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DOCUMENT 1-278/82

REPORT

drawn up on behalf of the Committee on
Agriculture

on the proposal from the Commission of the
European Communities to the Council
(Doc. 1-675/81 - COM(81) 408 final) for a
regulation amending Regulation (EEC)
No. 337/79 on the common organization of the
market in wine

Rapporteur: Mr A. COLLESELLI

By letter of 28 October 1981 the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver its opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 337/79 on the common organization of the market in wine.

On 4 November 1981 the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 3 November 1981 the motion for a resolution tabled by Mr MARTIN and others, pursuant to Rule 47 of the Rules of Procedure, on the need to improve the rules governing the wine sector was referred to the Committee on Agriculture.

On 24 November 1981 the Committee on Agriculture appointed Mr COLLESELLI rapporteur.

The committee considered the Commission's proposal and the draft report at its meetings of 24/25 November 1981, 31 March/1 April 1982, 27/28 April 1982 and 17/18 May 1982.

At the last of these meetings the Committee on Agriculture decided unanimously that Parliament should reject the Commission's proposal on the grounds that it had been overtaken by events and by the decisions of principle already taken by the Council of Ministers.

The committee then adopted, by 17 votes to 3 with 7 abstentions, a motion for a resolution of a political character which, once adopted by the European Parliament, would close the procedure for consultation.

The following took part in the vote :

Mr Curry, chairman; Mr Früh, vice-chairman; Mr Colleselli, vice-chairman and rapporteur; Mr Delatte, vice-chairman; Mr Adamou, Mrs Castle, Mr Clinton, Mr Dalsass, Mr Diana, Mr Eyraud, Mr Helms, Mr Hord, Mr Kaloyannis, Mr Ligios, Mr Maffre-Baugé, Mr Maher, Mr M. Martin (deputizing for Mr Pranchère), Mr Mertens, Mr Mouchel, Mr d'Ormesson, Mr Papapietro, Mr Stella (deputizing for Mr Bocklet), Mr Sutra, Mr J.D. Taylor (deputizing for Mr Provan), Mr Thareau, Mr Tolman and Mr Vgenopoulos.

The opinion of the Committee on Budgets is attached.

The motion for a resolution by Mr Martin and others is annexed to the present report, pursuant to Rule 47(3) of the Rules of Procedure.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 337/79 on the common organization of the market in wine.

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(81) 408 final),¹
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-675/81),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-278/82),
 - having regard to the result of the vote on the proposal from the Commission,
 - A having regard to its previous opinions on the wine sector, particularly the resolution adopted on 9 April 1981 on the present situation in the Community wine-growing sector², following a report by Mr Colleselli, the resolution by Mr Ligios and others, adopted on 17 September 1981³, on urgent implementation of measures for restoring the balance in the wine sector, and the resolution adopted on 20 November 1981⁴, on various proposals from the Commission, following a report by Mr Colleselli,
 - B having regard to the motion for a resolution by Mr Martin and others on the need to improve the rules governing the wine sector (Doc. 1-619/81),
 - C whereas the Commission's proposal has been overtaken by the decisions of principle already taken by the Council of Ministers, which must be taken into account in a political assessment of the situation,
 - D whereas the cost of the common organization of the market in wine is out of all proportion to the scale of production in the Community,
 - E having regard to the serious crises which periodically afflict this sector, causing serious harm to producers and endangering the very existence of the common market in wine,
1. Reaffirms its previous positions on the need for a long-term policy in this sector, which will avoid the inconsistent and sporadic presentation of proposals to reform the organization of the market, and seek instead to implement the principles reaffirmed on many occasions, particularly as regards the improvement of quality, the development of exports, the control of imports from third countries, the reduction of excise duties, the early implementation of projected structural measures and the strengthening of quality controls and fraud prevention services;

