

Newsletter on the common agricultural policy

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The Common Organization of the Market in Wine

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To all readers of our Newsletter on the Common Agricultural Policy we wish a Happy Wine Year.

The common organization of the market in wine

Things have really got moving in the Common Market's wine policy since the end of April 1970. On the 28th of that month, the Council adopted two regulations on wine: (1) Regulation (EEC) No. 816/70 on supplementary provisions for the common organization of the market in wine, and (2) Regulation (EEC) No. 817/70, on special provisions for quality wines from specified areas. Since then, a great many rules have been issued to implement these two regulations, and a phase of constructive and dynamic action has superseded a period of stagnation. What will this mean for the further development of the common policy for wine? Here is a brief description of the most important new common provisions: what they say, and where they are likely to lead.

Principles of the common wine policy

Essentially, the common wine policy sets out to do two things: to adjust supply to demand, and to raise quality standards throughout. It must be remembered, in this connection, that the wines produced in the Community cover an extremely wide range, from the very finest growths down to the most modest little wines, and that there is still plenty of scope for producing more.

Another important point to bear in mind is that the Community, though the world's largest producer and consumer of wine, is also a place where consumption is rising only slowly. For production policy, caution must therefore be the watchword. Apart from trying to keep total supply and total demand in step, an attempt must also be made to encourage the production of good quality wines and, conversely, discourage the production of less good ones.

It is true that at present the Community does not produce enough of its own wine to cover the whole of its demand. But the overall deficit is small, and in any case there may well be a surplus of certain types of wine. Hence the Community needs arrangements at its common frontier effective enough to prevent internal surpluses due to unduly large imports. Such unduly large imports are all the more likely and unwelcome as prices in the Community are generally far higher than those of several major wine-producing countries outside.

But one of the chief purposes of the whole common agricultural policy is precisely to guarantee adequate incomes for the Community's farmers. To this end, it is as necessary to influence wine prices inside the Community as it is to guard the common frontier so that home-produced wines do in fact enjoy a preference. This does not mean, however, that the Community should isolate its market from those abroad. On the contrary, such a policy would not only be contrary to its general principles, but would be most detrimental to quality standards, for these thrive better in the harsh climate of competition.

These considerations are reflected in a series of regulations issued by the Council and the Commission for the common organization of the wine market.

Analysis of the basic regulations for the wine market.

The foundations for the Community's wine market policy were laid in 1962, with Council Regulation No. 24. A viticultural land register was to be prepared, so that a complete picture could be gained of the Community's production potential, and the annual supply situation was to be assessed with the help of forecasts and reports about each year's harvest and stocks and of advance supply and demand estimates with respect to wine and must.

As a first step in the promotion of better quality, a regulation was to be issued on quality wines from specified areas.

A. Council Regulation No. 816/70 on the common organization of the market in wine

This is without doubt the most important regulation, since it contains provisions not only on table wines, but on production generally, on the wine trade and distribution, and on the control and designation of wines. The regulation has five parts, as follows:

Title I: Prices and intervention arrangements

Wine is a product so admirably capricious in its variety, that it does not lend itself to standardization. Yet standardization would be most helpful in getting a better grip on the wine market.

The regulation defines one category of wines, table wines. This means table wines representative of the Community's cutput, and having characteristic and precisely defined features. For each type of these table wines two prices are fixed: a guide price, which is the price regarded as adequate for the producer, and a threshold price below which intervention measures come into play. Both prices are determined for the Community's representative markets and by precisely defined procedures.

Intervention takes the form of subsidies for private storage, which cover solely technical storage costs.

If estimates at the beginning of the wine marketing season suggest that there will be an imbalance between total supply and total demand, additional subsidies for private storage may be granted independently of the above-mentioned subsidy. Finally, in the case of serious short-term imbalances between supply and demand, measures may be taken to encourage voluntary distillation of the surpluses. The subsidies for storage and distilling costs are financed from Community funds.

Title II: Trade with non-member countries

Trade is completely liberalized, subject to no wine being imported at prices which jeopardize the incomes of the Community's producers.

Imports are, therefore, subject to the common external tariff, and in addition reference prices are fixed. A compensatory levy will be charged on all imports whose price falls short of the reference price. This compensatory levy equals the difference between the free-at-frontier price plus tariff at the Community's frontier, and the reference price for the product concerned. Non-member countries have the opportunity of committing themselves not to quote prices below the reference level and thus to avoid the systematic application of this levy. In that case, however, the non-member country concerned is required to produce evidence of its ability to enforce compliance with the reference price.

