

**COMMISSION OF THE EUROPEAN COMMUNITIES**

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**COMMISSION REPORT TO THE COUNCIL**  
**ON FORESEEABLE TRENDS IN THE PLANTING AND REPLANTING OF VINEYARDS**  
**IN THE COMMUNITY**  
**AND ON THE BALANCE OF PRODUCTION AND CONSUMPTION IN THE WINE SECTOR**  
**(1985/86 and 1986/87)**

**REPORT ON FORESEEABLE TRENDS IN THE PLANTING AND REPLANTING OF  
VINEYARDS IN THE COMMUNITY AND ON THE BALANCE OF PRODUCTION  
AND CONSUMPTION IN THE WINE SECTOR**

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## INTRODUCTION

Under Article 9 of the basic Regulation - Council Regulation (EEC) No 822/87 of 16 March 1987 (1) - the Member States must report to the Commission annually, normally by 1 September, on trends in their wine-growing potential.

Their reports are based primarily on two sets of statistics:

- information collected by Member States from the declarations by wine growers, referred to in Article 8 of the basic Regulation, on grubbing operations, new plantings and replantings actually carried out;
- the results of the annual statistical surveys of areas under vines provided for in Council Regulation (EEC) No 357/79 of 5 February 1979 (2).

Using the information supplied by the Member States, the Commission is required to report to the Council each year, normally by 1 December, on the development of the Community's wine-growing potential, assessing the relationship between production potential (area of vineyards in production and yield per hectare) and consumption and to forecast foreseeable trends in this relationship.

That is the purpose of this report, which covers mainly the 1985/86 and 1986/87 wine years. Some Member States, however, have either been late in sending in, or have failed to send in at all, various data needed to draw up this report within the time limit laid down; there are also difficulties in comparing figures which neither refer to the same things nor cover the same periods, and this means that any forecasting of trends in the Community's wine-producing potential is very uncertain.

The report will deal in turn with developments in the area under vines in the Community, the market, intra-Community and external trade, and the disposal of wine alcohol.

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(1) OJ No L 84, 27.3.1987, p. 1.  
(2) OJ No L 54, 5.3.1979, p. 124.

1. AREA UNDER VINES IN THE COMMUNITY

The following will be examined in turn:

- (a) trends in the overall area under vines in the Community, by major categories of grape (wine grapes, table grapes, grapes for drying);
- (b) the area under wine grapes in each of the producer countries, as shown by the figures supplied by the Member States to the Statistical Office of the European Communities (EUROSTAT) or the Commission, under the various reporting procedures provided for in Community rules, including the statement of wine resources and the annual statistical surveys of areas under vines;
- (c) the results of the Community's structural policy since 1976.

A. Total Community area under vines

1. Vines for wine grapes

Before Council Regulation (EEC) No 357/79 came into force in April 1979, statistical surveys of areas under vines were based mainly on the reports from Member States for the purposes of the final statement of Community resources (Article 31 of Regulation (EEC) No 822/87).

The first basic survey of areas under vines, designed to assess the changing situation on the Community wine market, under Regulation (EEC) No 357/79, took place in 1979 in three Member States (Germany, France, Luxembourg) and was extended in 1982 to the two other producer Member States, Italy and Greece.

Spain carried out an initial basic survey in 1987, on the situation after grubbing and planting in the 1986/87 wine year.

A first survey will be carried out in Portugal in 1989, on the situation after grubbing and planting in the 1988/89 wine year.

The basic surveys cover all holdings having a cultivated area under vines normally intended for the production for sale of grapes, grape must, wine or vegetative propagation material for vines. The basic survey is to be carried out every ten years and to record the following particulars:

- A. agricultural area in use;
- B. area under vines cultivated, broken down according to its normal production use into:
  - (a) the area under wine grape varieties, further broken down into:
    - quality wines psr,
    - other wines:
      - including wine compulsorily intended for the manufacture of certain potable spirits with a registered designation of origin;
  - (b) the area under table grape varieties;
  - (c) the area planted with root-stock for future grafting;
  - (d) the area cultivated solely for the production of vegetative propagation material for vines, subdivided into:
    - nurseries,
    - parent vines for foot-stock;
  - (e) the area under varieties of grapes for drying.

The results of the first basic survey were published in May 1985 (1).

In addition, annual intermediate surveys have been carried out on areas grubbed/abandoned, replanted or newly planted with wine grape vines. These surveys were carried out for the first time in 1981 in Germany, France and Luxembourg and cover the two wine years 1979/80 and 1980/81. From 1982/83 annual intermediate surveys have been carried out for all the producer countries, the most recent being for 1986/87.

The latest figures available show the total area under wine-grape vines in the Community of Ten to be 2 081 766 hectares for 1986/87 and 2 097 747 hectares for 1985/86 (as against 2 124 639 hectares previously). Taking Spain and Portugal into account, and adopting the figures in the final statement of resources, the total area for the Community of Twelve in 1985/86 was 4 126 434 hectares.

For the Community of Ten, the total area under vines in 1985/86 had fallen by some 27 000 hectares, or 1.3%, as against 1984/85, owing to the setting-up of a structures policy. Together with the new approach adopted to market policy, the fall since 1979/80 is now some 345 000 hectares.

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(1) La vigne dans la Communauté européenne, Eurostat, ISEN 92-825-5255-1, 1985.

This significant fall in the area under vines, as indicated by the figures reported by the Member States under the procedure for drawing up the statement of Community resources, is confirmed by the results of the annual statistical survey of areas under vines, as the comparative table below demonstrates.

Area in production, broken down by Member State

(in hectares)

	Source	F	D	I	L	Gr	EEC
1979/1980	Final statement of resources	1 177 771	95 578	1 159 678	1 283	104 701	2 539 018
	Reg. 357/79	998.715	93.858	survey postponed	1.273	survey postponed	
1980/1981	Final statement of resources	1.138.784	95.686	1.157.530	1.313	101.395	2.494.715
	Reg. 357/79	978.003	95.511	survey postponed	1.313	survey postponed	
1981/1982	Final statement of resources	1.121.110	97.797	1.141.748	1.309	95.557	2.457.528
	Reg. 357/79	960.636	96.728	1.031.229	1.309	90.143	2.180.099
1982/1983	Final statement of resources	1.102.000	97.822	1.123.034	1.316	94.223	2.418.402
	Reg. 357/79	954.397	98.294	1.031.229	1.306	89.631	2.174.857
1983/1984	Final statement of resources	1.069.000	100.763	1.053.630	1.306	90.248	2.314.947
	Reg. 357/79	947.700	99.529	1.014.793	1.334	89.518	2.152.874
1984/1985	Final statement of resources	1.082.000	101.387	1.048.314	1.334	89.242	2.322.715
	Reg. 357/79	940.031	99.730	994.643	1.322	88.913	2.124.639

	Source	F	D	I	L	Gr	CEE
1985/1986	Final statement of resources	1.079.000	93.020	1.022.310	1.322	87.739	2.283.791
	Reg. 357/79	927.720	99.230	981.596	1.318	87.882	2.097.740
1986/1987	Final statement of resources	1.020.202	93.059	1.012.685	1.318	87.144	2.214.408
	Reg. 357/79	923.634	99.262	970.468	1.326	87.074	2.081.766

Although some of these figures are partial or provisional, a comparison of the results of the two methods - the final statement of resources on the one hand and the basic and intermediate surveys on the other (Regulation 357/79) - shows a definite discrepancy between the figures for the area under vines. This is because the survey under Regulation (EEC) No 357/79 is limited to areas for production for sale, thus excluding very small vineyards producing wine for consumption by the growers' families; also excluded are vines under glass and vineyards in Member States with a total area of less than 500 hectares. Annual reporting of wine-growing potential as provided for in Article 9 of Regulation (EEC) No 822/87 covers all areas under vines, whatever the purpose of production and irrespective of who it is produced by.



Wine survey (Regulation 357/79) : intermediate surveys of wine grape vines

	in produc- tion 1.9.84	1.9.1984 - 1.9.1985			in produc- tion 1.9.85	1.9.1985 au 1.9.1986			in produc- tion 1.9.86	1.9.1986 au 1.9.1987			in produc- tion 1.9.87
		Grubbing/ Abandonment	Re- planting	New plantings		Grubbing/ Abandonment	Re- planting	New plantings		Grubbing/ Abandonment	Re- planting	New plantings	
<b>FR Germany</b>													
quality wines:	99.529	4.263	4.165	299	99.730	4.328	3.737	91	99.230	4.097	4.054	75	99.262
psr	-	-	-	-	-	-	-	-	-	-	-	-	-
total	99.529	4.263	4.165	299	99.730	4.328	3.737	91	99.230	4.097	4.054	75	99.262
<b>France</b>													
quality wines:	488.199	8.061	8.835	2.955	491.928	8.935	9.107	2.308	494.408	8.833	11.555	3.347	500.477
psr	459.501	18.047	6.551	93	448.103	19.443	4.578	74	433.312	16.222	5.980	92	423.157
total	947.700	26.108	15.386	3.048	940.031	28.378	13.685	2.382	927.720	25.055	17.635	3.439	923.634
<b>Italy</b>													
quality wines:	210.570	6.190	4.900	1.934	211.214	6.564	1.109	4.623	210.382	5.121	3.558	364	209.183
psr	804.223	23.891	1.437	1.660	783.429	17.530	1.073	4.242	771.214	14.566	2.395	2.242	761.285
total	1.014.793	30.081	6.337	3.594	994.649	24.094	2.182	8.865	981.596	19.687	5.953	2.606	970.468
<b>Luxembourg</b>													
quality wines:	1.334	40	28	-	1.322	63	1	58	1.318	32	40	-	1.326
psr	-	-	-	-	-	-	-	-	-	-	-	-	-
total	1.334	40	28	-	1.322	63	1	58	1.318	32	40	-	1.326
<b>Greece</b>													
quality wines:	31.109	362	301	-	31.048	286	117	-	30.879	254	153	-	20.778
psr	58.409	1.252	708	-	57.865	1.770	909	-	57.004	1.305	598	-	56.298
total	89.518	1.614	1.009	-	88.913	2.056	1.026	-	87.882	1.559	751	-	87.074
<b>EUR 10</b>													
quality wines:	830.741	18.916	18.229	5.188	835.242	20.176	14.071	7.080	836.217	18.337	19.360	3.786	841.026
psr	1.322.133	43.190	8.696	1.753	1.289.397	38.743	6.560	4.316	1.261.530	32.093	8.973	2.334	1.240.774
total	2.152.874	62.106	26.925	6.671	2.124.639	58.919	20.631	11.396	2.097.747	50.430	28.333	6.120	2.081.766

As average yield of wine-grape vineyards in the Community of Twelve has recently been around 46.6 hectolitres per hectare, a decrease in vineyard area of 100 000 hectares may be estimated as involving a fall in production of some 4.7 million hectolitres (see Table 2).