¹ OJ No C 277, 29.10.1981, p.5

² Doc. 1-680/80 - OJ No C 101, 4.5.1981, p. 52

³ OJ No C 260, 12.10.1981, p.85

⁴ Doc. 1-667/81 - OJ No C 327, 14.12.1981, p.114

2. Notes that, although in some respects they are constructive, the proposals under consideration will not be capable of providing a definitive solution to the crisis in the wine-growing sector;
3. Notes that, although some of the measures proposed are acceptable, others give rise to serious doubts and reservations;
4. Rejects the Commission's proposal to abolish aid for normal concentrated grape musts and to introduce a levy on sucrose;
5. Believes that the Commission should propose a precise date after which sugaring would be prohibited throughout the Community, making provision in the meantime for Community measures to promote the development of the oenological techniques and the necessary installations, which will enable wine to be enriched using only grape-derived products, particularly concentrated musts and rectified concentrated musts;
6. Takes the view that special measures may also be permitted on a limited scale after this date
 - for specific areas in wine-growing zones A and B, which must be precisely defined geographically and in terms of production quantity, and
 - where applicable, for quality wines in specific wine-growing areas with special characteristics;
7. Proposes that the marketing year should correspond to the wine year and that it should therefore begin on 1 September;
8. Request that preventive distillation should be carried out on a voluntary basis and at a price level that will encourage producers to have effective recourse to it; where this measure does not have the intended effect, the Council may decide on compulsory preventive distillation based on strictly qualitative criteria;
9. Points out that both normal and special distillation measures aggravate the problem of disposing of the ethyl alcohol thus obtained on the market and calls for provision to be made for appropriate action in this field;
10. Calls for the cost of all distillation measures to be charged direct to the EAGGF;
11. Requests that the possibility for producers to use short and long-term storage with performance guarantees and authorizations of transfer should be made permanent in the basic regulation;
12. Insists on the need to increase outlets, particularly through the harmonization and reduction of excise duties and the introduction of an active policy for exports to third countries based on adequate refunds which are also extended to new countries;
13. Calls for the introduction of more precise labelling regulations so that the consumer is clearly informed of the exact origin of the wine, of its appellation and of any coupages from which it is obtained;

14. Calls for an effective and uniform application of the Community regulations in all the Member States; expresses particular concern about certain practices which distort competition and are incompatible with the Treaty of Rome;
15. Calls on the Commission to codify the wine regulations in a single text, given that the countless amendments to these regulations in recent years have made them almost incomprehensible to the non-specialist;
16. Calls on the Commission to propose ways and means of introducing a viticultural land register in the various Community producer countries;
17. Instructs its President to forward to the Commission and the Council the proposal from the Commission as voted by Parliament and the corresponding resolution as Parliament's opinion.

EXPLANATORY STATEMENT

1. After submitting to the Council an initial series of technical amendments concerning the common organization of the market in wine in its proposal of 20 May 1981¹, the Commission submitted a further proposal in October 1981 seeking to amend some of the principal market control mechanisms provided for in basic regulation No. 337/79.
2. The new amendments proposed by the Commission have two main aims:
 - to complete the 1980-86 action programme in the wine sector, which has already been launched;
 - to prepare for the accession of Spain and Portugal to the European Community.
3. To achieve these aims the Commission has submitted a set of proposals which can be categorized as follows:
 - prohibition of the replanting of vines on areas classed in categories 2 and 3² and thus unsuitable for wine-growing, according to the Commission;
 - discouragement of the use of sucrose for the enrichment of wine, by establishing control over its movement and imposing a levy on it; this measure should facilitate the use of rectified concentrated must (grape sugar) for enrichment;
 - modification of the present distillation measures;
 - improvement of the quality of wine by increasing its minimum natural alcohol strength in all wine-growing zones.
4. In the meantime the Council of Ministers has taken decisions of principle, the details of which are not yet known, but which are likely to be based on the following points:
 - voluntary preventive distillation at a price equivalent to 65% of the guide price, in years of abundant harvest and 70% in years of normal harvest;
 - compulsory distillation at a price equivalent to 65% of the guide price, in order to keep the increase in Community production in check, to be calculated on the basis of yield per hectare; the quantity of wine distilled under voluntary distillation will be deducted from the quantity to be delivered for compulsory distillation;
 - the introduction of a guaranteed minimum price for table wine, to be equal to 82% of the guide price for all types of table wine; the Commission will be able to make provision for distillation or buying operations at the above price to be carried out by the intervention agencies up to a limit of 5 million hecto-litres;
 - as far as compulsory distillation is concerned, the alcohol delivered to the intervention agencies will be charged to the EAGGF, up to a limit of 70% of the cost.