Furthermore, certain quality wines may be explicitly exempted from the levy. In granting such an exemption, consideration is to be given not only to the quality of the wine concerned, but also to its reputation and, above all, to the producer country's regulations concerning the production of quality wines and their control.

These provisions will no doubt raise the retail price of wines imported from outside, but this need not be expected to have unduly large immediate repercussions on the Community's trade with non-member countries. Imports are, after all, fully liberalized now, whereas previously they were subject to a - sometimes very strict - quota system. Since, furthermore, all non-member countries are treated alike, none of them should be at a particular disadvantage. But consumer choices in the Community should henceforth be influenced by quality far more than by price.

Title III: Rules for production and for the control of new plantings

In principle, the vineyard area of the Community is not to increase any more in the future.

While there is, for the time being, no prohibition on new planting, this principle is to be given effect by the following rules:

- (1) Generally speaking, subsidies for new plantings will no longer be permissible;
- (2) Anyone wishing to plant or replant vines must notify his intention to the competent authority, and may do so only after it has acknowledged the notification;
- (3) Every year, Member States assess the quantitative implications of these notifications and transmit to the Commission an advance estimate of the area of vineyards and their likely output; on the basis of these estimates the Commission prepares a report for the Council;

(4) If this report suggests the likelihood of output in excess of demand for all uses, the Council issues appropriate regulations on new plantings and replantings, so as to prevent structural surpluses.

On the basis of this regulation, furthermore, the vine stocks which may be planted in the Community were classified by administrative districts. A distinction is made between recommended, admissible and temporarily admissible varieties. Planting of the latter varieties is now prohibited, and they are excluded as suppliers of quality wines from specified areas.

Title IV: Oenological practices and wine marketing

The regulation defines "wine" as a product made by the full or partial alcoholic fermentation of fresh or mashed grapes or of grape must. In the interests of quality promotion, however, not just any wine is to be admissible for direct human consumption. For a wine to be admissible for this purpose, its primary products must meet certain minimum standards, and wine-making must fulfil certain conditions. To qualify for the definition "table wine", a wine must:

- (1) be made exclusively from grapes of vine varieties authorized by Community provisions for the administrative district concerned;
- (2) be produced in the Community;
- (3) after enrichment, if any, have an actual alcoholic strength of at least 8.5° and a total potential alcoholic strength of at most 15°, though the latter maximum may be 17° for wines of certain vineyards yet to be defined, produced without enrichment and having no residual sugar content;
- (4) have an acidity of at least 4.50 g per litre, in terms of tartaric acid.

So much for "table wines". "Quality wines from specified areas" are defined separately in Regulation (EEC) No. 817/70.

To give effect to the concept of quality wines from specified areas, the Community's wine-growing zones had to be classified according to their natural conditions. For each zone, a minimum content of natural alcohol was fixed, as well as a range and an upper limit for enrichment. Enrichment may be done by sugaring, but only in areas where this has hitherto been permissible. Everywhere wines may be enriched by the addition of concentrated grape must or by the concentration of must or wine.

No products may be enriched except those suitable for making table wines or quality wines from specified areas.

Any wine which does not meet the qualifications of a table wine or a quality wine from specified areas, may be consumed only by the producer, or else used for distilling or to make vinegar.

Another important step concerning oenological practices is that the distillation of lees and marc has been made compulsory throughout the Community, though for the time being Germany and Luxembourg are exempt. The idea of this provision is to prevent grapes being pressed to their last drop.

With a view to preserving the individual characteristics of table wines, strict rules govern the blending of Community wines, and any blending with wines imported from non-member countries is prohibited altogether. Again there is an exception for Germany, whose red wines are not subject to this prohibition during a transition period.

To ensure compliance with these Community regulations, wines must be accompanied by documents, and books have to be kept on stocks received and issued. A low excise duty on wine should further enhance the effectiveness of these measures.

Title V: General provisions

Inside the Community, the abolition of all customs duties and quantitative restrictions created the conditions for completely free trade. In order to avert a threat of disturbance on its markets, however, any Member State may introduce restrictions on imports from other Member States, though such restrictions may be kept up only with the Commission's approval.

Since the Basic Regulation came into force, a number of transition rules have been issued to ease the wine economy's adaptation to the new Community system.

