

COMMISSION OF THE EUROPEAN COMMUNITIES

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Bruxelles, 14 june 1974

Proposal for a
REGULATION (EEC) OF THE COUNCIL

laying down general rules governing the
distillation of table wines during the
period from 1 July to 30 September 1974

(Submitted by the Commission to the Council)

EXPLANATORY MEMORANDUM

At its sessions on 29/30 April and 4 June 1974 the Council discussed the situation on the wine market following the requests made by France and Italy for the distillation of wine as provided for in Article 7 of the Basic Regulation.

As a result of the record harvest in 1973 stocks reached an exceptionally high level and at the end of the 1973/74 wine-growing year stood at their highest level (more than 80 million hl) since 1970, when the common organization of the market was introduced.

In several marketing centres prices fell below the activating price. Elsewhere, given the present inflationary situation, prices are steady as producers are keeping their wine in expectation of intervention measures being introduced. Very few transactions are being carried out.

Prices in Italy, expressed in units of account, will fall by 12.5% when the new exchange rate for the lira is introduced. In addition, it must not be forgotten that until 15 December 1974 prices in Italy will continue to be subject to a coefficient of increase equal to the adjustment of 7.79% not applied in this sector. In view of this monetary aspect prices on the Italian market are giving cause for concern. Finally, a complete and dramatic collapse of the market is to be feared from July onwards as a result of the surplus amounts of wine available, producers' growing financial difficulties and the need to store the wine produced from the last harvest.

Under these circumstances the Commission considers it advisable to propose that the Council take a decision authorizing the distillation of wine as provided for in Article 7 of the Basic Regulation. Even if the 1974 harvest is a normal one, extensive surpluses of wine can be expected on the market at the beginning of the next wine-growing year as the market imbalance persists.

In its Memorandum on the adjustment of the common agricultural policy, submitted in November 1973, the Commission introduced the idea that distillation might take place at the beginning of a wine-growing year as a means of taking preventive action on the market. It will shortly incorporate this idea in a proposal for a regulation amending the Basic Regulation.

With this aim in mind it proposes today that action be taken in sufficient time for a serious market crisis to be avoided. In addition, if it is acknowledged that the quantities of wine produced will, in any case, make distillation necessary sooner or later, the proposed measure will reduce the cost of private storage aids which would otherwise be granted in the coming months.

The details governing such distillation are practically the same as those proposed for the previous measures taken in 1971 and 1972.

Proposal for a
REGULATION (EEC) No /74 OF THE COUNCIL
of
laying down general rules governing the distillation
of table wines during the period from 1 July to
30 September 1974

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation (EEC) No 816/70¹ of 28 April 1970
laying down additional provisions for the common organization of the market
in wine, as last amended by Regulation (EEC) No 2592/73², and in particular
Article 7(1) thereof;

Having regard to the proposal from the Commission;

Whereas Article 7 of Regulation (EEC) No 816/70 provides that measures
may be adopted for the distillation of table wines if the granting of
aid to private storage alone is unlikely to be effective in restoring
price levels;

Whereas aids to private storage have been granted since the end of 1973 for
wines of types R I, R II, R III, A I and A II; whereas the prices for
some of these wines are below the activating price;

Whereas the possibility of concluding nine-month storage contracts for
these types of wine during the period from 16 December 1973 to
15 February 1974 has not brought about any considerable restoration of
price levels;

Whereas the abundant harvest of 1973/74 has yielded supplies considerably
in excess of the normal requirements of this wine marketing year;

¹OJ No L 99, 5 May 1970, p. 1.

²OJ No L 269, 26 September 1973, p. 1.

Whereas the conditions are fulfilled for the commencement of a distillation operation;

Whereas it is necessary to lay down the conditions under which such operation should take place; whereas the price for wines to be distilled should not act as an encouragement to the production of wines primarily for the purpose of distillation, but should nevertheless be sufficiently attractive for the operation to be effective;

Whereas, in order to limit the scope of the measure, its duration should be restricted; whereas means must also be found of bringing distillation operations to an end if prices for the wines referred to above should again rise above the activating price;

Whereas the prices for wines to be distilled will not permit the products of such operation to be marketed on normal terms; whereas an aid should therefore be paid, the amount of which should be fixed, taking account of normal expenses, at a level which will make it possible to market the products of distillation,

HAS ADOPTED THIS REGULATION:

Article 1

Table wines may be distilled subject to the conditions laid down by this Regulation.

Article 2

1. Producers who wish to have all or part of their harvest of table wine distilled shall conclude delivery contracts, where appropriate through the intervention agency, with distillers selected by them.

2. Under such contracts:

- (a) the distiller shall purchase the quantity of table wine referred to in the contract;

4

(b) the distiller shall be obliged to distill such wine and to pay a price therefor which shall not be less than the price referred to in Article 3.

3. The contracts shall specify:

- (a) the quantity, colour and actual alcoholic strength of the table wines to be distilled;
- (b) the name and address of the producer;
- (c) the place at which the wine is stored;
- (d) the name of the distiller or the registered business or company name of the distillery;
- (e) the address of the distillery.

Article 3

1. The minimum purchase price for table wines to be distilled is hereby fixed at 1.32 u.a. per degree and per hectolitre.

2. The price referred to shall apply in respect of unaltered product, ex-producer's premises.

Article 4

1. Distillation may not take place before 1 July 1974 or after 30 September 1974.

However, it may be decided to bring forward the closing date for distillation, particularly if the average prices for all the types of table wine on all markets should for two consecutive weeks remain at a level above the activating price.

Article 5

Products of the distillation of table wines shall have an alcoholic strength of not less than 86%, with a tolerance of 0.4% above or below.

Article 6

1. For each hectolitre of wine that is distilled, an aid shall be paid by the intervention agency.

2. The amount of the aid is hereby fixed at 0.32 u.a. per degree and per hectolitre.

5

3. The aid shall be paid only upon production of a contract as referred to in Article 2 and upon proof being given that distillation took place within the period during which such operation was authorized under Article 4.

Article 7

1. Member States shall designate an intervention agency to be responsible for applying the provisions of this Regulation.
2. The competent intervention agency shall be the agency of the State on whose territory distillation takes place.

Article 8

This Regulation shall enter into force on the day 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 REPERCUSSIONS

In view of the surplus situation on the market in wine this Regulation provides for the distillation of wine, as referred to in Article 7 of Regulation (EEC) No 816/70, for the period from 1 July to 30 September 1974.

Aid granted from the EAGGF will be equal to 0.32 u.a. per degree/hectolitre. Since the amount of wine for distillation will be between 6 and 7 million hectolitres, expenditure will total 20 million u.a., to be set off against Article 691, Item 6911 of the budget of the European Communities.

<u>Budget</u>	<u>Appropriations</u>	<u>Appropriations used</u>
1972		27 226 500
1973	2 109 000	2 109 000
1974		32 000

The amount earmarked in the 1974 budget is not sufficient to finance the measure envisaged. Now, the "Information memorandum relating to the variations in the expenditure of the Guarantee Section resulting from the Council Decision of 23 March 1974 and to the variations which could occur in 1974 for other reasons" of 4 April 1974 states that there will be additional expenditure of 40 million u.a. under Chapter 69, Wine. The measure envisaged can be financed under the overall appropriations of the Guarantee Section. However, this will require a transfer of appropriations from one Chapter to another.

