

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 408 final

Brussels, 15th October 1981

PROPOSAL FOR A COUNCIL REGULATION (EEC)

amending Regulation (EEC) No 337/79 on the common organisation of the market in wine

(presented by the Commission to the Council)

COM(81) 408 final

Explanatory Memorandum

1. In its communication to the Council on the agricultural sector(1) the Commission has already indicated the changes required in the Community's legal instruments in the wine sector with a view to Spain joining the Community.
2. All aspects of the 1980-86 action programme in the wine sector have now been launched: market measures, policy on vine plantings, structural measures. The Commission has continued considering these matters, and is now in a position to put its proposals into concrete form, incorporating certain additions.

A. PLANTINGS, AND IRRIGATION AND WATERING OF VINES

3. A commitment from the Spanish authorities to a standstill in their provisions in this area will have to be obtained by the Community in the negotiations.
4. But it is already imperative to stiffen the rules on vine varieties on irrigated areas classed in categories 2 and 3, i.e. areas not naturally suitable for wine-growing.
5. A change in Article 30a of Regulation (EEC) No 337/79, the basic Regulation, is therefore proposed.

B. STIFFENING OF CONTROL AND ENRICHMENT OF THE VINTAGE

5. Enrichment by adding sucrose in aqueous solution (wet sugaring) is allowed for two vine varieties until 15 March 1984 in a limited number of northern wine-growing regions of the Community. The Commission requests the Council to note that it will not be making any proposal to prolong this derogation beyond the stipulated date.

(1) COM(80)55 final, 26 March 1980.

6. Enrichment by adding sucrose (dry sugaring or chaptalization) is prohibited in Southern France (south of the line Bordeaux-Valence but excluding the Bordelais) and in Italy, Greece, Spain and Portugal. In this area addition of concentrated grape must and partial cold concentration are the only enrichment methods allowed. These procedures require the use of "vine" products of which the cost per degree of alcohol, in relation to the market price of table wine, is approximately twice that for sucrose. This constitutes economic discrimination against wine-growers in the Mediterranean part of the Community.

7. The Commission stated in its action programme(2) that prohibition of the use of sucrose for enrichment was the objective to be attained, and proposed a first series of measures, adopted by the Council in 1980 - use of rectified concentrated must in vinification and possible aid for concentrated must and rectified concentrated must used in enrichment.

8. Enlargement can only make the situation more serious. The Commission considers that any progress will depend on stiffening control by both tightening up the rules and reinforcing the control mechanisms. For this reason it will very shortly put forward a further proposal in this respect, particularly for a new or expanded specialized service in each Member State supervising all operations to do with the production of wine, in particular enrichment operations.

(2) COM(78)260 final, 31 July 1981.

9. The following specific measures are proposed on enrichment:

- introduction of the legal basis necessary to allow control of the movement of sucrose and if necessary of other sugars

- introduction of a levy on sucrose used for enriching the vintage. This levy will bridge the gap between the price of concentrated must and that of the amount of sucrose required to give corresponding enrichment.

This levy will be differentiated according to whether table wine or quality wine psr is being enriched and will be considered to constitute intervention.

10. An appropriate research programme and/or a scientific competition could be launched at a later date to find a method for directing added sucrose in finished wine(3).

11. Introduction of these measures would in no way change the geographical limits within which chaptalization is allowed under the standstill on practices existing at 8 May 1970 as decided by the Council(4).

(3) The French Government opened a scientific competition in 1980. Greater resources should be devoted to this, and a greater international audience should be addressed.

(4) Article 33(3) of Regulation (EEC) No 337/79.

12. These measures should give a decisive boost to the production and use of rectified concentrated grape must ("grape sugar"), which would no longer depend on aid being granted for its use depending on the quality of the harvest. There would thus be no need for aid for concentrated must used for enrichment, the economic balance being restored by the levy on sucrose.

