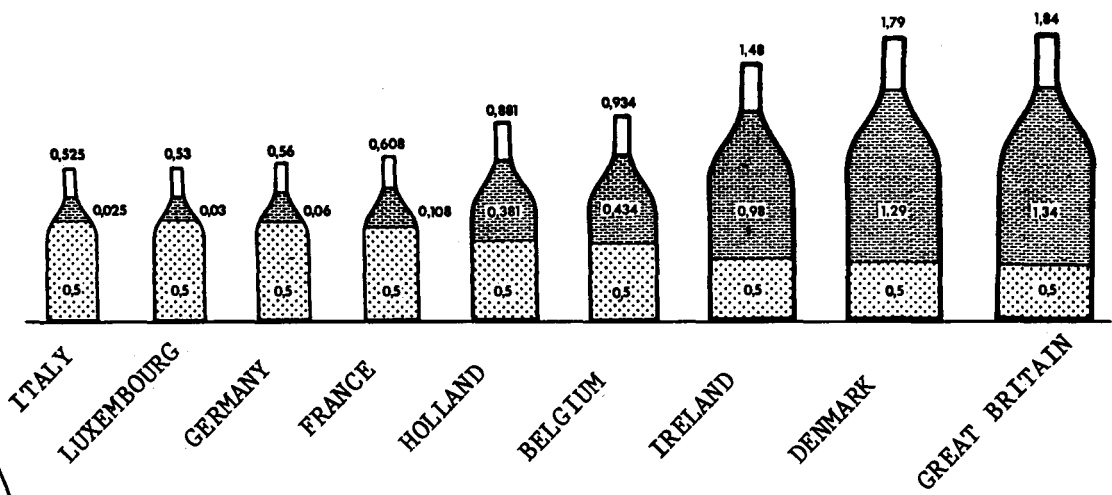
PER CAPITA CONSUMPTION (IN LITRES)

It is also worth noting the growth patterns in the three Mediterranean Countries which will be entering the European Community.

	* WINE *		* BEER *	
	1966	1978	1966	1978
Greece	39	42	9	21
Spain	66	70	7	52
Portugal	109	91	26	33

In terms of the duties which are levied on the two beverages, the EEC may be divided into three broad areas. The first (Italy, Luxembourg, Germany and France) where duties on wine are minimal or non-existent. The second area (Belgium, Holland and Denmark), where duties are fairly high, and finally a third area where duties are very high indeed (Great Britain and Ireland).

THE RATES OF THE DUTIES AND VAT LEVIED  
ON WINES IN THE MEMBER STATES\*



0.51 Price to the consumer  
 0.09 Proportion which goes in tax  
 0.5 Proportion which goes in production and marketing costs.

\* In EUR/litre bottle

CCE DG-VI/A/2.8007/37

## PART FOUR

### THE ACTION PROGRAMME 1979-1985

The conclusion arrived at by the European Commission in 1976 was as follows: in order to provide sound stability for the wine industry - in terms of supply and demand - more searching action must be taken both in the area of production (structure), and of consumption (free circulation), and that any action taken on only one of these two would never succeed in resolving the problem.

It was from this starting point that the Action Programme was planned for 1979-1985. Its object was the progressive establishment of a balanced market for wine. The plan was presented by the Commission to the EEC Council of Ministers in 1978. The Council, after consulting the European Parliament (who gave not a political opinion only but supported it with an in-depth analysis of the technical and economic factors involved), arrived at a decision in December 1979, which was substantially in accord with the Commission's proposals.

The Programme analyses the situation, identifies the causes of imbalance, and demonstrates the measures required in order to bring about a return to normality in the industry. Let us briefly review these three aspects before going on to examine them in detail.

#### THE SITUATION

That there exists a surplus production of table wines, is undeniable. In the face of a production capacity which is slowly but progressively on the increase, consumption is stagnating. The surpluses vary around five million hectolitres and future prospects (the proposed entry of the three Mediterranean countries plus the factor of improvement in technology) are far from rosy.



## CAUSES

There are basically two: one, the increase in production due both to new plantings and to the variety of high-yield vines; two, the decrease in consumption in the traditional wine-growing countries while in the other countries the rate of increase remains too low. With regard to these other countries the basic reason behind the low rate of increase is due as we have seen, to the fiscal policies which put a material brake on the free circulation of wine.