This is confirmed if we look only at areas not yet in production. These amounted in 1985/86 to 134 073 hectares (see Table 1).

## 2. Other vineyards

### 2.1 For table grapes

Table 3 shows the area under table grape vines in the Community to be falling gently.

In 1971/72 it amounted to some 134 374 hectares (including 6 512 not yet in production) and by 1982/83 it was only 124 489 hectares. Since then the figure for France has continued to fall: 32 526 hectares in 1981/82 and 26 000 in 1985/86. In Italy, however, there was a distinct rise over the same period, from 72 015 to 80 477 hectares.

In Greece there was a slight fall from 20 498 hectares in 1981/82 to 20 433 in 1982/83 and 20 237 in 1985/86.

In the Community of Eleven, including Spain, the area of land under vines for table grape production in 1985/86 was 196 636 hectares, of which 69 922 were in Spain.

### 2.2 Grapes for drying

Table 4 shows that, rather like other areas under vines, that under vines for grapes for drying is tending to fall.

The main producer country in 1985/86 was Greece, with 59 645 hectares, the figure for Spain being 15 977 (including 15 895 in production).

Portugal's output of grapes for drying is very much less than even its own market requires. Average production in 1983/1985 was 48 000 kg, and imports in 1983, 1984 and 1985 amounted to 439, 362 and 283 tonnes respectively, the corresponding export figures being 4, 33 and 5.4 tonnes.

B. Areas under wine-grape vines in the main producer countries

1. Germany : steady

The basic survey and subsequent intermediate surveys show the total area under wine-grape vines, at 1 September 1986, to be 99 230 hectares, as against 99 730 in 1985, a fall of 0.5%. This was the first time since 1979 that there had been a fall compared with the previous year.

The figures for 1986/87 show a very small rise of 32 hectares.

		Quality wines psr				
		Yield classes (hl/ha)				
Total		I < 30	II 30-70	III 70-110	IV > 110	
		1	2	3	4	5
1.9.1979	93.857	-	19.979	38.753	35.121	
Grubbing/Abandonment	3.821		851	1.618	1.352	
Replanting	3.843					
New planting	693					
1.9.1980	94.572	7.742	66.772	19.916	233	
Grubbing/Abandonment	4.384	381	3.104	875	24	
Replanting	4.307					
New planting	1.016					
1.9.1981	95.511	2.020	26.899	59.364	7.329	
Grubbing/Abandonment	3.367	95	977	1.937	358	
Replanting	3.654					
New planting	984					
1.9.1982	96.782	5	20	3.469	93.379	
Grubbing/Abandonment	3.580	-	5	417	3.158	
Replanting	4.024					
New planting	1.068					
1.9.1983	98.294	-	95	11.060	87.107	
Grubbing/Abandonment	3.428	2	515	586	2.326	
Replanting	3.776					
New planting	887					
1.9.1984	99.529	46	18.933	69.480	11.049	

		Quality wines psr				
		Yield classes (hl/ha)				
Total		I < 30	II 30-70	III 70-110	IV >110	
1		2	3	4	5	
Grubbing/Abandonment	4.263	2	731	2.926	604	
Replanting	4.165					
New planting	299					
1.9.1985	99.730	14.370	53.773	31.569	-	
Grubbing/Abandonment	4.328	983	2.457	888	-	
Replanting	3.737					
New planting	91					
1.9.1986	99.230	1	393	60.042	38.777	
Grubbing/Abandonment	4.097	4	169	2.666	1.258	
Replanting	75					
New planting	4.054					
1.9.1987	99.262	84	7.270	63.744	28.164	

2. France : decline

The data in the basic statistical survey updated from the interim surveys with regard to quality wines psr and other wines show an expansion since 1987 in the area under quality wines psr of 6% but a contraction for other wines of 16.3%.

Situation on :	Quality wines psr			
	Total	Yield classes (hl/ha)		
		I < 30	II 30-70	III 70-110
1.9.1981	472.339	44.486	388.477	39.376
Grubbing/Abandonment	9.376	988	7.364	1.024
Replanting	9.828	597	8.527	704
New planting	2.940	83	2.167	690
1.9.1982	475.731	44.178	391.807	39.746
Grubbing/Abandonment	7.938	645	6.455	838
Replanting	10.275	750	8.505	1.020
New planting	3.298	93	2.257	948
1.9.1983	481.366	44.376	396.114	40.876
Grubbing/Abandonment	8.788	793	7.346	649
Replanting	11.780	714	10.300	766
New planting	3.841	131	3.046	664
1.9.1984	488.199	44.428	402.114	41.657
Grubbing/Abandonment	8.061	695	6.405	961
Replanting	8.835	686	7.423	726
New planting	2.955	95	2.069	791
1.9.1985	491.928	44.514	405.201	42.213
Grubbing/Abandonment	8.935	512	7.126	1.297
Replanting	9.107	306	7.743	1.058
New planting	2.308	24	1.713	571
1.9.1986	494.408	44.332	407.531	42.545
Grubbing/Abandonment	8.833	549	7.296	988
Replanting	11.555	265	9.888	1.402
New planting	3.347	30	2.480	837
1.9.1987	500.477	44.078	412.603	43.796

Unit : hectare

		Other wine				
		Yield classes (hl/ha)				
Situation on:	Total	I < 40	II 40-70	III 70-100	IV 100-130	V >130
1.9.1981	505.664	8.952	99.149	274.516	68.508	54.539
Grubbing/Abandonment	28.279	397	6.142	15.015	3.838	2.887
Replanting	7.400	24	1.070	4.578	1.072	656
New planting	120	1	35	84	-	-
1.9.1982	484.905	8.580	94.112	264.163	65.742	52.308
Grubbing/Abandonment	19.268	253	3.996	9.567	3.246	2.206
Replanting	7.265	36	1.018	4.696	1.008	507
New planting	129	1	39	88	1	-
1.9.1983	473.036	7.815	91.722	259.380	63.510	50.609
Grubbing/Abandonment	21.896	273	4.517	12.085	2.844	2.177
Replanting	8.203	42	1.347	5.419	962	433
New planting	163	14	36	109	4	-
1.9.1984	459.506	7.598	88.588	252.823	61.632	48.865
Grubbing/Abandonment	18.047	194	4.114	9.954	1.928	1.857
Replanting	6.551	22	909	4.094	910	616
New planting	93	1	43	49	-	-
1.9.1985	448.103	7.427	85.426	247.012	60.614	47.624
Grubbing/Abandonment	19.443	169	3.914	13.562	1.666	132
Replanting	4.578	9	804	3.465	260	40
New planting	74	-	23	51	-	-
1.9.1986	433.312	7.267	82.339	236.966	59.208	47.532
Grubbing/Abandonment	16.222	311	3.263	9.796	1.430	1.422
Replanting	5.980	11	906	3.716	779	568
New planting	92	2	46	44	-	-
1.9.1987	423.162	6.969	80.028	230.930	58.557	46.678

The total area in production in France at 1.9.1987 was, according to the statistical surveys, about 924 000 ha, while the reports under the final estimate indicate an area of 1 020 202 ha, giving a discrepancy of about 96 000 ha, which should normally represent that area producing wine not for sale.

The tendency to a decline in total area is confirmed by the series for the final estimates (Table 1 of the Annex).

3. Italy : decline

In Italy, the first basic survey was carried out in 1982, and updated by the first interim survey in 1984. The results show:

Situation on :	Quality wines psr				
	Total	Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	V > 110
2	3	4	5	6	
1.9.1982	205.997	37.361	124.620	44.016	-
Grubbing/Abandonment	6.859	1.343	4.238	1.278	-
Replanting	7.317				-
New planting	4.115				-
1.9.1984	210.570				
Grubbing/Abandonment	6.190	1.361	2.200	2.485	144
Replanting	4.900				-
New planting	1.934				-
1.9.1985	211.214				
Grubbing/Abandonment	6.564	1.280	1.209	2.986	1.089
Replanting	1.109				-
New planting	4.623				-
1.9.1986	210.382				
Grubbing/Abandonment	5.121	493	1.862	2.672	94
Replanting	3.558				-
New planting	364				-
1.9.1987	209.183				

		Other wine				
Situation on :	Total	Yield classes (hl/ha)				
		I < 40	II 40-70	III 70-100	IV 100-130	V >130
	7	8	9	10	11	12
1.9.1982	825.232	243.570	371.931	142.150	39.768	27.813
Grubbing/Abandonment	30.187	8.692	14.127	5.165	1.686	517
Replanting	5.777					
New planting	3.401					
1.9.1984	804.223					
Grubbing/Abandonment	23.891	6.065	6.451	2.875	1.096	7.404
Replanting	1.437					
New planting	1.660					
1.9.1985	783.429					
Grubbing/Abandonment	17.530	5.037	4.395	5.671	1.854	573
Replanting	1.073					
New planting	4.242					
1.9.1986	771.214					
Grubbing/Abandonment	14.556	4.376	3.438	3.680	753	2.319
Replanting	2.395					
New planting	2.242					
1.9.1987	761.285					

In 1986/87 the survey gave 761 285 hectares under other wine and 209 183 hectares under quality wine psr, a total fall of 11 000 hectares since 1985/86.