C. DISTILLATION

13. The years following the wine crisis 1974/75 saw the introduction of various distillation measures. These often appear to be too numerous. The preventive distillation price is now only 55% of the lowest guide price and has practically no effect. The additional rate of deliveries for obligatory distillation has been introduced in France alone and difficulties have arisen over its application.

14. The Commission is therefore proposing new rules embracing all the obligatory (compulsory deliveries, additional rate, table grapes) and preventive distillation measures and making a very clear distinction between distillations:

- the purpose of which is to prevent the marketing as table wines of products that are not normally so marketed.

- which are obligatory and necessary, as a preventive measure, to rebalance supply and demand on the table wine market properly so called.

(a) Preliminary reform of the market in table wine

15. Extension of obligatory distillation of wine produced from table grapes to wine produced from grapes normally used for other purposes than to produce table wine.

This covers the following wines:

- wine produced from grapes of varieties listed as both table grapes and wine grapes (already compulsory);
- wine produced from grapes normally used to produce wine suitable for the production of potable spirits of designated origin (distillation of Charentes wine becomes obligatory);
- wine produced from grapes of varieties listed as both wine grapes and raisin grapes (such as Noir de Corinthe).

For varieties with a double listing including wine grapes, there will be an allowance of so many hectolitres per hectare to enable the quantities traditionally marketed as table wine to continue to be disposed of in this way.

The price to be paid will be 50% of the lowest guide price(5).

16. Retention of the standing obligation to deliver by-product alcohol, the qualitative measure of the origin of the "wine deliveries", at the level of a standard 8% of the quantity of alcohol contained in the vintage. Introduction of an obligation on producers at the moment exempt from wine deliveries to put by-products to non-wine sector uses. The price to be paid would be unchanged, i.e. for by-product alcohol from 30% to 40% of the lowest guide price.

(b) Measures for rebalancing the market in table wines

Introduction of obligatory distillation of table wine at the beginning of the marketing year, in replacement of the additional rate of wine deliveries depending on the supply and demand position. The volume to be distilled will be fixed at the beginning of December when the forward estimate is adopted, the intention being to make end-of-the-wine year stocks compatible with market balance. The rate applied to each producer will be differentiated on the basis of yields types of wine produced and alcoholic strength. If there were a risk that obligatory distillation might cause difficulties for small-scale producers, the Commission would take the appropriate measures, including exemption if necessary.

(5) This distillation will also be available on a voluntary basis for all other wine.

Differentiation will put the burden of freeing the market in the first instance on those producers who because of their very high yields bear the main responsibility for surpluses.

The price to be paid will be fixed on the basis of the lowest guide price and the trend of quotations for the various types of wine at the beginning of the wine year.

18. In order to ensure that obligatory distillation functions properly it is proposed to extend to obligatory distillation the economic sanctions already applied when wine deliveries are not made (non-application of intervention measures; Article 6(1) of Regulation (EEC) No 337/79),

19. Increase in minimum natural alcohol content

The level at which this is fixed in the different wine-growing zones induces growers to aim for yields compatible with the minimum set. The Commission considers that the present minimums are too low, allowing yields that are not always compatible with quality and contribute to the creation of market surpluses. It proposes therefore increasing the minimum by 0.5% vol in all zones. This makes it necessary to change the definition of table wine and it is proposed to leave the actual alcoholic strength at the present level and to fix a higher minimum total strength.