## MEASURES

These should be applied simultaneously both to the area of consumption and to that of production. In other words, as far as consumption is concerned: "Wine should enjoy the same competitive conditions as are enjoyed by other beverages in all of the consumer markets within the Community".

As regards production, the move should be towards a qualitative improvement and a diminution in terms of quantity, so as to benefit the natural wine-growing areas (by means of a policy of replanting with "recommended" vines), and towards a reduction in those vineyards not naturally adapted to the purpose of wine-growing by re-converting them into alternative agricultural cultivation or to other uses.

It should be obvious that it is only by pursuing these recommendations that the wine industry can be restored to a healthy condition in which the production and marketing aspects of the industry are considered as a whole.

The Action Programme for the Community wine industry develops simultaneously along three separate lines:

1. Measures relating to consumption
2. Measures relating to production
3. Measures relating to the market

1. CONSUMPTION

- Taxes - The first conclusion is that there are certain countries within the EEC where an increase in the consumption of table wines is possible only if taxes and duties are drastically reduced. The standardization of taxes and duties within the community is making no progress. Various member countries, following the request in 1975, made by the European Commission not only failed to reduce internal taxes but actually increased them e.g. Holland, Belgium, Ireland and Great Britain. Clearly by so doing, free competition in these countries is subverted to the advantage of the beer industry. The overall consumption of wine can never flourish under such conditions. The standardisation of duties is a fundamental prerequisite for resolving the dilemma.
- Information and Promotion - Information and promotional campaigns (as have been carried out on behalf of milk and cheese), especially for those table wines which qualify for geographical denominations (vini tipici, vin du pays, Landwein). Such campaigns, with financial support from the EEC, should be carried out especially in those countries with a low per capita consumption.

- EEC Exports - Table wines represent only 40% of EEC wine exports. If this is considered as a positive factor in that it demonstrates how the quality wines of the Community have established themselves on the world markets (and without any assistance), efforts should be made, on the other hand, to increase the exports of table wines. The Community already gives assistance in the export of these wines and intends to continue to support them in the future.

## 2. PRODUCTION

The control over wine production has both its qualitative and its quantitative aspects. It is not easy however, to define a natural wine-growing zone. The basic criteria on the other hand, are as always, the nature of the soil, the climate and the altitude as well of course, as the type of vine. The fertile plainlands provide high yields (and often a mediocre quality), while on the hill zones, yields are generally low but of good quality.

Taking these criteria as a starting-point, the wine industry's Action Programme aims at reducing the areas which are not truly naturally adapted to wine cultivation (hence encouraging re-conversion), and favouring the naturally adapted areas.

There are three categories of vine from which table wines are produced and an estimate has been made of their territorial extent:\*

- \* The total land surface under vines within the EEC, as we have seen, amounts to two million and seven hundred thousand hectares of which one million produce quality wines and the remaining one million seven hundred thousand, table wine.

According to the most recent available figures the total land under vines probably does not exceed two and a half million hectares.

- Hill Land (excluding valley bottoms) - 1,030,000 hectares
- Plainland non-alluvial soil, in typically southern terrain (low rainfall and high temperatures) - 270,000 hectares
- Other land (plain and alluvial land) - 400,000 hectares

THE FOLLOWING ARE THE MEASURES PLANNED:

Replanting and new plantings

Although re-planting is authorized (but only with certain varieties of vine for all categories of vine, new plantings of vines which produce table wines are authorized only for the first category as defined by an annual decision taken by the council. In other words, only in cases where vines of other categories are uprooted with a view to reconversion. In the case of vines which produce quality wines the re-planting prohibition is lifted for two years but only in Germany and Luxembourg where quality wines predominate.

Structural improvements: 200 thousand hectares

This concerns those vineyards in which vines of the first two categories are grown, covering a total land-surface of 200 thousand hectares. The aid provided varies from 2418 to 3022 ECU per hectare (around two million, eight hundred thousand lire and three million, five hundred thousand lire respectively), for the purpose of re-structuring the vineyards. Obviously the basic condition is the utilization of those types of vine which are authorized by the community.

Uprooting: 120 thousand hectares.

It is planned to uproot 77 thousand hectares of vineyards of the third category i.e. not naturally adapted to wine-growing. The reconversion subsidies - involving the temporary abandonment

for a period of eight years - are fixed at between 1831 and 3022 ECU per hectare (equal respectively to around two million, one hundred thousand and three million, five hundred thousand lire), according to individual yield. Since between 1976 and 1978 39 thousand hectares have already been abandoned, it may be estimated that the total "liberated" land will amount to 120 thousand hectares.