4. Luxembourg : steady

According to the wine surveys, areas changed between 1979 and 1986 as follows:

Unit : hectare

Situation on :	Quality wine psr				
	Total	Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	V > 110
1.9.1980	1.283	-	-	400	883
Grubbing/Abandonment	47	-	-	16	31
Replanting	72	-	-	26	46
New planting	5	-	-	2	3
1.9.1981	1.313	-	-	419	894
Grubbing/Abandonment	47	-	-	16	31
Replanting	39	-	-	13	26
New planting	4	-	-	1	3
1.9.1982	1.309	-	-	422	887
Grubbing/Abandonment	46	-	-	8	38
Replanting	35	-	-	12	23
New planting	8	-	-	2	6
1.9.1983	1.306	-	-	428	878
Grubbing/Abandonment	37	-	-	8	29
Replanting	45	-	-	17	28
New planting	20	-	-	2	18
1.9.1984	1.334	-	-	439	895
Grubbing/Abandonment	40	-	-	15	25
Replanting	28	-	-	12	16
New planting	-	-	-	-	-
1.9.1985	1.322	-	-	436	886
Grubbing/Abandonment	63	-	-	14	49
Replanting	1	-	-	-	1
New planting	58	-	-	29	29
1.9.1986	1.318	-	-	451	867
Grubbing/Abandonment	32			3	29
Replanting	40			16	24
New planting					
1.9.1987	1.326			464	862

Thus, the data on the basis of the final estimate, given in Table 1 in the Annex, confirm the stability of wine-growing areas in Luxembourg.

VI/4623/88-EN (PVIN-2531)

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WINE SURVEY - INTERMEDIATE SURVEYS (Reg. 357/79)  
CHANGES IN REGIONAL FIGURES 1982-1985

- ha -

TOTAL WINE GRAPES													
	1982	Grubbed	Planted	1984	Grubbed	Planted	1985	Grubbed	Planted	1986	Grubbed	Planted	1987
LUXEMBOURG	1.309	83	108	1.334	40	28	1.322	63	59	1.318	32	40	1.326

WINE SURVEY (Reg. 357/79)  
Intermediate survey

- ha -

NEW PLANTING

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
LUXEMBOURG	7	5	4	8	20	-	58	-

5. Greece : decline

According to the basic statistical survey carried out in 1982 and updated in 1986, areas growing wine in Greece declined by a total of 2.4% over the period 1982 - 1987.

Situation on :	Quality wine per				
	Total	Yield classes (hl/ha)			
		I < 30	II 30-70	III 70-110	IV > 110
2	3	4	5	6	
1.9.1982	31.029	2.889	9.658	13.026	5.455
Grubbing/Abandonment	397	118	152	83	44
Replanting	453				
New planting					
1.9.1983	31.085				
Grubbing/Abandonment	316	52	111	108	45
Replanting	340				
New planting					
1.9.1984	31.109				
Grubbing/Abandonment	362	108	179	72	3
Replanting	301				
New planting					
1.9.1985	31.048				
Grubbing/Abandonment	286	118	121	34	13
Replanting	117				
New planting					
1.9.1986	30.879				
Grubbing/Abandonment	254	77	120	37	20
Replanting	153				
New planting					
1.9.1987	30.778				

		Other wine				
		Yield classes (hl/ha)				
Situation on :	Total	I < 40	II 40-70	III 70-100	IV 100-130	V >130
	7	8	9	10	11	12
1.9.1982	59.114	18.078	15.482	11.677	7.362	6.515
Grubbing/Abandonment	1.250	127	237	171	647	69
Replanting	682					
New planting						
1.9.1983	58.546					
Grubbing/Abandonment	922	211	350	215	80	67
Replanting	786					
New planting						
1.9.1984	58.410					
Grubbing/Abandonment	1.252	575	350	267	53	7
Replanting	708					
New planting						
1.9.1985	57.866					
Grubbing/Abandonment	1.770	815	564	279	96	16
Replanting	909					
New planting						
1.9.1986	57.005					
Grubbing/Abandonment	1.305	643	261	263	52	87
Replanting	598					
New planting						
1.9.1987	56.298					

There is a 1.5% fall in the area under other wine in Greece as against the previous year.

C. Structural policy

The structural policy in effect since 1976 breaks down into two basic aspects: measures to restructure vineyards, and the grubbing-up of vineyards.

(ha)

Types of measure Legal instrument	Area concerned in hectares by end of				
	1983	1984	1985	1986	1987
Conversion premium Regulation 1163/76	78.041,92				
Special premium for					
- restructuring	9.461,07	12.813,7	20.043,13	28.652,60	31.152,84
- conversion	11.357,96	14.777,5	18.306,30	19.037,38	19.169,25
- irrigation	396,71	820,7	1.167,13	1.517,77	1.517,77
Directive 78/627/CEE					
Abandonment of vineyards					
- temporary	23.810,51	32.514,74	42.043,28	52.367,30	54.343,98
- permanent	26.965,09	34.237,52	41.554,96	51.765,55	54.444,92
- renunciation of replanting	7.128,96	7.134,74	7.134,74	7.134,74	7.134,74
Regulation 456/80					
Vineyard restructuring	606,41	2.526,17	6.866,48	13.309,90	18.817,83
Regulation 458/80					
Permanent abandonment premium					16.854,72
Regulation 777/85					

The aim of the measures provided for in Regulation (EEC) No 1163/76 was to remove from the market inferior products from wine-grape vine varieties. By 1983 a total of 78 041.9 hectares had been converted.

Directive 78/627/EEC provided for special premiums for restructuring, conversion and irrigation in Languedoc-Roussillon and some neighbouring areas. Up to the end of 1987, 31 152.84 hectares had been restructured, 19 169.25 had been converted and 1 517.77 hectares devoted to crops other than the vine. Under Regulation (EEC) No 456/80, 115 923.5 hectares of vineyard had by 1987 been abandoned, the figure for Regulation (EEC) No 458/80 being 18 817.3 hectares.

This rather modest fall in area under vines is confirmed by the intermediate surveys under Regulation (EEC) No 357/79: between 1982 and 1986 the area under wine grape vines fell by only 83 352 hectares (approx. 3.7%).

Despite the financial incentives for the abandonment of vineyards adopted in 1980 (Regulations 458/80 and 456/80) the imbalance on the Community market in table wine persisted, and this led to the existing socio-structural instruments for reducing the Community's wine-producing potential to be reinforced, given also the worries about the consequences of the enlargement of the EEC to include Spain and Portugal:

- implementation of Regulation 456/80 was brought to an early end, and provision was made for increased aid to growers who quickly changed their commitment for temporary abandonment to permanent abandonment;
- a new system of incentives for the permanent abandonment of vine-growing was introduced, to apply from 1985/86 to 1989/90 inclusive.

These new provisions were contained in Council Regulations (EEC) Nos 776/85 and 777/85 of 26 March 1985. The former derogated from the arrangements laid down in Regulation 456/80 and brought the joint measure to a close with the 1984/85 wine year as regards the temporary abandonment premium and 1992/93 as regards the permanent abandonment premium.

Council Regulation (EEC) No 777/85 on the granting, for the 1985/86 to 1989/90 wine years, of permanent abandonment premiums in respect of certain areas under vines provides for higher incentives, which are modulated for yield and vine variety.

In order to implement the Regulation in Spain, from 1 January 1986, the premiums were fixed at a level taking into account the return from vine-growing in Spain and the objectives determined by the extent of the Spanish vineyard (Council Regulation (EEC) No 3775/85). This legislation envisages the permanent abandonment of about 300 000 hectares (including Spain, to 1990). The new rules include the following innovations on the previous system:

- an abatement, with compensation; of the right to replant originating from any grubbing-up carried out on the residual vine-growing area on the holding, in order that a reduction in production through the permanent abandonment of certain areas is not cancelled out in reality by an increase in the productivity of the remaining areas of the holding;

- compensation to wine cooperatives and other associations of vine-growers for increases in processing costs due to a significant reduction in their activity because of their being left by members receiving the permanent abandonment premium;
- new rules for financing by the EAGGF Guidance Section to facilitate execution by national administrations, through a system of advances on premiums;
- an increase in the amount of the abandonment premiums, the level of which, proportional to the size of the areas under vines grubbed up on a given holding and to the average declared yield per hectare on the holding, this being designed to compensate not only for the cost of the actual grubbing operation itself and the loss of the corresponding entitlement to replant, but also for the loss of future income;
- extension of the scheme to include not only areas for the production of table wine but also those for table grapes, grapes for drying, wines suitable for production of wine spirit of Cognac designated origin, and areas used as root-stock nurseries.

Some specific features of vineyards in Greece and Portugal led to difficulties in implementing the above schemes in those two countries, and the Council adopted specific regulations, for Greece in 1985 and Portugal in 1986.

Regulation (EEC) No 895/85 on a common measure to improve the structures of the wine-making sector in Greece includes a programme for the restructuring of certain areas under vines in Greece.

Regulation (EEC) No 2239/86 on a specific common measure to improve vine-growing structures in Portugal breaks down into two main aspects: restructuring of vineyards and permanent abandonment.