B. Council Regulation No. 817/70 on special provisions for quality wines from specified areas

As long ago as 1962 Council Regulation No. 24 laid down criteria for quality wines from specified areas (quality wines f.s.a.).

Regulation No. 817/70 adopts the same criteria and defines a framework within which Member States have far-reaching discretion and scope for their own national measures. This was done to meet the view of those who argued that the production of quality wines f.s.a. is conditioned by factors which may vary so widely that their assessment should be left to the authorities immediately responsible.

It could be argued that in these circumstances there is a danger that measures of implementation will be so liberal as to work to the detriment of quality.

The contrary is more likely to happen, because quality wines f.s.a., which do not have the benefit of any market support measures,

sell on quality alone. In its absence, the wine is not a genuine quality wine f.s.a. and the producer must face the consequences.

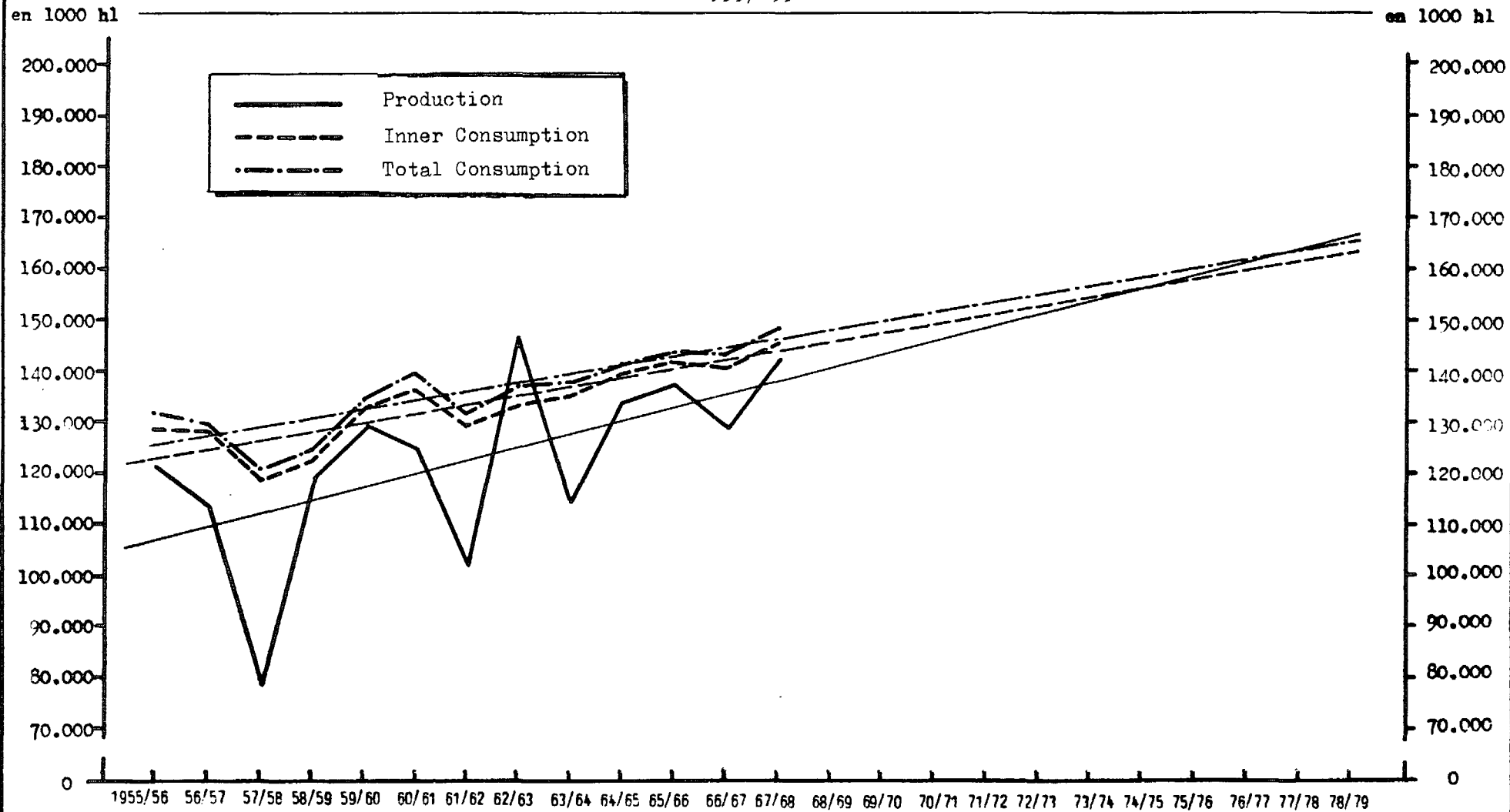
For this reason, the wine producers among Member States are enjoined to demarcate for every quality wine f.s.a. the area where it may be grown, to list the varieties of vine stocks suitable for its production and to prescribe cultural practices. A quality wine f.s.a. bearing the name of the area concerned can be produced only from grapes harvested in the area from recommended or admissible vine stocks and made into wine in the same area. The minimum content of natural alcohol varies from one zone to another, but in all cases must be higher than that fixed for table wines. For every quality wine f.s.a. the yield per hectare is fixed, and if the yield is higher the use of the quality designation claimed may be prohibited for the vintage. Even if all these conditions are fulfilled, no wine may be designated as a "quality wine f.s.a." nor bear the traditional national denominations unless it has successfully passed the prescribed analytical and organoleptic tests.