#### Permanent abandonment

With the aim of permanently freeing those vineyards reconverted to other forms of cultivation but which, after eight years may be re-created into vineyards, the community offers an additional subsidy for "abandonment" of 2418 ECU per hectare (equal to around two million, eight hundred thousand lire). By the same token, a supplementary subsidy is provided for those wine-growers who, aged between 55 and 65 years, plan to give up their agricultural activities of which at least 20% are concerned with wine cultivation.

### 3. THE MARKET

#### Minimum price

This is undoubtedly the basically new element in the Programme - requested by some, feared by others - it will however play a determining role in the questions of prices and markets. It amounts to this: when, over a period of three consecutive weeks and despite all other forms of Community intervention (stock-piling preventive distillation etc.), the prices quoted for a specific type of table wine remain below 85% of the indicative price, a prohibition on all wholesale transactions in that wine, may be issued. At the same time the distillation process will start up. In other words, the producer (or the merchant), who is in possession of consignments of that wine may hand it over to the intervention authorities and receive a price, properly called "the minimum price".

In this way a guarantee is extended also to the wine industry which on the one hand should reassure the wine producers and on the other should avoid commercial friction between the major wine producing countries.

#### Super-processing of wine

As we have seen, the wine producers are obliged to consign a percentage of alcohol proportionate to their production (and individual yield), so as to avoid the re-use of the dregs and residuals in order to obtain mediocre wines. Now this obligation can be applied in Italy as well, albeit at a smaller percentage than that which applies in France.

#### Sugar additives

This is one of the more delicate questions and it has to be said that it has been dealt with, with the utmost clarity even though it is still contested by a certain number of wine growers. The wine industry Action Programme provide that "the enrichment of musts by the addition of sucrose", or, more specifically, the addition of beet sugar in order to strengthen the weaker wines, must cease. This however will only be possible when the "concentrated, modified musts" - i.e. the integral grape sugar, is produced in sufficient quantity for it to completely replace the beet sugar. For the time being therefore, sucrose additives are still permitted but only in limited zones of France and Germany.

#### Concentrated musts

A system of aid has been devised - also with a view to augmenting the types of outlet - for those types of concentrated must which are destined for the manufacture of grape-juice which compete in the market with other fruit juices. Aid is also planned for the utilization of concentrated must which has been modified for the purpose of enriching certain types of wine.

The modified concentrates of must are derived exclusively from those grape musts which have been "freed" of other non-sucrose constituents (acids etc.), by a special process. It is, in other words, an organic grape-sugar which makes an excellent product for the enrichment of weak wines without altering their organic characteristics.

The use of modified concentrates of must hence comes within the quality policy as proposed by the EEC Commission and represents the first stage in the progressive substitution of the practice of using sucrose additives (derived from beet or from cane sugar), which - as we have said - was tolerated but does not conform to the principles which regulate the Community wine industry.

#### THE DECEMBER "PACKAGE" OF 1979

In December 1979, after long and difficult debate the Five Year Action Programme proposal as presented by the EEC Commission, was accepted by the Council of Ministers of the Community, the only reservations being:

- Some modification regarding the re-planting rules
- Shifting the period concerned from 1979-1985 to 1980-1986
- Technical improvements to the definition of a natural wine-growing area.

On the first point the Council's decision was more prohibitive than that put forward by the Commission in that it is now forbidden to plant any new vines destined for the production of table wines before 1986.

(The Action Programme provided for an annual decision on the part of the EEC Council, authorizing new plantings of vines for the production of table wine, in relation to the abandonment of vineyards belonging to Categories II and III, i.e. those which have few of the natural characteristics for wine cultivation.)

On the other hand the Council did decide to allow new plantings of quality wines (VQPRD) - subject to previous authorization, but with a prohibition obtaining in Germany during 1980.

The fundamental aspect of the whole operation is of course, the financial commitment which is significant. The financial estimates (FEOGA & Member States), actually approach - in regard to the seven-year structural programme (1980/81 - 1986/87) - a thousand million ECU\*, equal to over a thousand thousand million lire.

FEOGA will contribute one third of the cost, equal to 320 million ECU (around 370 thousand million lire). The modernization and re-structuring of the vineyards are planned to cost 600 million ECU (about 695 thousand million lire), of which 180 are the responsibility of FEOGA.