20. Duties on wine

The Commission again emphasises its recommendation that excise duties on wine be substantially reduced and that no increases in these duties be made.

proposal for
COUNCIL REGULATION (EEC) No
of
amending Regulation (EEC) No 337/79 on the common organisation of the
market in wine

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and
in particular Article 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas experience in managing the wine market suggests that a certain number
of amendments are to be made to Council Regulation (EEC) No 337/79 of 5
February 1979 on the common organisation of the market in wine (1), as last
amended by Regulation (EEC) No /81 (2), particularly with a view to
strengthening the instruments for controlling the market and channelling
production towards improved quality;

Whereas, in land which is not entirely suitable for wine growing, irrigation
by means of fixed plant does, in most cases, produce high yields and lower
quality; whereas, therefore, in order to avoid the creation of surpluses,
replanting of wine grapes on irrigated land in categories 2 and 3 should be
forbidden but a transfer of the right to replant on other areas should be
allowed;

Whereas the level fixed in Article 32 of Regulation (EEC) No 337/79 for the
minimum natural alcoholic strength in the various wine growing zones can
result in yields which are not always compatible with good quality and, in
some cases, which contribute to causing surpluses on the market; whereas it
is therefore desirable to raise the minimum natural alcoholic strength in all
wine growing zones;

(1) OJ No L 54, 05.03.1979, p.1.

(2) OJ No L 360, 31.12.1980, p.18

Whereas, at present, increase in the natural alcoholic strength by volume is not carried out in the same economic conditions by all Community producers on account of the different oenological practices allowed by Article 33 of Regulation (EEC) No 337/79; whereas, in order to eliminate such discrimination and to achieve the progressive abolition of the use of sucrose for enrichment as stated in the "action programme 1979-1985 for the progressive establishment of balance on the market in wine", encouragement should be given to the use of vine products for enrichment, which will itself increase outlets and help avoid creation of surpluses of wine; whereas, in order to achieve this, the prices of the various products used for enrichment should be aligned on the price of concentrated grape must; whereas this result can be achieved, in respect of rectified concentrated grape must, by granting aid and, in respect of sucrose, by imposing a levy; whereas the levy should be differentiated according to whether the sucrose is employed for enriching table wines or quality wines p.s.r., in order to take account of the different extent to which advantage is made of the product; whereas, in order to ensure that the system introduced operates properly, the necessary legal basis should be established to allow the introduction of a supervisory procedure for movement of sugar;

Whereas Article 39 of Regulation (EEC) No 337/79 requires distillation or, in certain conditions, withdrawal under supervision of the by products of wine-making; whereas, however, producers whose vineyards are situated in wine-growing zone A or in the German part of wine-growing zone B are not subject to this requirement; whereas experience has shown that the need to ensure appropriate quality control on wine-making means that that obligation should be strengthened and its scope extended; whereas, for this purpose, the obligation to withdraw the by products of wine-making under supervision should be extended to cover producers in zones for which exemption was hitherto granted and all persons who have processed grapes other than into wine should be subject to the obligation to distil or to withdraw by products; whereas, at the same time, certain technical adjustments should be introduced into the existing provisions;

Whereas wines made from grapes which are not listed as wine grapes for the same administrative unit in the classification of vine varieties often produce an inadequate degree of quality and contribute to the creation of surpluses on the market; whereas the existing rules make provision for obligatory distillation only for wines made from table grapes; whereas it has been found that this measure has not been sufficient to bring the market back to normal as it does not cover wines obtained from grapes intended for other purposes; whereas it is therefore necessary to lay down that all wines not made from wine grapes and which are not exported should be distilled before the end of the marketing year during which they were produced; whereas, in respect of wines made from grapes which, in the classification, are listed for the same administrative unit as wine grapes and varieties intended for other purposes, quantities of wine over and above the quantities normally produced should be made subject to distillation; whereas the criteria for determining the quantities normally produced should be stated;

Whereas the distillation measures at present laid down by Regulation (EEC) No 337/79 have been found too numerous and have, in some cases, proved difficult to apply; whereas preventive distillation is optional at present and carried out at a low price and has practically no effect; whereas it is therefore necessary in order to make the distillation measures more effective while simplifying the rules, to introduce a single obligatory distillation measure to replace both the preventive distillation and the distillation in respect of the additional obligatory deliveries; whereas that measure should be made on the basis of the preliminary forecast for the marketing year and the total quantity of wine to be distilled under the measure should be fixed at a level which makes it possible to keep forecast stocks for the end of the marketing year at a level compatible with a balanced market; whereas, in view of the wide range of production conditions within the Community, provision should be made for adjusting the percentage of production to be distilled by each producer on the basis of certain criteria; whereas implementation of this measure must not threaten the incomes of small-scale producers nor involve an administrative burden out of proportion to the results aimed at in terms of quantity; whereas provision should therefore be made for suitable waivers;