However, following the decisions taken at the Council meeting of Ministers of Agriculture on 28 and 29 March 1988, agricultural stabilizers were set up in the wine sector, involving the two aspects of markets and structures. In the latter case, a new grubbing scheme has replaced that provided for in Regulation (EEC) No 777/85, applying - notwithstanding that Regulation - to all areas under vines, both those producing table wines and those producing quality wines psr (Council Regulation (EEC) No 1442/88 of 24 May 1988 on the granting, for the 1988/89 to 1995/96 wine years, of permanent abandonment premiums in respect of wine-growing areas).

In order to allow for particular situations, and specifically the problem of depopulation, the Member States may be authorized not to implement the grubbing-up system in certain parts of their wine-growing territory, up to a maximum of 10% of their wine-growing potential. The Commission is to propose criteria for authorizing such derogations.

In order to make permanent abandonment more attractive, growers reducing their area significantly will enjoy total or partial exemption from compulsory distillation (Article 39 of Regulation (EEC) No 822/87), which, under the new system of prices, will involve a greater degree of disincentive.

Exemption may be total if the holding's potential for producing table wine is reduced by more than 50%, with partial exemption at one or more levels if the reduction is between 20 and 50%.

The degree of exemption will be determined by multiplying the yield, fixed on the basis of an average yield declared for the recipient's holding, the productive capacity of the vineyard to be grubbed-up being verified by on-the-spot assessment, by the area grubbed-up.

The possibility of the grubbing-up arrangements being modified during implementation of the scheme is provided for.

The new Regulation provides for the Council to re-examine the grubbing-up arrangements as a whole by 1 April 1990, on the basis of an exhaustive report from the Commission.

Experience shows that structural measures have an inherent tendency not to get under way easily, but they are nonetheless an essential instrument for getting to the heart of problems and a necessary component of the Community's armoury of measures for achieving balance on the wine market.

The Commission remains convinced that reducing areas under vines is one of the main ways in which balance on the wine market can be achieved.



REGULATION (EEC) No 1163/76

Conversion premium (1)

		Number of recipients	Area concerned (ha)
1979	Belgium	62	3,42
	France	22.326	25.381,40
TOTAL		22.388	25.384,82
1980	Belgium	147	8,94
	France	34.760	42.241,41
TOTAL		34.907	42.250,35
1981	Belgium	233	13,64
	France	35.708	43.540,89
	Italy	16.888	21.563,39
TOTAL		52.829	65.117,92
1982	Belgium	259	16,30
	France	35.776	43.706,90
	Italy	16.781	22.560,52
TOTAL		52.816	66.283,73
1983	Belgium	262	16,52
	France	35.805	43.757,25
	Italy	24.991	34.268,15
TOTAL		61.058	78.041,92

(1) Figures based on applications for reimbursement by the EAGGF Guidance Section.

DIRECTIVE 78/627/CEE

Special premium for restructuring, conversion and irrigation (1)

		Number of recipients	Area concerned (ha)
1980	France	1.513	927,6
1981	France		
	- Restructuring	4.152	2.751,8
	- Conversion	481	1.139,0
1982	France		
	- Restructuring	7.764	5.307,5
	- Conversion	2.692	6.271,6
	- Irrigation	-	-
1983	France		
	- Restructuring	12.966	9.461,07
	- Conversion	5.600	11.357,96
	- Irrigation	19	396,71
1984	France		
	- Restructuring	16.786	12.813,7
	- Conversion	7.713	14.777,5
	- Irrigation	52	820,7
1985	France		
	- Restructuring	24.639	20.043,13
	- Conversion	9.994	18.306,30
	- Irrigation	204	1.167,13
1986	France		
	- Restructuring	34.947	28.652,60
	- Conversion	10.591	19.037,38
	- Irrigation	232	1.517,77
1987	France		
	- Restructuring	37.931	31.152,84
	- Conversion	10.659	19.169,25
	- Irrigation	232	1.517,77

(1) Figures based on applications for reimbursement by the EAGGF Guidance Section.

REGULATION (EEC) No 456/80

Abandonment of certain areas under vines and renunciation of replanting (1)

		Temporary abandonment		Permanent abandonment		Renunciation of replanting	
		Recipients:	Area in ha	Recipients:	Area in ha	Recipients:	Area in ha
France	1982	6.074	11.868,9680	7.467	14.515,0537	3.576	4.899,4440
TOTAL		6.074	11.868,9680	7.467	14.515,0537	3.576	4.899,4440
France	1983	13.032	23.810,5138	16.496	26.965,0974	5.234	7.128,9656
TOTAL		13.032	23.810,5138	16.496	26.965,0974	5.234	7.128,9656
France	1984	18.925	32.514,7449	22.138	34.237,5256	5.236	7.134,7481
TOTAL		18.925	32.514,7449	22.138	34.237,5256	5.236	7.134,7481
France	1985	25.663	41.761,6834	28.318	41.377,3547	5.236	7.134,7481
Greece		586	261,6000	528	177,6060	-	-
TOTAL		26.249	42.023,2834	28.846	41.554,9607	5.236	7.134,7481
France	1986	32.445	52.105,7023	34.967	51.587,9506	5.236	7.134,7481
Greece		586	261,6000	528	177,6060	-	-
TOTAL		33.031	52.367,3023	35.495	51.765,5566	5.236	7.134,7481
France	1987	33.256	53.840,6065	36.122	54.002,6881	5.236	7.134,7481
Greece		1.134	503,3750	1.161	442,2360	-	-
TOTAL		34.390	54.343,9815	37.283	54.444,9241	5.236	7.134,7481

(1) Figures based on applications for reimbursement by the EAGGF Guidance Section.

**REGULATION (EEC) No 458/80**

**Restructuring of vineyards (1)**

		Number of recipients	Area restructured in ha
1983	France	23	606,4176
1984	Germany	2	600,4634
	France	46	1.925,7096
	TOTAL	48	2.526,1730
1985	Germany	4	1.131,5752
	France	83	4.733,6677
	Italy	1	1.001,2400
	TOTAL	88	6.866,4829
1986	Germany	5	1.722,9630
	France	121	9.557,1840
	Italy	7	2.029,7595
	TOTAL	133	13.309,9065
1987	Germany	7	3.017,6964
	France	214	12.918,4752
	Italy	12	2.881,6650
	TOTAL	233	18.817,8366

(1) Figures based on applications for reimbursement by the EAGGF Guidance Section.

REGULATION (EEC) No 777/85

Premium for permanent abandonment of certain areas under vines (1)

		Number of	Area
		recipients	abandoned
			in ha
1987	Greece	1.930	859,58
	France	8.001	15.995,14
	TOTAL	9.931	16.854,72

(1) Figures based on applications for reimbursement by the EAGGF Guidance Section.

2. THE MARKET

This section examined first trends in production and overall demand for wine in the Community, as shown by the 1985/86 and 1986/87 forward estimates, then prices and Community intervention for the same years, and finally the prospects for wine consumption by 1992.

2.1. Production and overall demand for wine in the Community

2.1.1. Production

Table 5 shows that average world production of wine over the last five years has been 333.9 million hectolitres, the average for 1974/79 being 319.2 million. Average total production in the Community of Twelve in 1982/87 was 205.6 million hectolitres, the figure for 1974/79 being 197.8 million.

Over the five years 1974/79 the Community of Twelve accounted for 62% of total world production, the figure for the period 1982/87 being approximately 61.6%.

Table 6 shows that the Community of Twelve's average output over the last three years has been 194.8 million hectolitres, whereas that of the Community of Ten for the three years 1980/83 was 158.6 million, the average over the years 1971/80 being 154 million.

From 1984/85 to 1985/86 production in the Community of Twelve fell overall by 4.8 million hectolitres, or 2.5%. However, output in 1986/87 was up by some 22.6 million on 1985/86 (a rise of 12.16%), at a total of 208.3 million hectolitres.

Table 7 (Community of Twelve, 1985/86) shows that production breaks down into 65% table wine, 24% quality wines psr and 11% other wines. Of all wines, 58.5% were red and rosé and 41.5M white. Of table wines, 33.8% were white and 66.2% red and rosé.

Of quality wines psr, 54.6% were red and rosé and 45.4% white. Other wines were 78.4% white and 21.6% red and rosé.

The same table shows that, for 1986/87, 66.9% of wine was table wine, 25.6% quality wines psr and 7.5% other wines. Overall 56.9% of wine was red and rosé and 43.1% white, whereas 65% of table wine was red and rosé and 35% white.

As regards quality wines psr, there is a balance between red/rosé and white.

Of other wines, 92% is white and 8% is red and rosé.

In Italy, Tables 8 and 9 show wine production in 1985/86 to have been 61.7 million hectolitres, a sizeable 8.5 million less than in 1984/85. This was due to the large fall in the output of table wine, amounting to only 48.6 million hectolitres (a fall of 10.7 million) while output of other wine and quality wine psr rose by 1.1 and 1.2 million hectolitres respectively.

Output in 1986/87 amounted to 76.2 million hectolitres, an increase of 14.5 million, or 23.5%, on 1985/86. This is due to an increase in both table wine, to 64.6 million hectolitres (an increase of 16 million), and quality wines psr (4% up at 22.3 million). Other wines fell by 1.7 million hectolitres.

In France, the 1985/86 harvest, at 70 million hectolitres, was 6.7 million up on the previous year. The increase was both in quality wines (up 4.1 million) and in other wines (up 2.6 million), whereas output of table wines was steady (39.5 million).

The 1986/87 harvest in France was 72.7 million hectolitres (up 2.7 million), the increase being due to greater production of quality wines psr (up 2.4 million) and of table wines (up 520 000 hectolitres), while output of other wines fell by about 200 000 hectolitres.