Hence over half of the total amount will be dedicated to the structural improvements while the remainder will pay for abandoned vineyards.

\* One ECU = 1157 79 lire.



WINE

\* WORLD PRODUCTION BROKEN DOWN BY CONTINENT AND SUB-CONTINENT

\* EUROPEAN PRODUCTION BROKEN DOWN BY COMMUNITY AND NON-COMMUNITY COUNTRIES

	1974	1975	1976	1977	1978
WORLD	33.639	30.940	31.759	28.630	29.256
Africa	1.378	1.193	1.115	917	1.043
N. America and Canada	1.591	1.365	1.513	1.565	1.668
South America	3.488	3.167	3.718	3.394	2.978
Asia	188	180	180	180	193
Europe	23.996	21.682	21.699	19.085	20.488
Oceania	319	387	384	418	426
Soviet Union	2.680	2.965	3.150	3.070	2.460
(Rounding-off)	- 1	+ 1	-	+ 1	-
Luxembourg	14	16	13	16	8
France	7.627	6.627	7.366	5.271	5.843
Germany	696	911	893	1.128	784
Italy	7.687	6.983	6.570	6.414	7.199
EUROPEAN COMMUNITY	16.024	14.537	14.842	12.829	13.834
Greece	490	434	407	435	435
Portugal	1.412	898	949	691	557
Spain	3.619	3.247	2.433	2.182	2.903
Other Countries	2.449	2.567	3.070	2.948	2.759
(Rounding-off)	+ 2	+ 1	- 2		-
EUROPE	23.996	21.682	21.699	19.085	20.488

(in 1000 hectolitres)

Source : FAO and, for the Community, the EEC Commission

## CONCLUSIONS

### THE EIGHTIES

What are the prospects for the Community wine industry during the Eighties? At the beginning of this year - with the launch of the Action Programme 1980/1986 - the foundations were laid for re-establishing equilibrium in the industry. Hence we have every reason for facing up to future deadlines with calmness and optimism.

The European Community has finally adopted a wine policy which is all-embracing. They arrived at this point only after the experience of a decade which was needed in order to adapt national situations which were completely different from each other.

We should not forget that in 1970, the start-up of the common wine market was based on the assumption that supply would be unable to meet demand in the EEC since this was the view held by the individual Member States.

It took only two super-abundant wine years for them to realise that such a policy needed to be revised. Thus the first provisions were made in 1976: a temporary freeze on plantings plus some commercial measures (preventive distillation and guaranteed returns i.e. stock-piling and a guarantee on stock withheld), but it was only in 1978 that a realistic and all-embracing revision of wine industry policy was drawn up beginning first of all with the production area (the principle of the "naturally adapted" wine-growing areas which forms the basis of a rational approach to planting policy).

The commercial aspect was then dealt with by the provision of the guaranteed minimum price thus providing the same security as that already enjoyed by other forms of agriculture in different ways.

## THE CONSUMER

The consumer has gained essentially two benefits from this decade of the common wine market: quality and price.

Despite the difficulties posed by certain member countries, the free circulation of wine is today a reality. In 1979 nearly 20 million hectolitres of wine were exchanged between Community members. It is a figure which represents between a half and two thirds of total world trade. This figure is destined to go up since the inhabitants of all member countries have the same buying rights. Yet as of today the absurd situation obtains whereby in those countries where the Consumers Associations are strongest and best organized, the tax authorities are able to impose a tax on a good Community wine which is four times greater than the wine-grower's return. As for retail prices it is easy to see that in those countries where taxation is not so heavy, retail prices are reasonable. It should also be taken into account that consumer needs have grown considerably in the past few years.

The quality of Community wines has significantly improved thanks to a wine policy on the part of the EEC whose cornerstone is product quality. The better quality of Community wines is confirmed, and it is worth repeating, by the growing success in exports to non-Community countries. More than six million hectolitres - for the main part wines without "help" in the form of export subsidies, are annually distributed into the best foreign markets, both in European non-Community countries and in the American markets.

## TWO IMPORTANT DEADLINES

In the light of the situation described, there are two important deadlines in the wine industry calendar during the Eighties: the achievement of the Action Programme and the entry into the Market of Greece, Spain and Portugal.

The two deadlines are inter-dependent and on the success of the former depends the successful beginning of the latter.