Whereas the buying in price for wine for compulsory distillation should not encourage production of wine of inadequate quality, nor result in an intolerable burden for producers; whereas it should therefore be fixed within a bracket of percentages of representative prices, taking account both of the lowest guide price and of the trend in quotations for different types of wine;

whereas, in order to ensure compliance with the obligation to distil a part of production, it should be laid down that the Member States punish producers who do not fulfil their obligation by making them, in any event, subject to a fine, whose level should be fixed in the interests of harmonisation; whereas, for the same reasons, it seems suitable to make intervention measures available only to producers who have fulfilled their obligations;

Whereas the obligations of distillers and intervention agencies for distillation of the by products of wine-making, for distillation of wines made from grapes other than wine grapes and for distillation at the beginning of the marketing year should be stated; whereas, since the intervention agencies must be able to sell the products taken over, the quality characteristics of products delivered to them should be determined; whereas, however, it is appropriate to allow distillers who are not able to obtain the products mentioned above to deliver other products, provided that they have a minimum alcoholic strength of 52% vol;

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) 337/79 is amended as follows:

1. Article 6 shall read as follows:

"Article 6

1. Producers subject to the obligations referred to in Article 39 and, as the case may be, 41 shall be entitled to benefit from the intervention measures provided for in this Title provided they have complied with the above obligations for a reference period to be determined.
2. With the exception of table wines of types R III, A II and A III, table wines with an actual alcoholic strength by volume equal to or less than 9.5% shall be excluded from all intervention measures provided for in this Title other than those provided for in Article 15a.
3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 67".

2. Article 7(4) shall read as follows:

- "4. Long-term contracts may be entered into in respect of certain types of table wine to be specified, if the estimates for a wine year show that the quantity of such wines available at the beginning of that year exceeds foreseeable requirements for that year by more than four months' consumption."

3. Article 14 shall read as follows:

"Article 14

1. Aid shall be granted for use of rectified concentrated grape musts produced in the Community to increase alcoholic strengths as listed in Article 32 of this Regulation and Article 8(2) of Regulation (EEC) No 338/79.

The amount of the aid shall be fixed for each wine year on the basis of the difference between the costs of preparing rectified concentrated grape musts and those of preparing concentrated grape musts. In no case may it be more than 5% of the guide price for table wine of type A I that comes into application in the year of the harvest concerned.

2. The amount of the aid referred to in paragraph 1 shall be fixed each year before 31 July in accordance with the procedure provided for in Article 67. The conditions on which the aid will be granted and the other detailed rules for the application of this Article shall be adopted in accordance with the same procedure.
3. This Article shall apply to the 1982/83, 1983/84 and 1984/85 wine years".

4. Article 30a(2) shall read as follows:

"2. Without prejudice to the provisions of paragraph 2b the replanting right referred to in paragraph 1 may be exercised only on the same holding. Member States may further stipulate that the right may be exercised only on the areas where the grubbing was carried out.

2a Replanting may not be carried out on areas classed in categories 2 and 3 if these areas have their own independent irrigation installations fed by ground water or are included in irrigation systems.

2b The right of replanting may be transferred in whole or in part:

- in cases where part of the holding concerned is transferred to another holding; in such cases the right may be exercised on the latter holding up to the limit of the areas transferred
- under conditions determined by the Member State concerned, to areas on another holding to be used for producing quality wine
- psr
- under conditions to be determined, when it cannot be exercised under paragraph 2a".