In Germany, after the record harvest of 15.1 million hectolitres in 1982, production in 1985/86 was 6.1 million, this being 2.8 million less than the 1984/85 figure of 8.9 million. The fall is accounted for by quality wines being 1.6 million hectolitres down and table wines 1.1 million.

In 1986/87 the German harvest was 4.8 million hectolitres more than in 1985/86: quality wines psr were 4.3 million hectolitres up and table wines 460 000 hectolitres.

In Greece, there was a fall in production in 1985/86 of 243 000 hectolitres as against 1984/85, with a further 448 000 hectolitres in 1986/87 as compared with 1985/86. These are falls of 4.8 and 9.4% respectively.

In Luxembourg, production in 1985/86 fell to 107 000 hectolitres (as against 152 000 in 1984 and 185 000 in 1983), while the figure for 1986/87 is 160 000 hectolitres, 49.5% more than in 1985/86.

In Spain, production in 1985/86 was 33.1 million hectolitres, a fall of 4.1% against the previous year, accounted for by a 1.8 million hectolitre fall in production of table wine, with increases in both quality wines psr (1.2 million hectolitres) and other wines (0.6 million hectolitres). Production in 1986/87 was 35.8 million hectolitres, 8.1% more than in 1985/86, this being due to an increase in table wines (up by 3.3 million hectolitres), quality wines psr (up by 2.2 million hectolitres) and other wines (up by 2.7 million hectolitres).

In Portugal, production in 1985/86 was 9.9 million hectolitres, an increase of 1.2 million over 1984/85. In 1986/87 Portuguese output fell by 1.9 million hectolitres to 8 million.

The above figures show both that wine production fluctuates widely from one wine year to another and from area to area and that it is rather difficult to lay down any precise quantitative and/or qualitative medium-term production objectives or to make any worthwhile forecasts for the wine sector.



Technical progress has led to a steady increase in vineyard yields and production of wine will thus continue to increase despite the reduction in vineyard area brought about by the structural measures adopted by the Community in 1985, to cut vineyard areas by granting aid for abandonment and so redress the situation of imbalance on the market.

#### 2.1.2. Demand(\*)

Table 24 reveals that since the period 1971/80 internal consumption in the Community of Ten has been falling markedly, from 144.9 million hectolitres in 1970/80 to 115.4 million in 1985/86 and 123.1 million in 1986/87\*. Total internal consumption in the Community of Twelve is 150.6 million hectolitres.

These figures do not include quantities of wine distilled: according to reports from the Member States these amounted in 1985/86 to 24.3 million hectolitres, an appreciable fall of some 5.9 million as against 1984/85, but rose by 15.7 million to 40 million in 1986/87.

Table 30 on the trend shown by the statement of resources reveals that in 1985/86 direct human consumption in the Community of Ten fell to 107.4 million hectolitres (7 million less than in 1984/85) and rose by 5 million hectolitres in 1986/87\*, to 112 million.

The figure for the Community of Eleven in 1986/87 was 131.6 million hectolitres, and for the Community of Twelve it was 137.8 million.

This sizeable fall in direct human consumption is accounted for mainly by the steady decrease in consumption per head of population in the two main producing Member States, France and Italy, which is not made up for by small increases in the non-producing countries.

Table 25 shows that average per capita consumption of wine in the Community of Twelve was 41 litres in 1985/86 and 42 litres in 1986/87. The German figure rose from 23 litres per head in 1985/86 to 26 Litres in 1986/87, while consumption in France fell from 80 litres per head in 1985/86 to 76 litres in 1986/87. In Italy consumption fell considerably in 1985/86 as against 1984/85 and rose again in 1986/87,

\* All figures for 1986/87 are provisional.

to 66 litres per head. Consumption in the Netherlands is steady at 14 litres per head. In Belgium consumption fell in 1985/86 but in 1986/87 it exceeded the level of 1984/85 (18 litres). Consumption in Luxembourg increased slightly in 1986/87 to 60 litres per head. Consumption is increasing in the United Kingdom, with figures of 9 litres in 1985/86 and 10 in 1986/87. The figures for Ireland and Denmark in 1986/87 are 3 and 19 litres respectively. Consumption in Greece is increasing, from 29 litres in 1985/86 to 34 litres in 1987/88. Consumption in Spain fell slightly, to 48 litres, in 1986/87, while in Portugal the amount of wine drunk is falling, representing 60 litres per head in 1986/87.

Table 30 shows that, for the Community of Ten, non-Community distillation involved 6.5 million hectolitres in 1985/86 as against 6.1 million in 1984/85 (up 7.9%). The amount in 1986/87 was 9.2 million hectolitres (up 41.5% on 1985/86). For the Community of Twelve in 1986/87, non-Community distillation involved 10.2 million hectolitres.

On the other hand, quantities distilled with Community aid, which in 1985/86 amounted to 24.3 million hectolitres for the Community of Ten, rose in 1986/87 to 32.7 million hectolitres, an increase of 34.5%. For the Community of Eleven, 44.5 million hectolitres were distilled in 1986/87.

## 2.2 Community prices and intervention

### 2.2.1. Prices

For 1985/86 and 1986/87 guide prices for the various types of table wine were unchanged as against 1984/85.

As regards table wines of type R I, French prices were stable throughout 1985/86, at around 79% of the guide price. From the beginning of 1986/87 they weakened, falling to 71% of the guide price at the end of the wine year.

Italian prices firmed progressively until April 1986 and then began to weaken, falling to 83% of the guide price in August. In 1986/87 they fluctuated in line with French prices, the level at the end of the year being 75% of the guide price.

A few prices from Greece were recorded: they were around 89% of the guide price in 1985/86 and around 94% the year after.

The few Spanish prices communicated, from 1 March 1986, were at an average of 72% of the guide price. Quotations became more frequent in 1986/87, and prices, having fallen to 59% of the guide price, recovered to end the wine year at 72%. The representative Community price followed French levels very closely. Spanish prices were multiplied by a correcting coefficient corresponding to the ratio between Community and Spanish guide prices. This coefficient was set at 1.81 as from 1 March 1986, and 1.62 for the 1987/88 wine year.

For red table wines of type R II, the only French price quoted, Bastia, was fairly stable over both years, at between 68 and 75% of the guide price, which was about 5% higher than the average for 1984/85.

The very few prices available from Italy firmed up at the beginning of 1985/86 and then weakened again from June 1986, to fluctuate markedly throughout 1986/87, ending down at 64% of the guide price.

No Greek prices were included.

Spanish prices, communicated from 1 March 1986, remained fairly stable at more than 82% of the guide price, but collapsed at the beginning of 1986/87 to 66%, before recovering to 79% in August 1987.

The trend in the representative Community price was irregular, but since Spanish prices were included it has tended to follow them.

As regards white table wines of type A I, prices in France weakened at the beginning of 1985/86, falling to 83% of the guide price, before recovering in early 1986 to end the wine year at 89%. During 1986/87 they were steady at around 84% of the guide price.

Italian prices were slightly lower than those in France, varying between 75 and 86% of the guide price at the end of 1985/86, but they fell as the next wine year began, to a low of 72% of the guide price.

A very few prices were reported from Greece during 1985/86. The average was 95% of the guide price, 20% higher than the previous wine year. This situation continued in 1986/87, with an average of 97% of the guide price.

Spanish prices, reported from 1 March 1986, remained low, at an average of 63% of the guide price. During 1986/87 they fell even further to a trough of 52% in January, before recovering to end the wine year at 73%. The Community representative price was much affected by Italian prices over both wine years.

As regards German table wines, prices for white wines began well before weakening towards the end of 1985/86. They peaked in December at 128% of the guide price for wines of type A II and 104% for A III, before collapsing to 65% for A II and 79% for A III in August 1986. They continued to fall during 1986/87, finally steadying at around 50% for type A II and 68% for A III.

Red wine prices were much steadier: the average for 1985/86 was well above that of the previous year (+ 36%), at 216% of the guide price. Prices fell back slightly during the following wine year, but were still high at 186% of the guide price.

### 2.2.2. Community intervention

Most intervention in the wine sector is covered by Community legislation (Regulation (EEC) No 822/87) and concerns the following products: grape juice and must (with or without added sugar), grape must in fermentation, table wine produced from fresh grapes, fresh grapes other than table grapes, wine vinegar, etc.

#### 1. Export refunds

Refunds may be granted to aid exports. They may be varied according to destination.

For the financial year 1985 export refunds amounted to ECU 18.9 million (2% of expenditure in the wine sector). In 1986 refunds amounted to ECU 11.1 million, 41.3% less than in 1985.

Appropriations for refunds in 1987 amounted to ECU 46 million, or 3.6M of wine sector expenditure.

## 2. Private storage aid and aid for re-storage of table wine and grape must

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The aim here is to freeze availabilities on the market for a certain time, by encouraging growers to store products in return for aid.

There are two kinds of private storage contract:

- \* long-term contracts: these are possible when, at the beginning of the wine year, availabilities exceed likely requirements by four months' supply. Table 28 shows that in 1985/86 long-term contracts were included for 14.6 million hectolitres, and in 1986/87 for 18.7 million (Spain now being included), an increase of 28%;
- \* four-month contracts, complementary to long-term contracts: these are possible at the expiry of long-term contracts if market prices remain below the activating price for three consecutive weeks. In 1985/86 four-month contracts covered a total of 1.9 million hectolitres and in 1986/87 only 0.5 million, a decrease of 73%.

In financial terms, private storage aid in 1985 represented ECU 87.6 million and, in 1986, ECU 65.9 million, a fall of 24.8%. It accounted for 9.5% of total wine sector expenditure in 1985 and 10.3% in 1986.

## 3. Distillation

Quantities available at the beginning of the wine year (carry-over stock of 99 million hectolitres in 1985/86 in the Community of Ten and 123.7 million hectolitres in 1986/87 for the Community of Eleven, together with a harvest of 142.7 million hectolitres in 1985/86 and 200.1 million in 1986/87) and the high levels of availabilities resulting therefrom led the Community to have recourse, as in 1984/85 for the Community of Ten, to the distillation measures provided for in Community rules.

