

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 638 final

Brussels, 28 November 1977

REPORT FROM THE COMMISSION TO THE COUNCIL

on the application of the third subparagraph of Article 9(3) of Regulation (EEC) No 816/70 laying down additional provisions for the common organization of the market in wine

(application of the reference price to certain liqueur wines)

COM(77) 638 final

INTRODUCTION

This report is submitted to the Council in accordance with the following statement written into the minutes of the Council meeting of 17/18 May 1976:

"4. The Council takes note of the Commission's intention to maintain until 31 December 1977 the provisions adopted pursuant to the third subparagraph of Article 9(3) of Regulation (EEC) No 816/70, and to submit to it before that date a report on the implementation of those provisions."

This report traces the background to:

- the fixing of reference prices for liqueur wines;
- exemption of some of these wines from the countervailing charge and the consequences of the abolition of this exemption with effect from 1 January 1978.

It includes an analysis of recent offer prices for these wines on the basis of information which has been gathered.

I. BACKGROUND

Ever since reference prices were first fixed in 1970 the following elements have been taken into consideration in accordance with Council Regulation (EEC) No 947/70¹.

Guide price
 + Forwarding costs (including transport costs)
 = Reference price

In fixing the reference prices for liqueur wines, for which there is no guide price, the market prices of the Community liqueur wines of which production is the highest, i.e. Banyuls and Rivesaltes with a total production of about 800 000 hl, were taken into consideration. This choice took account of the very large share of quality liqueur wines in Community production: Banyuls, Rivesaltes, Muscat de Frontignan and de Lunel in the case of France and Marsala and Muscat de Pantelleria in the case of Italy, a total of about 1 300 000 hl. On this basis and including forwarding costs the reference price was fixed at 4.30 u.a./degree/hl and has remained at this level ever since. The northern Member States which traditionally import and consume this type of wine, especially Spanish sherry, considered the price of 4.30 u.a./degree/hl excessively high. The Commission has kept this price unchanged for seven years.

During this period quality liqueur wines, i.e. port, Madeira, sherry, Setubal muscatel and Tokay, to which was added Boberg (South African liqueur wine), were not subject to a countervailing charge, on the basis that these wines, because of their intrinsic value, would in any case observe the reference price and that it was therefore not desirable to increase their price within the Community by applying a countervailing

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¹Council Regulation (EEC) No 947/70 of 26 May 1970 laying down general rules for fixing the reference price and levying the countervailing charge for wine (OJ No L 114, 27 May 1970)

charge. This derogation was confirmed by Article 4(4) of Commission Regulation (EEC) No 1019/70.

It has been found that these quality liqueur wines have not always observed the reference price. However, no solution has yet been found to this delicate problem.

The following table compares the trend of reference prices for red wines with that of reference prices for Liqueur wines:

Year	Reference price for red wine	% increase over 1970/71	Reference price for liqueur wine
1970/71	1.66	-	4.30
1971/72	1.71	+ 3.01	4.30
1972/73	1.84	+ 10.84	4.30
1973/74	1.93	+ 16.27	4.30
1974/75	2.22	+ 33.73	4.30
1975/76	2.37	+ 42.77	4.30
1976/77	2.50	+ 50.60	4.30

.../...

II. AMENDMENT OF REGULATION (EEC) No 1019/70 ON DETAILED RULES FOR ESTABLISHING FREE-AT-FRONTIER OFFER PRICES AND FIXING THE COUNTERVAILING CHARGE IN THE WINE SECTOR

In the context of the EEC's relations with Cyprus, the Commission proposed to the Council a tariff concession for Cyprus sherry, subject to observance of the reference price. However, it stated that this condition would apply only if competing wines (port, Madeira, sherry, Boberg, etc.) were required to observe the reference price.

To this end the Commission adopted on 16 June 1977 Regulation (EEC) No 1297/77 repealing Article 4(4) of Regulation (EEC) No 1019/70 which exempts wines competing with Cyprus sherry from the countervailing charge, in order to ensure that the reference price is attained in full by these wines. This Regulation applies from 1 January 1978.