5. The second subparagraph of Article 32(1) shall read as follows:

The products referred to in the first subparagraph may not be subjected to an increase in natural alcoholic strength by volume unless their minimum natural alcoholic strength by volume is:

- in wine-growing zone A: 5.5%
- in wine-growing zone B: 6.5%
- in wine-growing zone C I(a): 8. %
- in wine-growing zone C I(b): 8.5%
- in wine-growing zone C II: 9 %
- in wine-growing zones C III(a) and C III(b): 9.5%."

6. The following Article 33a is inserted:

"Article 33a

1. In order to ensure that all producers can under equivalent economic conditions irrespective of the product in question or the technique used, increase the natural alcoholic strength by volume of their products as referred to in Article 32 of this Regulation and in Article 8(2) of Regulation (EEC) No 338/79, a levy shall be paid by all producers on the quantity of sucrose used to increase the natural alcoholic strength by volume.
2. The rate of the levy referred to in paragraph 1 shall be differentiated according to whether the sucrose is used for the production of table wines or of quality wines psr. It shall be fixed for each wine year at levels such that the price of concentrated grape musts is:
 - 10% lower than the levy-included price of the sucrose used to increase the natural alcoholic strength by volume of products intended for the production of table wines
 - 35% lower than levy-included price of sucrose used to increase the natural alcoholic strength by volume of products intended for the preparation of quality wines psr.

The concentrated grape must price to be used shall be derived from the guide price for table wines of type A I that comes into application in the year of the harvest concerned by application of a coefficient to be determined.

3. The tax collected pursuant to paragraph 1 shall be considered, for the purposes of financing the common agricultural policy, to constitute intervention designed to stabilize agricultural markets.
4. The rate of the levy shall be fixed each year before 31 July in accordance with the procedure provided for in Article 67.

The coefficient mentioned in the third subparagraph of paragraph 2 and detailed rules for the application of this Article shall be adopted in accordance with the same procedure.

These rules shall include a system for supervising the circulation of sucrose and if necessary of other sugars."

7. Article 39 shall read as follows:

"Article 39

1. The overpressing of grapes, whether or not crushed, and the pressing of wine lees shall be prohibited, as shall the refermentation of grape marc for purposes other than distillation".
2. Any natural or legal person or group of persons with the exception of the persons and groups referred to in paragraph 4 having made wine shall be required to deliver for distillation the by-products of the winemaking and if necessary wine from his or their own production. The quantity of alcohol contained in the products delivered for distillation shall be at least equal to a percentage to be determined of the volume of alcohol naturally contained in the grapes used to produce the wine. The assessment of that volume shall be made on the basis of a standard natural minimum alcoholic strength by volume laid down for each wine in each wine-growing zone.

The percentage mentioned in the first sub-paragraph may not be more than:

- 8% if the wine has been obtained by direct vinification of fresh grapes
- 2% if the wine has been obtained by vinification of fresh grape must, concentrated grape must, rectified concentrated grape must, partially fermented grape must or new wine still in fermentation.

Waivers may be made from this paragraph for categories of producers to be determined and for certain production areas.

3. Subject to the provisions of paragraph 4 any natural or legal person or group of persons holding grape marc or wine lees produced by any processing of grapes other than vinification shall be required to deliver it for distillation.

4. Any natural or legal person or group of persons processing grapes harvested in wine-growing zone A or in the German part of wine-growing zone B shall be required to withdraw the by-products of this processing under supervision.
5. Those subject to the obligation referred to in paragraph 2 or that referred to in paragraph 3 may discharge this obligation by the withdrawal under supervision on the by-products of vinification, under conditions to be determined.
6. The distiller shall, if the distillate has an alcoholic strength of not less than 96% by volume, be required to deliver it to the intervention agency, which shall purchase it.

If the alcoholic strength of the distillate is less than the strength mentioned in the first subparagraph but higher than 52% by volume the distiller may deliver it to the intervention agency, which shall purchase it. In this case the price to be paid by the intervention agency, as fixed in accordance with paragraph 7, shall be reduced by the cost of increasing the alcoholic strength of the distillate to 96% by volume.

7. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules concerning the distillation of the products concerned, including:
 - the price to be paid according to alcohol content for marc lees and any wine delivered for distillation
 - the price to be paid by the intervention agency for distillates as specified in the first subparagraph of paragraph 6 and the amount of the costs mentioned in the second subparagraph of paragraph 6,
 - the proportion of the intervention agencies' expenditure to be met from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund,
 - the amount of any aid required to secure disposal of the products obtained
 - the conditions mentioned in paragraph 5
 - the derogations mentioned in paragraph 2.

8. Detailed rules for the application of this Article shall be adopted and the minimum normal alcoholic strength by volume referred to in paragraph 2 shall be fixed in accordance with the procedure provided for in Article 67.

8. Article 40 shall read as follows:

"Article 40

1. Wine that is made from grapes belonging to varieties not listed as wine-grape varieties in the classification of vine varieties for the administrative unit where they were harvested and that is not exported shall be distilled before the end of the wine year in which it was produced. Except by derogation it may not be moved except to a distillery.
2. Where wine is produced from a grape variety listed in the classification for the administrative unit as both a wine grape variety and a variety for use for another purpose, any wine which is produced in excess of the normal quantity and is not exported shall be distilled before the end of the wine in which it was produced. Except by derogation it may not be moved except to a distillery.

The quantity of wine normally produced shall be determined from:

- the quantities produced during a reference period, to be determined, ante dating the 1980/81 marketing year,
- the quantities of wine reserved for traditional uses other than marketing as table wine.

3. The buying-in price for wine delivered for distillation under paragraphs 1 and 2 shall be 50% of the guide price for table wine of type A 1 that comes into application in the year of the harvest concerned.

The price paid by the distiller may not be lower than the buying-in prices.

4. If the distillate has an alcoholic content of not less than 96% by volume the distiller shall be required to deliver it to the intervention agency, which shall purchase it.

If the alcoholic strength is less than 96% by volume but more than 52% by volume the distiller may deliver it to the intervention agency, which shall purchase it. In this case the price to be paid by the intervention agency, as fixed in accordance with paragraph 6 shall be reduced by the cost of increasing the alcoholic strength of the distillate to 96% by volume.

5. Distillation as referred to in paragraph 1 shall be available under the conditions laid down in paragraphs 3 and 4, to all producers."
6. The Council, acting by a qualified majority on a proposal for the Commission, shall adopt general rules concerning the distillation mentioned in paragraphs 1, 2 and 5, including:
 - the conditions under which distillation shall be carried out,
 - the criteria for fixing the price to be paid by the intervention agency for distillates as mentioned in the first subparagraph of paragraph 4 and for fixing the costs mentioned in the second subparagraph of paragraph 4;
 - the criteria for fixing the proportion of the intervention agencies' expenditure to be financed from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund,
 - the criteria for fixing the amount of any aid which may be required to ensure disposal of the products obtained.
7. Detailed provisions for the application of this Article shall be adopted in accordance with the procedure laid down in Article 67. These shall include specification of the quantity of wine normally produced as referred to in paragraph 2 and the derogations referred to in paragraphs 1 and 2."

9. Article 41 shall read as follows:

"Article 41

1. If in any wine year the forward estimate shows that available stocks of table wine at the beginning of the year exceed foreseeable requirements for that year by more than 5 months' consumption, a compulsory table wine distillation operation shall be carried out.
2. The quantity distilled pursuant to paragraph 1 must be such that the estimated stocks for the end of the wine year amount to between 5 and 6 months' requirements for the year in question.
3. In calculation of the requirements referred to in paragraphs 1 and 2 account shall be taken of the quantitative effects of the distillation reserved under Article 12a(2) for holders of long-term storage contracts concluded during the previous wine year.
4. Notwithstanding the second subparagraph of paragraph 8, for each producer the quantity to be distilled under paragraph 2 shall be a percentage of his table wine production. This percentage shall be fixed for each wine-growing zone on the basis of one or more of the following:
 - yield per hectare
 - type of table wine
 - alcoholic strength of the table wine.
5. The buying-in price of wine delivered for distillation under paragraph 1 shall be fixed on the basis of:
 - the guide price for table wine of type A I that comes into application in the year of the harvest concerned
 - average prices recorded from the beginning of the wine year onwards as laid down in Article 4.It may be differentiated by wine type in the light of market requirements.