It is clear that the restructuring of the vineyards i.e. the production aspect, must be accompanied by a revision of fiscal policy. This is clearly expressed in the proposal presented to the EEC council of Ministers. It should be enough if we quote the final statement:

"The Commission retains that the success of the Action Programme for the wine industry depends upon the political desire on the part of all the member countries to make efficient and coherent use of all of the available instruments in order to achieve the objectives pursued. In particular those sacrifices and financial burdens placed upon the producer regions, especially those in the form of a considerable contraction of the vineyards concerned, must be reciprocated by a substantial increase in consumption, especially in those areas where consumption is held down by the duties imposed upon wine."

The entry of the three new member countries should be looked at individually. Greece has an annual production of five million hectolitres, the majority of which goes in domestic consumption. Equally, Portugal has a limited production and a relatively high consumption.

The country which raises serious doubts is Spain. Spanish production is on average, more than 30 million hectolitres per year, arriving occasionally, as in the case of this year, at fifty hectolitres. The country is however given over to a wine-growing policy which is all-embracing and which includes a severe "planting discipline".

In respect of the entry of Greece, Spain and Portugal the best means of defence for the existing Community members is clearly - firstly - the achievement of the Action Programme 1980-1986.

The Community for its part, has done its duty. The degree of financial support which, it is worth repeating, amounts to around one thousand, thousand million lire, has been made available for the use of the Community wine-growers. All that is needed now is to implement the programme.

The promotional campaign directed towards the growers, and which concerns restructuring, reconversion or abandonment of the vineyards, is mainly the responsibility of the member countries who by contrast with the EEC Commission, have far more sources of information and the instruments of persuasion, appropriate to the purpose.

#### ADAPTING TO THE TIMES

It must however, be recognised that the modernization of production and the standardization of taxation while essential in themselves, are alone not enough to create a stable economic life. What is also needed is the bringing up to date of the commercial structures (distribution techniques) and of the marketing processes (market research, product promotion, collective and individual publicity), without which, in a vast area of free and formidable competition, it will be difficult not only to improve sales but even to retain the traditional wine consumers.

The text was completed on 30.6.1980

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**PRODUCTION**

TABLE 1 : AREAS UNDER VINES - The growth of the area under wine-grape vines since 1956 in ha

	1956/60	1961/65	1966/70	1971/75	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
<b>GERMANY</b>										
total	75.364	80.077	85.165	95.995	96.003	98.681	99.553	100.343	101.598	102.125
-in production	60.550	67.839	70.775	80.337	80.622	83.028	84.970	86.296	87.730	88.917
-not yet in production	14.814	12.238	14.390	15.658	15.381	15.653	14.583	14.047	13.868	13.208
<b>FRANCE</b>										
total	1.386.200	1.347.600	1.304.400	1.278.400	1.283.000	1.287.000	1.289.000	1.270.000	1.253.000	1.194.798
-in production	1.304.600	1.267.600	1.225.200	1.193.600	1.196.000	1.194.000	1.200.000	1.205.000	1.164.000	1.140.939
-not yet in production	81.600	80.000	79.200	84.800	87.000	93.000	89.000	65.000	89.000	53.859
<b>ITALY</b>										
total	1.685.400	1.632.600	1.438.000	1.155.842	1.156.000	1.169.000	1.181.208	1.183.789	1.176.593	1.168.802
-in production	1.634.800	1.596.200	1.389.600	1.090.531	1.091.000	1.101.000	1.107.654	1.118.787	1.123.938	1.126.725
-not yet in production	50.600	36.400	48.400	65.311	65.000	68.000	73.554	65.002	52.655	42.077
<b>LUXEMBOURG</b>										
total	1.254	1.240	1.219	1.236	1.228	1.242	1.266	1.277	1.289	1.285
-in production	1.117	1.158	1.157	1.090	1.062	1.057	1.098	1.122	1.154	1.163
-not yet in production	137	82	62	146	166	185	168	155	135	122
<b>EEC</b>										
total	3.148.218	3.061.517	2.828.787	2.531.479	2.536.238	2.555.930	2.571.034	2.555.416	2.532.487	2.467.017
-in production	3.001.067	2.932.797	2.686.735	2.365.563	2.368.689	2.379.091	2.393.728	2.411.211	2.376.828	2.357.750
-not yet in production	147.151	128.720	142.052	165.916	167.549	176.839	177.306	144.205	155.659	109.267

Source : EUROSTAT

0 : average

**PRODUCTION**

TABLE 2 : YIELDS : Growth of yields (in hectolitres per hectare), of wine-grape vineyards since 1951