The amounts of wine distilled with Community aid, as reported by the Member States, totalled 24.3 million hectolitres in 1985/86 and 40 million in 1986/87, an increase of 64.6%. Among the main market-regulating measures, a distinction should be made between compulsory and optional distillation (see Table 29).

- Compulsory distillation

- Compulsory distillation of the by-products of winemaking ("prestations viniques")

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This compulsory distillation of marc and wine lees is designed to avoid the overpressing thereof and the marketing of poor quality wines with a low natural alcoholic strength. In 1985/86 a total of 2.4 million hectolitres of wine were thus distilled, and in 1986/87 some 3 million hectolitres, including lees in Spain.

- Compulsory distillation of wines other than table wines

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This concerns surplus wine in the Cognac area and wine produced from table grapes and from dried grapes etc. Over the last two wine years the volume concerned has been 3 million hectolitres of wine.

- Compulsory distillation of table wines

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This is the distillation provided for in Article 39 of Regulation (EEC) No 822/87. The total quantity to be distilled is shared between the various wine-growing regions of the Community, grouped together by Member State, on the basis of the difference between production in each region during the year in question and 85% of average production in 1981/82, 1982/83 and 1983/84. Each producer liable to compulsory distillation distils a quantity which varies with his yield, allowing for difference between the various parts of the Community. In 1985/86 the amount of wine distilled under Article 9 of the basic Regulation on wine was 3 million hectolitres; in 1986/87 it was 10.3 million hectolitres, an increase of 245%.

- Optional distillation

- "Garantie de bonne fin" distillation for long-term storage contract holders
- 

The aim here is to guarantee growers that their wine will not be disposed of at less than the activating price, if they have concluded long-term storage contracts.

This was introduced in 1976/77 as a temporary support measure but it has since become a permanent fixture.

It provides guaranteed price support and has now been limited to a percentage of the contract-holder's total production of table wines (15% for 1984/85, 13% for 1985/86 and 10% for 1986/87).

In 1985/86 this form of distillation accounted for 9.5 million hectolitres, and in 1986/87 for 7.2 million, a fall of 24%.

- Preventive distillation

At the beginning of each wine year the Commission may introduce this form of distillation, at 65% of the guide price for each type of table wine. In 1985/86 this accounted for 6 million hectolitres and in 1986/87 for almost 13 million.

Since 1984/85 quantity limits have been imposed on each producer, the present limit being 13% of most producers' output.

- Support distillation

During any wine year in which compulsory distillation has been resorted to, the Commission is to provide automatic access to distillation at a fixed guaranteed price of 82% of the guide price for each type of wine.

In 1985/86 this form of distillation accounted for 1.8 million hectolitres and in 1986/87 for 3.6 million.

Distillation is the main way of disposing of wine surpluses in the Community. Surpluses amounted in 1985/86 to 21.3M, and in 1986/87 to 26.8%, of total output of table wine. They are liable to persist if not increase in coming years.

Table 27 shows that total EAGGF Guarantee Section expenditure on the wine sector for the financial year 1986 amounted to ECU 635.6 million as against 921.4 million in 1985, a fall of 45%. These figures represent 2.87 and 4.64% in 1986 and 1985 respectively of total Guarantee Section expenditure, ignoring any reductions in expenditure after clearance of the 1986 accounts. The various measures adopted have thus led to a fall in expenditure on the wine sector.

On 8 December 1986, following the serious crisis in the wine sector in Italy because of the scandal concerning wine adulterated with methanol, the Council adopted a decision on the granting of certain national aid for distillation in the wine sector in Italy, up to a maximum quantity of 2.5 million hectolitres of table wine and 170 000 hectolitres of white table wine, resulting from the downgrading of Moscato d'Asti D.O.C. wines.

### 2.3. Prospects for wine consumption up to 1992

Export strategies cannot be based on too global a view of the world wine market but rather on an analysis, if not by country, then at least by major consumption area.

World consumption of wine over the next few years would seem to be due to fall steadily. In the major consumer countries there is an appreciable diminution - by between 1 and 4% per year in Italy, France, Spain and Portugal. The same is the case in South America (Argentina, Chile).

In much of western Europe consumption is steady or rising slightly: between 0.3 and 1% per year in Belgium, Luxembourg, Germany, Switzerland and Austria. In the monopoly countries of northern Europe - Sweden, Norway, Finland - consumption is rising slowly but surely, by 3 to 4% per year.

In Denmark and the Netherlands consumption may well continue to expand at its present rate of 4% and 4.1% per year respectively. In the United Kingdom the prospects are generally excellent (a rise of 6.4% per year).

In other English-speaking countries, consumption is still low, as the habit of drinking wine has only recently caught on, during the 1970s. Consumption in these markets is likely to increase distinctly, at annual rates between now and 1992 of 3.3% in the United States, 4.3% in Canada and 6% in Australia.



In Asia the markets are as yet very small but consumption is rising steadily and will continue to do so over the years to come: Japan - 0.7 litres per head per year in 1982, 0.85 litres in 1984.

Consumption is still high in the traditional producer countries of southern Europe, where until the last few years wine was always considered as an absolute staple, just like bread. Since 1975, however, the amount, particularly of table wine drunk has tended to fall across the board. There are a number of reasons for this:

- the spread of sedentary employment;
- a change in consumption habits particularly amongst the young (expansion of soft fizzy drinks and mineral waters);
- the impact of campaigns against alcoholism.

Thus, total consumption in France and Italy has fallen over the last ten years by more than 21 million hectolitres, and in Spain by about 6 million. The trend in Portugal is less clear cut.

#### 2.4 Conclusion

On the basis of total domestic consumption, taking the various Community-financed distillation measures into account, the Community's degree of self-sufficiency was 102.2% in 1985/86 and 102.3% in 1986/87, as against 97.1% in 1984/85.

If we disregard these distillation measures, the rate becomes 123.6% in 1985/86 and 145.2% in 1986/87, as against 121.2% in 1984/85. This is less than the figure for 1979/80, when production reached an all-time high.

The outlook is thus very worrying. If we extrapolate the above trends - a steady fall in consumption per head of table wine in the main producer countries, and a limited rise in the other Member States, with a considerable surplus of supply over demand - we have to conclude that overall demand for wine in the Community of Twelve, including net exports and quantities processed without Community aid, is likely to be, by 1993/94, something like 155 million hectolitres.

Production at levels of 210 to 215 million hectolitres would thus exceed consumption by some 55 to 60 million hectolitres and, unless it were possible to expand consumption in the countries where it is at present low, to stem the fall in consumption in the producer countries or to increase exports, large quantities of wine would still have to be distilled.

On 28 and 29 March 1988 the Council meeting on agriculture adopted a number of decisions aimed at bringing wine-growing potential more in line with requirements. There were two aspects to these decisions:

- one concerning markets, involving amendments to Regulation (EEC) No 822/87 as regards two points concerning compulsory distillation (Article 39):
  1. a harmonization of the scales to be applied in the various regions of production enabling high yields to be penalized more in all Member States and laying down a yield threshold which may be varied depending on the volume to be distilled and the quality policy of the Member State concerned;
  2. a reduction in the price paid in the event of compulsory distillation;
- one concerning structures, with the introduction of new arrangements for grubbing-up (Regulation (EEC) No 1442/88).

A link has also been established between compulsory distillation and the grubbing-up of vineyards: in order to make permanent abandonment of vineyards more attractive, growers who reduce their area under vines significantly are to be exempt from the obligation to distill.

3. INTRA-COMMUNITY TRADE AND EXTERNAL TRADE

During 1985/86 the Community of Ten's internal trade and its trade with the outside world in wine continued previous trends in two respects:

- intra-Community trade still dominated overall trade (82.7% - see Table 13);
- imports persisted at a level in line with the 1970-1980 average (4.16 million hectolitres - see Table 15).

Exports, however, which had made steady progress from 1976/77 onwards to reach 10.2 million hectolitres in 1984/85, fell back by 16.2% in 1985/86 to 8.5 million (see Table 18).

The external trade figures for 1985/86 show a positive balance of 4.4 million hectolitres against 5.7 million in 1984/85, a fall of 23%. The reduction is accounted for mainly by the United States and the Soviet Union, and is mainly caused by the effects of the system of export refunds, which lose the Community a significant share of the world market, specifically as regards the Soviet Union and certain countries in Africa.

During 1986/87 trade within the Community of Twelve increased substantially to 23 million hectolitres, from 19.8 million in 1985/86, a rise of 16.2%.

Intra-Community trade in 1986/87 was distinctly higher as a percentage of total imports than in 1985/86 (93.9% against 82.7%).

Imports of wine from outside the Community fell considerably, by 64.2% as against 1985/86, to 1.5 million hectolitres in 1986/87. This is because Spain and Portugal were no longer considered as non-Community countries (see Table 15).

Exports of wine to destinations outside the Community rose to nearly 11 million hectolitres in 1986/87 against 8.5 million in 1985/86, a rise of 29.4% (see Table 18).

Net exports in 1986/87 amounted to 9.5 million hectolitres, as against 4.4 million in 1985/86. The increase was accounted for mainly by Scandinavia, Switzerland, Austria, Canada and Japan. On the other hand, exports to the Soviet Union, which had begun to fall in 1984/85, went down further, from 84 162 hectolitres in 1985/86 to 1 611 hectolitres in 1986/87. Exports to the United States also fell, from 3.8 million hectolitres in 1985/86 to 3.2 million in 1986/87, a fall of 15.6%.