It may not be more than 90% nor less than 80% of the highest average of the weekly representative prices for each type of table wine established since the beginning of the wine year under Article 4.

The price paid by the distiller may not be less than the buying-in price.

6. If the distillate has an alcoholic strength of not less than 96% by volume, the distiller shall be required to deliver it to the intervention agency, which shall purchase it. If the alcoholic strength by volume is less than 96% but more than 52% the distiller may deliver to the intervention agency, which shall purchase it. In this case the price to be paid by the intervention agency, as fixed in accordance with paragraph 7, shall be reduced by the cost of increasing the strength of the distillate to 96% by volume. Aid shall be granted for distillates not delivered to the intervention agency.
7. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules governing the distillation operation mentioned in paragraph 1, to include:
 - the conditions under which distillation shall be carried out;
 - the criteria for fixing the price to be paid by the intervention agency for distillates as referred to in the first subparagraph of paragraph 6 and for fixing the costs referred to in the second subparagraph of paragraph 6;
 - the criteria for the financing of intervention agencies' expenditure from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund;
 - the criteria for fixing aid given under the third subparagraph of paragraph 6 to ensure the disposal of the products obtained.
8. Decisions to distil required under paragraph 1 shall be taken, detailed rules for the application of this Article shall be adopted and the quantity referred to in paragraph 2, the percentages referred to in paragraph 4 and the prices referred to in paragraph 5 shall be fixed in accordance with the procedure laid down in Article 67."

The same procedure shall be employed to adopt measures to ensure that the requirement in paragraph 4 shall not result in a threat of serious reduction in the incomes of certain producers nor in a disproportionate administrative burden. Such measures may include total or partial exemption from the requirements for producers who, during the wine year in question, have not produced more than a quantity of wine to be determined.

9. Member States shall take the necessary steps to punish infringement of the distillation requirement laid down in this Article.

Such measures must provide for fines amounting to a sum of between the value of the product not so distilled and three times that figure.

The said value shall be established by reference to the activating price which enters into force in the year of the harvest in question.

Member States shall communicate the steps taken pursuant to the above subparagraphs to the Commission.

10. Article 11, 12 and 13 are deleted.

Article 2

At point 11 of Annex II the third indent shall read as follows:

"has whether or not following application of the processes specified in Article 33:

- (a) if the wine derives exclusively from grapes harvested in wine-growing zones A and B, a total alcoholic strength of not less than 9% vol and actual alcoholic strength of not less than 8.5% vol.
 - (b) if the wine derives from grapes harvested in the other wine-growing zones, a total alcoholic strength of not less than 9.5% vol and an actual alcoholic strength of not less than 9% vol
- and a total alcoholic strength of not more than 15% vol."

Article 3

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council,
The President,

FINANCIAL STATEMENT

Date : 9.7.1981

1. BUDGET HEADING : Chapter 69 (Wine)

1981 : 618 m ECU
(Am. Budget n° 2)

2. TITLE : Draft Council Regulation amending Regulation (EEC) No 337.79 on the common organization of the market in wine

3. LEGAL BASIS : Article 43 of the Treaty

4. AIMS OF PROJECT : Amendment and adjustment of the basic Regulation in the wine sector as a result of the action programme (see explanatory memorandum)