	0 1951/55	0 1956/60	0 1961/65	0 1966/70	0 1971/75	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Germany .....	49,7	65,6	76,5	96,4	102,4	84,2	102,4	133,4	83,9	107,2	103,6	128,6	88,3
France .....	40,1	38,4	48,2	51,1	58,1	51,9	49,9	69,4	63,9	55,3	61,2	45,4	51,4
Italy .....	31,4	36,2	39,0	49,8	64,1	60,3	55,9	70,6	70,1	63,3	59,0	57,4	64,3
Luxembourg .....	98,5	100,3	118,5	127,0	133,0	91,8	127,0	175,1	130,6	143,0	114,1	134,3	61,9
EEC .....	35,7	37,8	43,9	51,7	62,4	56,8	54,4	72,2	67,5	60,9	61,7	54,2	58,9

Source : EUROSTAT



PRODUCTION

TABLE 3 : WINE PRODUCTION - Growth in EEC Wine Production since 1956

('000 hl)

	1956/60	1961/65	1966/70	1971/75	1975/76	1976/77	1977/78	1978/79	1979/80 (forecast)			
									Total	table wines	quality wines	other wines
Germany .....	3.945	5.184	6.816	8.222	9.105	8.926	11.278	7.842	8.180	67	8.113	-
France .....	49.833	60.594	62.397	69.279	66.273	73.655	52.708	58.429	83.543	51.686	18.779	13.078
Italy .....	59.106	62.253	69.056	69.561	69.834	65.700	64.142	71.989	83.321	72.239	9.880	1.202
Luxembourg ...	109	135	146	145	157	128	155	72	62	25	37	-
EEC* .....	113.003	128.177	138.434	147.215	145.373	148.413	128.287	138.336	175.110	124.021	36.809	14.280

Sources : up to 1978/79 : EUROSTAT  
 1979/80 : EEC Commission

\* The EEC total includes also several thousand hectolitres from other member countries.

PRODUCTION

TABLE 4 : PRODUCTION BREAKDOWN - Growth in the production of table wines, quality wines and in the EEC since 1973

(in '000 hectolitres)

Member States	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Table wines							
Germany .....	727	460	241	165	984	301	67
France .....	54.025	50.206	43.169	47.147	32.884	35.559	51.686
Italy .....	70.171	69.284	63.389	58.999	56.589	62.933	72.239
Luxembourg .....	108	69	73	55	80	32	25
Other Countries .....	6	5	6	7	5	5	5
EEC .....	125.037	120.024	106.878	106.375	90.542	98.830	124.022
Quality wines							
Germany .....	10.024	6.504	8.864	8.761	10.294	7.541	8.113
France .....	17.248	14.404	12.989	15.914	13.000	14.947	18.779
Italy .....	6.545	7.583	6.445	6.701	7.553	9.056	9.880
Luxembourg .....	78	69	84	73	75	40	37
EEC .....	33.895	28.560	28.382	31.449	30.922	31.584	36.809
Other wines							
France .....	11.714	11.661	10.115	10.594	6.824	7.923	13.078
Italy .....	-	-	-	-	-	-	1.202
EEC .....	11.714	11.661	10.115	10.594	6.824	7.923	14.280

Source : EUROSTAT

CONSUMPTION

TABLE 5 : TOTAL CONSUMPTION - Total internal use of wine from 1956/1980

in '000 hectolitres

Member States	1956/60	1961/65	1966/70	1971/75	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Germany .....	6.618	9.457	11.242	14.438	14.623	13.448	15.246	15.431	15.475	15.657	15.522	15.349
France .....	63.846	66.807	65.225	66.669	65.934	70.902	65.482	67.263	64.857	60.692	60.065	61.750
Italy .....	56.080	59.530	63.523	57.175	57.013	53.166	61.350	57.330	53.195	52.862	49.839	52.501
Holland .....	192	335	631	1.208	1.187	1.213	1.328	1.444	1.527	1.652	1.640	1.581
Belgium .....	631	763	1.077	1.418	1.417	1.343	1.514	1.529	1.614	1.741	1.812	1.726
Luxembourg .....	101	103	127	155	142	174	146	167	158	158	144	144
Great Britain .....				2.737	2.837	2.257	3.266	3.185	2.833	2.793	4.447	4.669
Ireland .....				65	65	67	69	75	84	94	103	114
Denmark .....				478	483	469	530	612	582	611	650	707
EEC .....	127.468	136.995	141.825	141.063	140.316	140.246	145.066	143.164	136.826	132.762	129.022	133.051
				144.343	143.701	143.039	148.931	147.036	140.325	136.260	134.222	138.541