### 3.1. Intra-Community trade

Tables 10 and 11 show that in 1985/86 total trade between the countries of the Community of Ten fell to 19.8 million hectolitres as against 23.2 million in 1984/85, a fall of 14.5%, this being mainly due to lower shipments from Italy, which went from 12.2 million hectolitres in 1984/85 to 8.4 million in 1985/86.

In 1986/87, trade within the Community of Twelve amounted to 23 million hectolitres, much the same as in 1984/85 and an increase of 16.1% on 1985/86.

Since 1985/86 France has been the main supplier country for intra-Community trade, by winning the market share lost by Italy because of the methanol affair.

Shipments from France increased from 7.8 million hectolitres in 1984/85 to 8.7 million in 1985/86, a rise of 10.8%. They represented 43.6% of exports within the Community of Ten.

In 1986/87 French exports increased to 9.5 million hectolitres, a further rise of 9.9% on 1985/86 and 41.3% of the market of the Community of Twelve.

France's main customers in 1985/86, in decreasing order, were Germany (3.7 million hectolitres or 42%) followed by the United Kingdom (2.0 million or 23%) and the BLEU (1.22 million or 13%). All these increased their purchases appreciably.

In 1986/87 French shipments to other Community countries broke down as follows: Germany - 4.1 million hectolitres or 43.6%; United Kingdom - 2.1 million hectolitres or 22.7%; BLEU - 1.3 million hectolitres or 13.7%; the Netherlands - 1 million hectolitres or 10.7%; Denmark - 0.6 million hectolitres or 6.5%; Italy - 0.2 million hectolitres or 2%. Italian shipments in 1986/87 amounted to 7.9 million hectolitres, a fall of 5% as against 1985/86. They broke down as follows: France - 3.4 million hectolitres or 42.5%; Germany - 3.2 million hectolitres or 41%; United Kingdom - 0.9 million hectolitres or 11.2%; BLEU - 0.2 million hectolitres or 2.7%; Netherlands - 0.1 million hectolitres or 1.7%.

As regards German shipments to other Community countries, there was a particularly large decrease in 1985/86 as against 1984/85, from 1.99 to 1.7 million hectolitres, a fall of 13%.

The figure for 1986/87 was 1.8 million hectolitres, going mainly to the United Kingdom (1.4 million hectolitres or 75%), the Netherlands (0.2 million hectolitres or 14.2%) and Denmark (0.1 million hectolitres or 6%).

In 1986/87 intra-Community trade in wine broke down as follows by importing state: Germany - 8.1 million hectolitres or 35.4%; United Kingdom - 5.3 million hectolitres or 23.3%; France - 4 million hectolitres or 17.5%; Netherlands - 2 million hectolitres or 9%; BLEU - 1.8 million hectolitres or 8.1%; Denmark - 0.95 million hectolitres or 4.1%; Italy - 0.4 million hectolitres or 1.9%; Ireland - 0.1 million hectolitres or 0.6%; Spain - 0.029 million hectolitres or 0.1%. Imports by Greece and Portugal are almost insignificant.

### 3.2. External trade

#### 3.2.1. Imports

In 1985/86 Spain and Portugal were still the Community's main suppliers with 2.7 million hectolitres (Spain 1.8 million, Portugal 0.9 million), accounting for 65% of total imports. They were followed by Yugoslavia (575 000 hectolitres or 14%), Hungary (181 000 hectolitres or 4%), Bulgaria (104 000 hectolitres or 2.5%) and Romania (75 000 hectolitres or 1.8%). Imports from the Maghreb countries (Algeria, Morocco, Tunisia) were 212 000 hectolitres or 5% of the total.

Table 10 shows that imports of wine from outside the Community amounted in 1986/87 to 1.5 million hectolitres, as against 4.2 million in 1985/86. This is due to the inclusion of Spain and Portugal in the Community of Twelve.

The breakdown by country in 1986/87, as revealed by Table 17, is as follows: the main importer is Germany (762 594 hectolitres), followed by the United Kingdom (427 171 hectolitres), France (132 840 hectolitres), the BLEU (92 567 hectolitres), Denmark (39 102 hectolitres), the Netherlands (25 174 hectolitres), Italy (5 018 hectolitres), Ireland (2 070 hectolitres), Spain (1 381 hectolitres), Greece (159 hectolitres) and Portugal (119 hectolitres).

In 1986/87 Yugoslavia became the Community's main supplier, with 582 829 hectolitres or 39.1% of the total, followed by Hungary (157 000 hectolitres or 10.5%), and Bulgaria (146 000 hectolitres or 9.8%). Noteworthy was the fall in imports from Austria, from 321 000 hectolitres in 1984/85 to 25 796 in 1986/87, following the diethylene glycol affair. The Maghreb countries accounted for 203 313 hectolitres, 13.6% of the total.

### 3.2.2. Exports

Table 19 shows that exports by the Community of Ten, rising regularly since 1976/77, reached a record of 10.5 million hectolitres in 1981/82, followed by a fall to 8.6 million in 1982/83 and something of a recovery in 1983/84 (9 million). This increase continued in 1984/85 (10.2 million), but in 1985/86 Community exports were falling back again by 16.2% to 8.5 million hectolitres in 1984/85.

By country, France became the main exporter on to the world market in 1985/86, with 3.8 million hectolitres, Italy falling to 3.6 million (from 4.8 million in 1984/85, a 25.2% fall). Germany fell by 26.2% (804 000 hectolitres as against 1 090 000 in 1984/85). Then came Greece, falling by 31.4% from 430 000 hectolitres in 1984/85 to 295 000 in 1985/86.

In 1986/87 exports from the Community of Twelve amounted to 10.9 million hectolitres.

In 1985/86 Japanese purchase amounted to 139 478 hectolitres, strongly down on the previous year (226 605 hectolitres), but in 1986/87 the trend reversed and Japanese imports rose to 298 932 hectolitres.

Community exports to the Soviet Union fell from 658 247 hectolitres in 1984/85 to 84 162 hectolitres in 1985/86, and then again to 1 611 hectolitres in 1986/87. This was a consequence of the anti-alcohol campaign adopted by the Soviet authorities in May 1985.

France remained the leading exporter, with 3.6 million hectolitres; Spain accounted for 3 million, while the position of Italy continued to fall on export markets, with 2.8 million hectolitres, 22.2% down on 1985/86. Germany fell by 18.3% (656 690 hectolitres), while Portugal's exports amounted to 557 842 hectolitres and those of Greece to 146 157 hectolitres.

The United States remained the Community's main customer, with 3.2 million hectolitres, but this was 15.6% down on 1985/86 (3.8 million). Switzerland, with 1.6 million, was appreciably up (42%) on the preceding year. It was followed by Canada, with 1.2 million hectolitres, 4.2% up on 1985/86 (1.1 million), and Sweden, with 0.8 million (up 41%).

### Conclusions

Although since 1976 Community exports had been rising at an average annual rate of 8.3%, reaching 10.2 million hectolitres in 1984, the figure for 1985/86 fell back to 8.5 million hectolitres. In 1986/87 Spain and Portugal having joined the Community, exports amounted to 10.9 million hectolitres - Spanish and Portuguese exports may be seen as compensating for the collapse in Italian shipments following the discovery of methanol in certain Italian wines, necessitating strict quality control measures on exports.

It is nonetheless necessary to refer to the main explanations which have been put forward for the poor results achieved on external markets.

Firstly, trade in wine is concentrated strongly on the OECD countries; it makes up a commercial system based on reciprocal free trade, which alone is not enough to trigger growth in export flows. Secondly, there are appreciable difficulties in making sound forward estimates, because of a number of unforeseeable factors and also the uncertainty as regards sales up to 1992.

In addition, trade in wine is handicapped by slackening demand from our commercial partners and also by protectionist measures. These include tariff barriers (Eastern bloc, developing countries) and ad valorem customs duties (Eastern block, developing countries, Japan) and domestic taxation systems which are so applied as to discriminate against imported products in favour of home-produced ones. The prohibitive level of customs and excise duties in certain countries serves as a brake on consumption and thus on imports, either for reasons of public health (Scandinavia) or of religion (Islamic countries), or simply for protectionist reasons.

Indirect protectionism and non-tariff barriers include the following:

- quality control measures;
- health standards;
- import quotas of wines above a certain price;
- quantitative restrictions on certain types of wine, or during certain period;
- cumbersome administrative procedures and bureaucratic delays;
- anti-alcohol campaigns directed at consumers.

The result is often that Community wine is not competitive, especially with new beverages. This is frequently exacerbated by inadequate marketing and promotion of Community wines.

The Community's main customer is the United States, and any increase in exports to it will depend on the exchange rate of the dollar, and on whether any American trade legislation is implemented involving protectionist aspects reinforcing the possibilities for recourse to unilateral measures. The Trade Bill allows unilateral application of retaliatory measures on purely American criteria. A further risk which must be mentioned is that such measures might become automatic, so that the Community's negotiating margin would be reduced by the door being opened to lobby pressure. The main issue, however, is the current GATT negotiations, especially their agricultural aspect.



In addition to all these obstacles there are also those deriving from such practices as improper use of famous designations of origin or traditional geographical ascriptions. This is particularly common in Australia, South Africa and Japan, and somewhat less so in the United States (some progress has been made with the latter country under the Wine Accord of 1984).

We must not give the impression that if obstacles to trade were removed the problem of Community surplus production would be resolved. While these obstacles should indeed be eliminated, it is nonetheless true that consumption habits are rooted in sociological, climatic and indeed religious features of the lives of our trading partners, and they constitute a major brake on the expansion of the Community's trade.