It should be remembered that the rules governing the wine sector allow exemption from the countervailing charge 'as regards third countries which are prepared and in a position to guarantee that the price for imports of products originating in and coming from their territory will not be lower than the reference price less customs duties....' (second subparagraph of Article 9(3) of Regulation (EEC) No 816/70).

This system is that normally applied to red wines, white wines and quality liqueur wines other than port, Madeira, sherry, Tokay, Setubal muscatel and Boberg as a result of the undertaking to observe the reference price entered into by the eighteen main Community suppliers

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and the conditional form of the preferential treatment accorded. The Commission is seeking to normalize the position of these liqueur wines on a similar basis.

III. ANALYSIS OF THE PRESENT POSITION

Annexes I and II give the prices charged by Spain for sherry exported to Germany, Denmark and the United Kingdom between 1 January and 31 May 1977 and to the Netherlands between 1 January and 31 August 1977 and the prices of quality liqueur wines such as sherry, port, Madeira and Samos imported into the Netherlands in 1976 and the third quarter of 1977.

No formal conclusions can be drawn from these figures, but certain divergences can be observed according to the origin of the information:

- the prices of exports from Spain to the four Member States referred to in Annex I reveal a normal disparity between export in bulk and export in bottles, which generally does not exceed 2 u.a./degree/hl;
- the prices of imports to the Netherlands given in Annex II, however, reveal a far greater disparity, ranging from 3.02 to 8.53 u.a./degree/hl in 1976 and from 2.09 to 5.77 u.a./degree/hl in the third quarter of 1977;
- prices for bulk exports are very homogeneous for the four Member States examined;
- "reconstituted" import prices are lower in the Netherlands than in the other three Member States because of the lower forwarding costs;

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- these "reconstituted" import prices plus customs duties are higher than the present reference price (4.3 u.a./degree/hl), with the exception of certain prices to the Netherlands from June 1977, the drop being caused mainly by the devaluation of the peseta;
- the range of import prices in the Netherlands given in Annex II reveals that bulk prices are considerably lower than those charged by the Spanish suppliers. Some prices appear to be lower than the minimum price applied ex vineyard by the Jerez Regulating Council.

The Spanish economic bodies questioned by the Commission say that it is impossible for sherry to be sold at such low prices in the Netherlands.

The Commission staff are continuing to exchange information with Spain in order to throw more light on these differences, which appear hard to explain. Any clarifications obtained will be forwarded to the Council.

"It would seem from certain informal discussion which have taken place with the principal producer third countries interested in this trade, that these third countries envisage signing agreements to respect reference prices on condition that these prices remain subject to some stability in the near future."

Hungary has already addressed an official letter to the Commission expressing its readiness to undertake to abide by the present reference price for Tokay.

PRICES CHARGED BY SPAIN FOR SHERRY EXPORTS

1. Table A
Exports to the Federal Republic of Germany, January-May 1977
2. Table B
Exports to Denmark, January-May 1977
3. Table C
Exports to the United Kingdom, January-May 1977
4. Table D
Exports to the Netherlands, January-August 1977

Source: Figures supplied by Spanish exporters

1 Pta = 0.0108345 u.a.

FEDERAL REPUBLIC OF GERMANY - 17°50

	Pta/500 l.	Pta/hl	Pta/°/hl	u.a./°/hl	Forwarding costs/°/hl (8 u.a./hl)	Duty 11 u.a./hl	Total u.a.	
			<u>BULK</u>					
January	32 911	6 582	376	4.074	0.457	0.629	5.160	
February	35 367	7 073	404	4.377	0.457	0.629	5.463	
March	33 917	6 783	388	4.204	0.457	0.629	5.290	
April	30 483	6 097	348	3.770	0.457	0.629	4.856	
May	30 868	6 174	353	3.825	0.457	0.629	4.911	
			<u>BOTTLES</u>					
	Carton 9 l.	Pta/hl	Pta/°/hl	u.a./°/hl				
January	866	9 622	550	5.959				
February	892	9 911	566	6.132				
March	762	8 467	484	5.244				
April	867	9 633	550	5.959				
May	934	10 378	593	6.425				