Source : EUROSTAT

CONSUMPTION

TABLE 6 : PER CAPITA CONSUMPTION - Annual per capita wine consumption since 1956

(in litres)

Member States	1956/60	1961/65	1966/70	1971/75	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Germany .....	10	14	16	22	17	19	22	20	23	24	23	24	24	24
France .....	130	121	111	105	107	107	108	104	103	103	102	98	94	96
Italy .....	108	108	110	100	111	102	101	95	103	97	92	91	86	89
Holland .....	2	3	5	9	6	6	9	9	10	10	11	12	12	11
Belgium .....	7	8	11	14	13	13	14	14	15	15	16	18	18	15
Luxembourg .....	30	30	36	43	41	41	40	48	40	46	43	44	40	40
Great Britain ...				5	3	4	5	4	6	6	5	5	8	8
Ireland .....				2	2	2	2	2	2	2	3	3	3	3
Denmark .....				10	5	6	10	9	10	12	11	12	13	14
EEC .....	70	69	68	65	67	65	66	63	66	65	63	62	60	61
				50	51	50	51	48	51	50	49	48	47	48

Sources : up to 1978/79 : EUROSTAT  
 1979/80 : EEC Commission

(1) Forecasts

COMMERCE

TABLE 7 : TRADE - Inter-Community trade in wine, divided by exporting and importing Member States  
(Wine year 1978-1979)

Quantity in hectolitres

Exporting Member States	Importing Member States								EEC	
	France	Belgium and Luxembourg	Holland	Germany	Italy	Great Britain	Ireland	Denmark	hl	%
France .....	-	1.086.488	660.940	2.160.449	123.902	1.046.798	35.615	271.727	5.385.919	28,6
Belgium & Lux.	2.901	-	46.903	2.224	92	3.231	34	594	55.979	0,3
Holland .....	1.039	16.750	-	968	-	6.277	1.052	-	26.086	0,1
Germany .....	39.922	57.344	153.714	-	6.096	424.548	16.440	120.696	818.760	4,3
Italy .....	8.209.434	172.085	130.075	3.471.184	-	506.249	12.537	54.364	12.555.928	66,5
Great Britain	193	2.335	23.111	390	70	-	15.604	255	41.958	0,2
Ireland .....	-	-	-	-	-	2.107	-	-	2.107	0,0
Denmark .....	-	80	13	9.426	-	44	-	-	9.563	0,0
EEC .....	8.253.489	1.335.082	1.014.756	5.644.641	130.160	1.989.254	81.282	447.636	18.896.300	-
.....hl	43,6	7,1	5,4	29,9	0,7	10,5	0,4	2,4	-	100,0
.....%										

Sources : EUROSTAT and member countries

COMMERCE

TABLE 8 : INTER-EEC TRADE - Inter-EEC trade in wine broken down by exporting countries (from 1971/72 to 1978/79)

Quantity in hectolitres

Exporting Member States	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
France .....	3.971.320	5.067.867	4.196.580	4.199.308	4.441.169	5.983.290	4.843.199	5.385.919
Belgium & Luxembourg .	73.301	92.295	99.535	79.023	82.209	51.097	51.494	55.979
Holland .....	106.492	42.380	33.299	25.772	15.969	17.203	25.647	26.086
Germany .....	222.749	287.850	331.114	340.817	437.279	467.964	529.368	818.760
Italy .....	10.565.970	11.346.457	6.916.643	11.173.572	12.181.229	9.107.021	10.980.458	12.555.928
Great Britain .....	7.469	17.834	19.532	21.305	16.550	20.739	22.770	41.958
Ireland .....	1.572	1.111	2.843	633	1.165	703	2.005	2.107
Denmark .....	193	471	893	320	129	3.511	7.872	9.563
EEC .....	14.949.066	16.856.265	11.600.439	15.840.750	17.175.699	15.651.528	16.462.813	18.896.300

Sources : EUROSTAT and member countries

COMMERCE

TABLE 9 : EEC IMPORTS - Community wine imports from non-EEC countries from 1971/72 to 1978/79