Conclusion

The two basic regulations described above and the numerous subsequent rules of implementation have at last made a reality of the common market organization for wine. There were many difficult obstacles to overcome, but the general trend of political developments helped. Much remains to be done, however. There are many partial problems still to be brought within the scope of Community arrangements - for instance, the designation of wines, or control of wine-making and of the wine trade.

It is too early to pass judgement on the beneficial effects or otherwise of the common wine market. There are imperfections here and there, and difficulties of adjustment, but those must be ascribed to the concurrent validity of national and Community law. That, of course, is a general drawback inevitable at a time of transition and progress towards the political integration of Europe. Quick progress has been made with extending the Community's jurisdiction over the wine market. As joint consultations become a matter of routine and current Community regulations are, if need be, supplemented or altered, there is every hope that they will soon meet the requirements of an orderly market in wine.

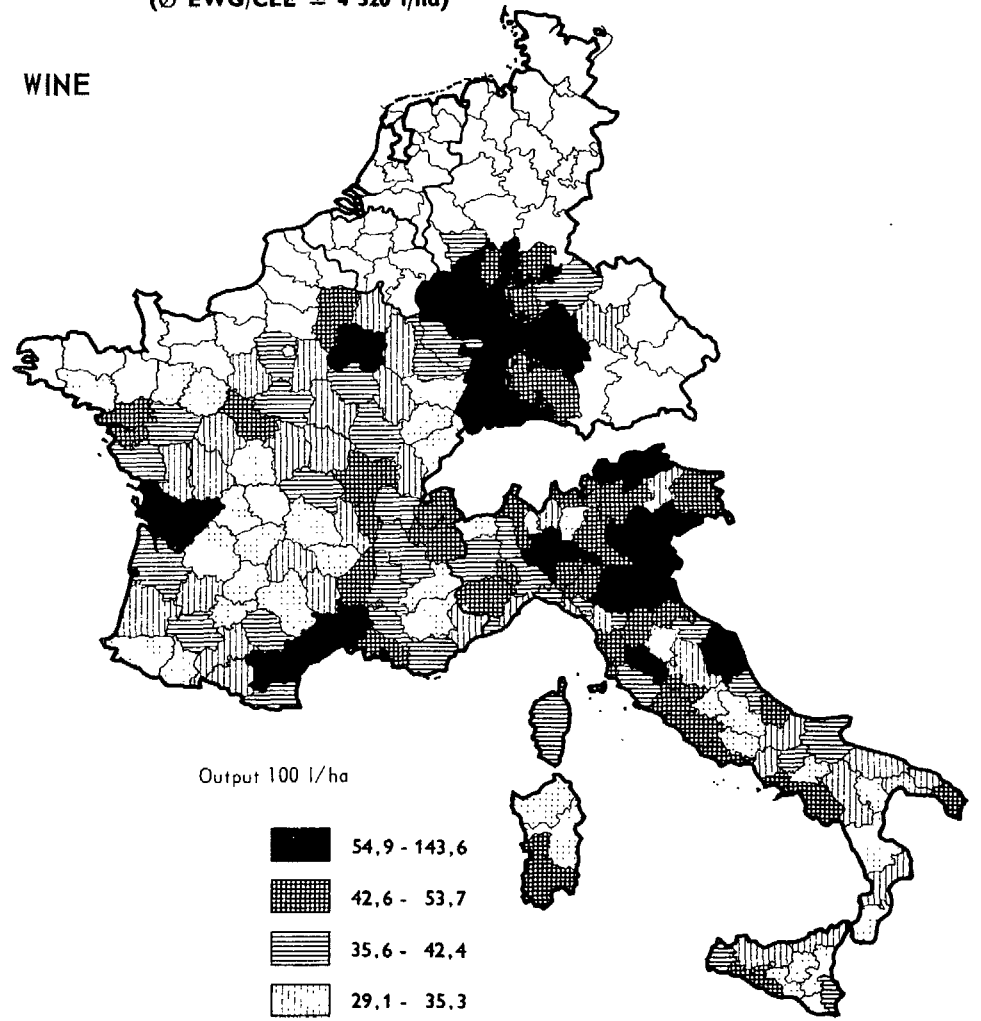
EEC - EVOLUTION OF PRODUCTION AND CONSUMPTION OF WINE
SINCE 1955/1956



111 AVERAGE PRODUCTION

1961-65 in/en 100 l/ha
(Ø EWG/CEE = 4 520 l/ha)

WINE



Output 100 l/ha

54,9 - 143,6

42,6 - 53,7

35,6 - 42,4

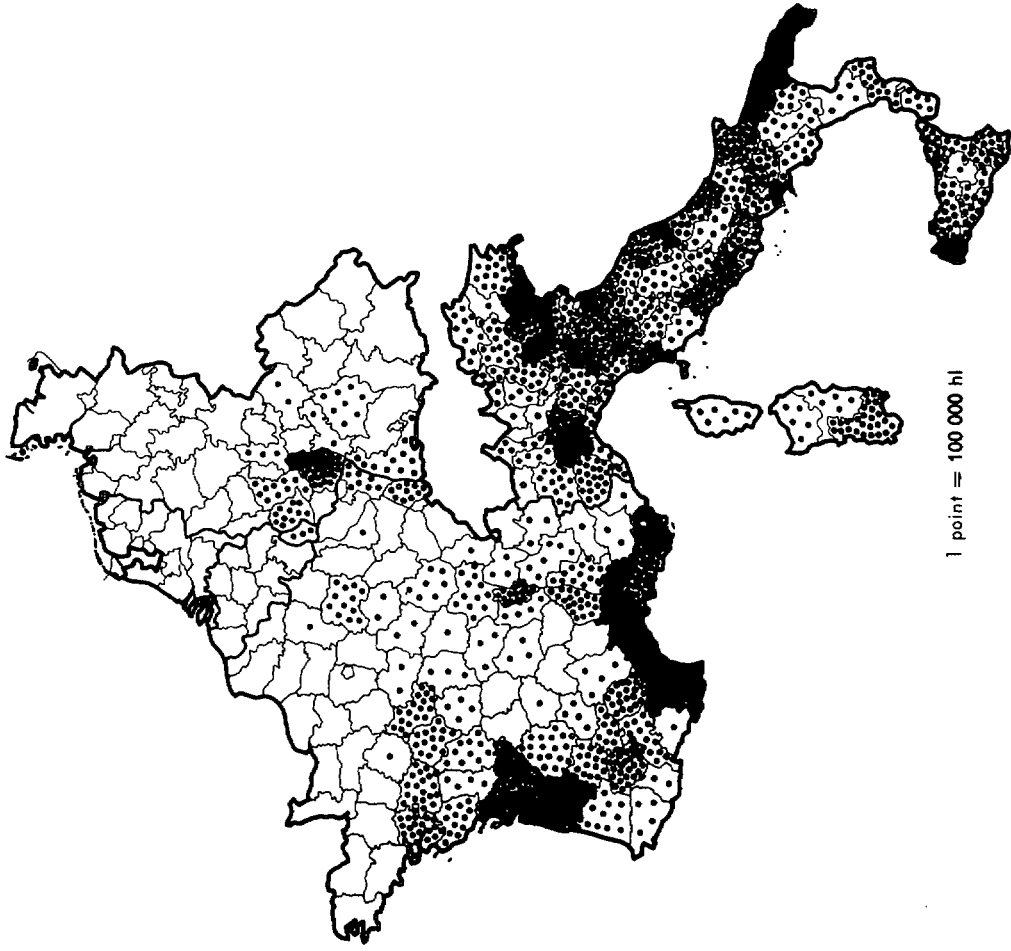
29,1 - 35,3

15,4 - 29,0

Regions without production of wine

125 PRODUCTION OF WINE

⊙ 1961-65



1 point = 100 000 hl