#### 4. DISPOSAL OF WINE ALCOHOL

When in 1982 the Council revised the intervention system in the wine sector, introducing compulsory distillation at a fairly low price, it made the Community responsible for disposing of the alcohol from compulsory distillation of wine (under Articles 35, 36 and 39 of Regulation (EEC) No 822/87) held by intervention agencies. Disposal of wine alcohol from voluntary distillation remained a national responsibility. Quantities of alcohol held by intervention agencies by virtue of voluntary distillation are not yet liable to be reported to the Commission. It is possible, however, to form an appropriate idea of them:

Quantities of wine distilled under voluntary distillation, in hectolitres:

1983-1984	32 495 000
1984-1985	20 375 000
1985-1986	17 288 000
1986-1987	23 734 000
1987-1988	27 714 000

Assuming average yield of alcohol to be 10%, total quantities for the five wine years can be estimated at 12 160 000 hl of alcohol, plus undisposed-of stocks from previous years.

The quantities to be disposed of each year other than through normal channels amount to a total of between 2 and 3 million hl, but this figure will fall with the changes currently being made to the system.

As regards wine alcohol the disposal of which is a national responsibility, attitudes vary between Member States. In France, the Government, through the Société des Alcools Viticoles, puts up for sale and is able to sell, depending on market openings, almost all the alcohol produced in France, though admittedly this is because the State budget assumes any losses. In Italy, AIMA succeeded at the third try in selling for export, at a very low price of 4 to 7 ECU/ha, a large batch of some 5.2 million hl, but since then has been accumulating stocks of wine alcohol. In Spain stocks built up before accession have been disposed of but the Government has not yet taken a decision for the sale of wine alcohol which its intervention agency is authorized to buy, and stocks are therefore now accumulating.

National sales, particularly by France, on a small and saturated world market are bound to cause problems for such sales as the Community has to organize.

The heart of the problem is thus that the Member States have every opportunity to reduce to the minimum the Commission's freedom to sell Community stocks, as they themselves have alcohol-producing industries to protect and large stocks to sell, both of these factors obtaining together in some cases.

It was, however, only in 1986 that the Council adopted a Regulation laying down general rules for the disposal of this alcohol (1). Although these rules were only for a limited period (until the end of 1986), they gave the Commission the opportunity to acquire a certain experience by twice trying to sell some of the stock of alcohol.

Although the experience bore no fruit, it did show how cumbersome were the mechanisms set up, and specifically the procedure for selling alcohol from compulsory distillation under Article 39 of Regulation (EEC) No 822/87, which made it impossible to dispose of even small quantities on the normal markets for alcohol at the price ruling on those markets.

When, at the meeting of the European Council in Brussels in February 1988, it was decided to introduce agricultural stabilizers, a number of changes were decided upon in the rules governing the wine sector. Intervention was made more restrictive, by a significant reduction in the price for compulsory distillation, and specifically distillation of table wines. At the same time, grubbing up premiums were increased, in order to reduce wine-growing potential.

In the medium term at least, this should guarantee a better balance between supply and demand in the wine sector, where for several years now the trend has been for output of table wine to increase while demand for it has been falling markedly.

The Community has to deal with a burden inherited from the past in the form of existing accumulated stocks of alcohol from the various compulsory distillation measures provided for in the way of market support in the existing rules.

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(1) Regulation (EEC) No 139/86 - OJ No L 19, 25.1.1986, p. 1.

The problem of alcohol stocks is going to get worse for some time. At end September 1988 stocks amounted to some 9.2 million hl, increasing by 2.5 million per year, and falling into two categories:

- (a) purely "public" stocks (end August 1988: 2.5 million hl), produced under compulsory distillation (Article 39 of Regulation 822/87) and thus qualifying for an EAGGF contribution to all expenditure (technical, financial, disposal) on storage of such alcohol;
- (b) mixed stocks (end August 1988: 6.7 million hl), from distillation measures provided for in Articles 35 (deliveries of by-products of wine-making) and 36 (distillation of wine other than table wine), where the EAGGF defrays only disposal costs.

In July 1988 the Commission put to the Council a proposal for a Regulation laying down general rules on the disposal of wine alcohol (COM(88)422). The burden of that proposal is that alcohol from both of the above types of stocks be treated alike as regards disposal procedures.

Provision is made for the award of tenders by the management committee procedure, in order to ensure equality of treatment of interested parties, wherever they are established in the Community.

In order not to disturb the market the disposal measures laid down in the rules now proposed would have to cover further end-uses, which in the case of the Community means fuel, without excluding sale for other purposes.

The rules provide for no minimum price, but the Commission reserves the right not to accept any of the offers made.

## 5. CONCLUSIONS

The surplus we now see on the table wine market is due to two main factors, which have acted in turn. First, until about the end of the 1970s, consumption was practically level while production was increasing substantially, disturbing the precarious balance which obtained when the market organization was set up. This rise in production has now been cut back, almost to vanishing point, and the main reason for the imbalance is now the fall in consumption. This is likely to continue, with consumers preferring quality to quantity.

Extrapolating from current trends\*, we have on the one hand a fall in the total area under vines, leading to a total area of less than 3.5 million ha in the Community of Twelve by 1993, and on the other hand, a constant total production level, due to an increase in average yield.

If we look at the trend in total internal consumption of wine, ignoring quantities distilled under the various intervention measures, the annual fall emerging from the figures available is some 2 to 3% per year. For the Community of Twelve, this gives a total of some 110 or 120 million hl in 1993, as against production of some 180 million hl.

There are of course projections on the basis of currently available figures and thus do not allow for the effect of the measures adopted within the framework of the agricultural stabilizers, the purpose of which is precisely to stem these trends.

If we look at total internal consumption, including wine distilled, the Community's degree of self-sufficiency was 102.3% in 1986/87 as against 102.2% in 1985/86. Ignoring wine distilled, the figures are 145.2% in 1986/87 and 123.6% in 1985/86.

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\* Obtained by linear regression from figures for 1980/81 to 1986/87. For Spain the same rate of fall in areas under vines as in the Community of Ten has been assumed from 1985/86, while in the case of Portugal, where structural measures for grubbing-up vineyards do not apply, areas have been considered constant.

Per capita consumption is falling in the main producer countries and there is only limited expansion of consumption in the other Member States, so that supply is well in excess of demand. We have to conclude from this that, unless consumption is expanded in countries where it is still low and exports are increased, large quantities of wine will still have to be distilled.

This means that we need to review our wine-growing potential in order to bring it in line with requirements. The structural surplus in table wine may currently be estimated at more than 30%, and this can only increase if there are no changes in market management and the control of production potential. This last is the main point on which efforts should be concentrated, as it is high yields which lead to structural surplus and poor quality.

At the end of this report on foreseeable trends in the planting and replanting of vineyards in the Community and on the balance of production and consumption in the wine sector, for 1985/86 and 1986/87, we may draw a number of conclusions.

The alterations to short-term market management measures decided upon by the Dublin European Council in 1984, involving intervention distillation (preventive distillation, "garantie de bonne fin" distillation, compulsory distillation, "support" distillation), has not led to any permanent rebalancing of the market, as the effect of these measures has been countered by factors working in the opposite direction which have been too large: constantly increasing yields from areas under vines, an increase in output of wine through technical progress and a continual fall in consumption in certain producer countries, which over the last 10 years has not any more been made up for by any increase in the other Member States. The principal instrument for regulating the table wine market is distillation, and in 1985/86 a total of 24.3 million hectolitres were distilled. In 1986/87 the figure was 39.6 million hectolitres.

The structural measures adopted by the Council since 1976 (granting of premiums for temporary and permanent abandonment and premiums for renouncing replanting rights, premiums for cessation of wine-growing in France and Italy, measures to restructure vineyards as part of joint operations) have had only modest results and have not really achieved any qualitative or quantitative redirection of Community wine production. The persistent imbalance on the wine market led the Council to reinforce its structural policy by means of Regulation (EEC) No 777/85, but experience in trying to reduce production in line with demand has made it absolutely necessary to implement new measures.

The new approaches decided upon at the European Council meeting in Brussels on 11, 12 and 13 February 1988, and the decisions by the Council which followed, are for the introduction of new stabilizers and the strengthening of existing ones in order to re-establish the balance between supply and demand on the Community market. The aim is to achieve better coordination between measures providing generalized support for markets and prices and measures of a structural nature.

As regards the stabilizers, an initial series of measures was to reinforce the arrangements for definitive abandonment (Regulation (EEC) No 1442/88); a second series was to penalize excessive yields by making compulsory distillation sufficiency unattractive.

Council Regulation (EEC) No 1442/88 of 24 May 1988 is one of the measures to reinforce permanent abandonment, in that it provides for extending the possibility to all areas under vines (including quality wines psr). It provides for differentiation according to yields and an increase of up to 20% in grubbing premiums for vineyards with high yields, preferential distillation arrangements leading to partial or total exemption from compulsory distillation for growers subject to the new grubbing arrangements - total exemption if the area grubbed represents more than 50% of the holding's wine-growing potential - and a system of advances allowing payment of premiums to producers to be speeded up.

For 1988/89 the Council kept the same price levels as before, and it introduced amongst the related measures a ban on national aid for the planting of vines.

Reform of the market must be brought about rapidly but in a lasting way: this can be achieved only if measures to discourage high yields and structural measures are integrated. Measures to discourage high yields must necessarily be accompanied by a decrease in areas under vines. There is no way we can avoid the need to strengthen and adapt the measures for voluntary abandonment, which have not so far yielded the results anticipated.

The Commission remains convinced that a solution must be found for a situation which is becoming intolerable, not only because of the growing budgetary burden represented by the wine sector, but also for a reason internal to that sector: the very great downward pressure on prices which the surplus exercises is very damaging, especially to producers of wines of higher quality, production of which should on the contrary be encouraged.

There is, in addition, every reason for anticipating already measures to get rid of the "burden of the past", that is to say, existing stocks of alcohol from the various distillation measures provided for in the existing rules for purposes of market support.

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