Quantities in hectolitres

Country of Origin	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Austria .....	227.928	275.337	171.677	173.370	145.024	148.103	183.902	294.352
Portugal .....	582.730	749.208	667.497	503.829	551.388	606.393	690.462	791.120
Spain .....	1.514.785	2.055.911	1.963.901	1.842.618	1.755.400	1.997.821	2.095.643	2.186.332
Jugoslavia .....	250.475	342.753	297.670	396.101	391.207	400.800	480.459	487.887
Greece .....	686.765	658.417	338.652	305.923	518.494	423.039	379.407	344.177
Soviet Union .....	7.845	12.393	11.485	16.638	22.210	26.324	31.487	43.213
Hungary .....	68.677	88.597	106.456	165.385	181.766	211.398	245.055	308.100
Roumania .....	57.200	58.224	69.194	79.053	60.710	77.084	80.985	107.803
Bulgaria .....	58.494	72.447	81.024	88.558	96.673	94.352	84.771	106.655
Morocco .....	38.691	572.041	638.211	284.572	148.078	237.512	130.256	73.699
Algeria .....	188.227	1.719.411	1.694.185	459.302	318.191	303.471	346.986	292.240
Tunisia .....	91.356	741.074	593.879	374.792	338.812	243.095	303.218	227.365
South Africa .....	75.496	84.314	83.763	114.319	116.321	59.406	55.193	49.422
Argentina .....	2.496	8.378	8.245	14.889	4.603	17.560	32.857	30.677
Cyprus .....	210.887	285.943	289.948	236.414	260.089	198.360	172.752	195.372
Australia .....	27.743	12.478	15.089	8.992	11.174	5.415	4.720	6.719
Other Countries .....	41.215	84.855	49.056	31.371	24.515	25.887	28.586	36.270
Total extra-EEC .....	4.131.010	7.821.781	7.079.932	5.096.126	4.944.655	5.076.020	5.346.739	5.581.403

Sources : EUROSTAT and Member States.

COMMERCE

TABLE 10 : EEC IMPORTS - Wine Imports from Greece, Spain and Portugal (from 1971/72 to 1978/79)

(millions of hectolitres)

Country of origin	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Total non-EEC Countries .hl	4.131.010	7.821.781	7.079.932	5.096.126	4.944.655	5.076.020	5.346.739	5.581.403
.....%	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
of which :								
GREECE ..... hl	686.765	658.417	338.652	305.923	518.494	423.039	379.407	344.177
.....%	16,6	8,4	4,8	6,0	10,5	8,3	7,1	6,2
SPAIN ..... hl	1.514.785	2.055.911	1.963.901	1.842.618	1.755.400	1.997.821	2.095.643	2.186.332
.....%	36,7	26,3	27,7	36,1	35,4	39,4	39,2	39,1
PORTUGAL ..... hl	582.730	749.208	667.497	503.829	551.388	606.393	690.462	791.120
.....%	14,1	9,6	9,4	9,9	11,2	11,9	12,9	14,2
Total Applicant ..... hl	2.784.280	3.463.536	2.970.050	2.652.370	2.825.282	3.027.253	3.165.512	3.321.629
Countries .....%	67,4	44,3	41,9	52,0	57,1	59,6	59,2	59,5

Sources : EUROSTAT and Member States.



COMMERCE

TABLE 11 : EEC EXPORTS - Community wine exports to non-EEC countries (from 1971/72 to 1978/79)

(millions of hectolitres)

Exporting Member Countries	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
France .....	1.393.356	1.833.780	1.699.611	1.763.965	2.003.197	2.177.960	2.245.619	2.268.445
Belgium & Luxembourg	552	678	612	1.224	754	1.056	1.829	366
Holland .....	1.394	32.653	221	310	834	1.720	2.882	3.798
Germany .....	258.716	349.360	354.277	374.283	532.925	774.078	737.519	801.291
Italy .....	1.372.597	1.854.645	1.767.792	1.603.714	2.261.826	1.959.067	2.526.123	3.493.007
Great Britain .....	51.090	73.366	82.499	68.501	81.493	92.355	90.423	102.892
Ireland .....	23	9	7	43	62	7	120	369
Denmark .....	4.323	3.903	7.170	7.880	9.954	13.484	10.909	7.692
EEC .....	3.082.051	4.148.394	3.912.189	3.824.925	4.891.095	5.019.727	5.615.424	6.677.860

Sources : EUROSTAT and Member States.

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