TABLE B

1 Pta = 0.0108345 u.a.

DENMARK - 17°50

	Pta/500 l.	Pta/hl	Pta/°/hl	u.a./°/hl	Forwarding costs/°/hl (9 u.a./hl)	Total u.a.	
			<u>BULK</u>				
January	32 419	6 484	371	4.020	0.514	4.534	+ duty
February	33 398	6 680	382	4.139	0.514	4.653	+ duty
March	28 223	5 645	323	3.500	0.514	4.014	+ duty
April	27 085	5 417	310	3.359	0.514	3.873	+ duty
May	29 390	5 878	336	3.640	0.514	4.154	+ duty
			<u>BOTTLE</u>				
	Carton 9 l.	Pta/hl	Pta/°/hl	u.a./°/hl			
January	681	7 567	432	4.681			
February	1 213	13 478	770	8.343			
March	818	9 089	519	5.623			
April	1 016	11 289	645	6.988			
May	907	10 078	576	6.241			

1 Pta = 0.0108345 u.a.

UNITED KINGDOM - 17°50

	Pta/500 l.	Pta/hl	Pta/°/hl	u.a./°/hl	Forwarding costs/°/hl (9 u.a./hl)	Total u.a.	
			<u>BULK</u>				
January	27 305	5 461	312	3.380	0.514	3.894	+ duty
February	26 512	5 302	303	3.283	0.514	3.797	+ duty
March	26 968	5 394	308	3.337	0.514	3.851	+ duty
April	26 303	5 261	301	3.261	0.514	3.775	+ duty
May	26 844	5 369	307	3.326	0.514	3.840	+ duty
			<u>BOTTLES</u>				
	Carton 9 l.	Pta/hl	Pta/°/hl	u.a./°/hl			
January	739	8 211	469	5.081			
February	690	7 667	438	4.746			
March	715	7 944	454	4.919			
April	752	8 356	477	5.168			
May	781	8 678	496	5.374			

TABLE D

1 Pta = 0.0108345 u.a.

NETHERLANDS - 17°50

	Pta/500 l.	Pta/hl	Pta/°/hl	u.a./°/hl	Forwarding costs/°/hl (6u.a./hl)	Duty 11 u.a./hl	Total u.a.
				<u>BULK</u>			
January	31 431	6 286	359	3.890	0.343	0.629	4.862
February	28 653	5 731	327	3.543	0.343	0.629	4.515
March	27 489	5 498	314	3.402	0.343	0.629	4.374
April	25 500	5 100	291	3.153	0.343	0.629	<u>4.125</u>
May	27 064	5 413	309	3.348	0.343	0.629	4.320
June 1 Pta=0.0107486 u.a.	24 777	4 955	283	3.042	0.343	0.629	<u>4.014</u>
July 1 Pta=0.0106293 u.a.	24 326	4 865	278	2.955	0.343	0.629	<u>3.927</u>
August 1 Pta=0.00870066 u.a.	26 399	5 280	302	2.628	0.343	0.629	<u>3.600</u>
				<u>BOTTLES</u>			
	Carton 9 l.	Pta/hl	Pta/°/hl	u.a./°/hl			
January	800	8 889	508	5.504			
February	747	8 300	474	5.136			
March	719	7 989	457	4.951			
April	717	7 967	455	4.930			
May	733	8 144	465	5.038			
June 1 Pta= 0.0107486 u.a.	693	7 700	440	4.729			
July 1 Pta=0.0106293 u.a.	731	8 122	464	4.932			
August 1 Pta=0.00870066 u.a.	892	9 911	566	4.925			