5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (1981)	FOLLOWING FINANCIAL YEAR (1982)
5.0 EXPENDITURE - NATIONAL ADMINISTRATION budgets	- 129.6 M ECU	-	-
5.1 RECEIPTS - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)			

	1983	1984	1985
5.0.1. Estimated Guarantee Section Expenditure	-129.6M ECU	-118.6m ECU	-98.6 m ECU
5.1.1. Estimated Administrative Expenditure	2.46 "	2.46 "	1.41 "
			1.05 "

5.1.3. National Budgets	12 months	1982	1983	1984	1985	M ECU
Annex, point 1	- 91	-	- 91	- 80	- 60	
Annex, point 2.	1,4	-	1,4	1,4	1,4	
Annex, point 3	- 40	-	- 40	- 40	- 40	
Total	- 129,6	-	-129,6	-118,6	-98,6	

6.2 IS A SUPPLEMENTARY BUDGET BE NECESSARY ?

XXXXXX
YES/NO

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY ?

from 1983 budget

YES/NO

OBSERVATIONS : See attached calculation system

ANNEX TO THE FINANCIAL STATEMENT

This document contains details of the calculations relating to the various points in the proposal.

1. Differentiated levy on sucrose used to enrich wine (new Article 33a)

According to the information supplied by the Member States the quantities of sucrose used in Germany, France and Luxembourg to increase the alcoholic strength of wine total 80 000t (average harvest), i.e}

- for the production of table wine	16 000 t (=20%)
- for the production of quality wine p.s.r.	64 000 t (=60%)

The levy is to be differentiated according to the use in which the sucrose is put:

table wine	0.85 ECU/kg
quality wines p.s.r.	1.21 ECU/kg

On this basis receipts from the levy will be as follows:

table wine	$0.85 \times 16\,000\,000 = 13.6 \text{ m ECU}$
quality wine p.s.r.	$1.21 \times 64\,000\,000 = \underline{77.4 \text{ m ECU}}$
Total	91.0 m ECU

It is proposed to treat this levy as intervention and to enter it in Chapter 16 of Section VI of the Budget (preliminary draft 1982).

The amount levied will decrease gradually as sucrose is replaced by rectified concentrated must.

2. Aid for rectified concentrated must (new Article 14)

It is estimated that enrichment of 2% vol. would be required for 5 million hl of wine.

The aid corresponds to 5% of the guide price for wine of type A I = 0.14 ECU % hl. Expenditure is thus 5 million hl x 2 x 0.14 ECU = 1.4 m ECU. This aid will be granted only for the 1982/83 and 1984/85 wine-growing years.

It will be charged to Chapter 16 of Section VI of the Budget.

3. Reorganization of the various distillation measures (Articles 40 and 41)

A comparison between expenditure resulting from applying the old distillation arrangements and expenditure under the new system in respect of a hypothetical quantity for distillation of 18 million hl (example from the 1979/80 wine-growing year) shows the financial consequences of the change.

Old system

distillation at low prices (preventive, Charentes, wines from table grapes, extra deliveries)

3 million hl at 7.5 ECU/hl = 22.5 m ECU

distillation at high prices (additional, exceptional, Article 15a)

15 million hl at 21.1 ECU/hl = 316.5 m ECU

Total = 339 m ECU

New system

1.5 million hl (table grapes, Charentes) at 50% of the guide price for type

A.1 = 1.5 million hl x 7.5 ECU/hl 11.3 m ECU

7.2 million hl at 65% of the guide price x 12.6 ECU/hl 90.7 m ECU

9.3 million hl at 85% of the guide price x 21.1 ECU/hl 196.2 m ECU

Total 298.2 m ECU

For the hypothetical wine-growing year the new system would represent a saving of around 40 m ECU. Moreover, intervention at the start of the wine-growing year, as provided for under the new system, should gradually reduce considerably the need to resort to distillation at high prices since it will result in better market balance right from the beginning of the year and hence in firmer price quotations.

Chargeable to Chapter 16 of the Budget.