ANNEX II

Liqueur wines imported into the Netherlands in 1976

COUNTRY	TYPE	Quantity (litres)	Container	CCT 22.05	Average alcoholic strength	Value (u.a./° /hl)
Spain	Other	16 036	bottle	C III a 2	17	5.56
	"	3 395	bottle	C IV a 2	18	8.53
	"	3 206	bottle	C III a 2	17	5.60
	"	18 005	bottle	C IV a 2	18	6.54
	"	839 795	cask	C III b 3	17	3.02
	"	32 096	cask	C IV b 3	18	4.31
	"	110 398	cask	C III b 3	17	3.70
	"	30 669	cask	C IV b 3	18	4.01
	sherry	12 216 100	bottle	C III a 1	17	7.05
	sherry	2 400 000	bottle	C III a 1	17	6.54
	sherry	853 432	bottle	C IV a 1	18	7.73
	sherry	4 285 100	cask	C III b 1	17	4.16
	sherry	15 456 038	cask	C III b 1	17	3.82
	sherry	1 031 033	cask	C IV b 1	18	5.30
Portugal	Other	9	bottle	C III a 2	17	12.34
	"	1 869	bottle	C IV a 2	19	13.38
	"	63	bottle	C III a 2	17	11.90
	"	1 206	bottle	C IV a 2	19	11.91
	"	10 373	cask	C III b 3	17	3.58
	"	80	cask	C IV b 3	19	3.87
	Madeira	5 502	bottle	C IV a 1	19	9.22
	Madeira	1 692	bottle	C III a 1	17	11.78
	Madeira	2 298	bottle	C IV a 1	19	4.47
	Madeira	64 145	cask	C III b 1	17	4.94
	Madeira	44 135	cask	C IV b 1	19	4.40
	Madeira	8 883	cask	C III b 1	17	4.66
	Madeira	6 619	cask	C IV b 1	19	5.10
	port	87 360	bottle	C IV a 1	19	7.49
	port	25 730	bottle	C III a 1	17	7.91
	port	1 408 485	bottle	C IV a 1	19	8.09
	port	54 363	cask	C III b 1	17	6.38
	port	197 479	cask	C IV b 1	19	5.01
port	224 407	cask	C III b 1	17	5.35	
port	1 298 264	cask	C IV b 1	19	5.09	
CARRY FORWARD		40 738 265				

COUNTRY	TYPE	Quantity (litres)	Container	CCT 22.05	Average alcoholic strength	Value (u.a./° /hl)
CARRIED FORWARD		40 738 265				
Greece	Other	546	bottle	C III a 2	17	5.35
	"	266	bottle	C III a 2	17	6.90
	"	42 481	cask	C III b 3	17	4.26
	"	3 025	cask	C IV b 3	19	2.56
	"	6 693	cask	C III b 3	17	2.45
"	Samos	77 222	cask	C III b 3	17	3.00
	Samos	3 190	cask	C IV b 3	19	2.92
TOTAL NON-MEMBER COUNTRIES		40 871 688				

Notes

1. These figures are taken from "Wine imports in 1976", edited by the Hoofdproduktschap.
2. Value = amount invoiced + customs duties actually levied, on an annual average basis.
3. Liqueur wines account for about 30% of all wine imports.

Source: Netherlands Delegation

Value of Liqueur wines imported into the Netherlands
in the third quarter of 1977

Annex II.2

COUNTRY	TYPE	Quantity (hl)	Container	Alcoholic strength	Value (u.a./° /hl)
Spain	Montilla	99.80	cask	16.9	4.10
	sherry	106.32	cask	16.6	2.50
	sherry	4.48	cask	16.8	2.09
	sherry	31.90	cask	17	3.59
	sherry	13.63	cask	17.2	2.45
	sherry	120.00	cask	17.5	3.85
	sherry	740.70	cask	17.9	4.07
	sherry	10.00	cask	19.5	4.18
	sherry	100.80	bottle	16.5	4.90
	sherry	4.20	bottle	16.9	5.07
	sherry	117.60	bottle	17	4.26
	sherry	16.80	bottle	17.5	5.63
	sherry	50.28	bottle	17.6	4.68
	sherry	18.48	bottle	18.1	5.77
	sherry	100.80	bottle	19	4.48
Portugal	port	5.06	cask	18	4.69
	port	24.70	cask	18	4.81
	port	225.00	cask	18.1	5.16
	port	25.02	bottle	18	4.82
	port	84.00	bottle	19.3	7.25
	port	4.20	bottle	19.5	7.17
	Madeira	13.63	cask	18	5.70
	Madeira	4.23	cask	18.3	5.34
	Madeira	21.17	cask	18.4	5.88

Source: Netherlands Delegation

12 October 1977