¹ Doc. 1-351/81: Colleselli report, Doc. 1-667/81, debated in Parliament on 20 November 1981

² See Article 29 of the basic regulation.

5. Having been unofficially informed of these decisions of principle, the Committee on Agriculture found itself faced with a choice: it could either express its opinion by proposing amendments to the proposal for a regulation under consideration - now out of date - or it could confine itself in its resolution to giving its opinion on those measures in the proposal which could still be considered as valid, taking account of the agreements reached in the meantime by the Council.

The committee decided to opt for the second course of action and at the same time to recommend that Parliament conclude the consultation procedure. The Council would then be in possession of Parliament's opinion and could officially introduce the various measures.

The committee strongly condemned the fact that the present procedure for consulting Parliament involves the inevitable drawback that the texts proposed by the Commission are examined simultaneously by the respective technical services of the Council and Parliament, with no contact between the two procedures until the final stage, when Parliament submits its official opinion to the Council.

In this way, the Commission's initial proposal is subject to numerous amendments within the Council as a result of compromises between the various positions, so that Parliament is finally obliged to give its opinion on a text which is neither valid nor up-to-date and which to all intents and purposes no longer exists.

If Parliament's right of consultation is not to be reduced to a mere legal formality devoid of real value, new procedures will have to be drawn up.

This is not the place to discuss possible solutions, but a continual exchange of information on an official basis between the Council and Parliament throughout the procedure for examining proposals, would be an important first step in the right direction.

6. Some of the Commission's initial proposals, on which the Council has not yet taken a final decision, merit detailed consideration and some aspects of these proposals can also be examined in the light of the decisions already taken by the Council.

Increase in alcoholic strength

7. The proposed amendment to the second subparagraph of Article 32(1) of Regulation No. 337/79 is intended to improve the quality of wine by increasing its natural alcoholic strength by volume by half a degree in all wine-growing zones.

This would mean an increase to 5.5% in wine-growing zone A (Luxembourg and most of Germany) and so on, reaching an increase to 9.5% in wine-growing zones CIII(a) and CIII(b).

This measure was also called for by the European Parliament on 20 November 1981, on the occasion of its vote on the abovementioned COLLESELLI report.

The prohibition of the production and enrichment of wines which are below the required minimum strength, now increased by half a degree, will help balance the market and eliminate products which require excessive enrichment with sucrose before they can be placed on the market. This measure is therefore supported by the European Parliament and should be adopted by the Council as soon as possible.

Sugaring

8. The Commission is proposing to introduce a levy on sucrose used by producers to increase the natural alcoholic strength by volume of wine. It should be borne in mind that at present the addition of sucrose is prohibited in the southern part of France (south of the Bordeaux-Valence line with the exception of the Bordeaux regions), in Italy, Greece, Spain and Portugal. In all these regions enrichment is allowed only through the addition of concentrated musts or by partial concentration through cooling. These are expensive processes and the alcoholic strength obtained in this way costs twice as much as the addition of sucrose.

To eliminate this discrimination between northern and southern producers and at the same time to encourage the use of concentrated musts, the Commission is proposing to increase the cost of sucrose by introducing a levy.

The rate of the levy will be differentiated according to whether the sucrose is used for table wines or quality wines psr.

The levy will therefore increase the price of sucrose so that it becomes higher than the price of concentrated must by 10% for table wines and by 35% for quality wines psr.

The rate of the levy will be fixed according to the Management Committee procedure.

Under the same procedure a system is to be introduced for supervising the movement of sucrose and, if necessary, of other sugars.

The Commission's proposed introduction of a levy on sucrose arouses grave doubts, the most disturbing of which are briefly, as follows:

- it contradicts the Commission's objective, expressed in the 1978 action programme¹ and elsewhere, of gradually eliminating sugaring throughout the Community;
- it transfers problems and difficulties away from one area, the wine sector, to another, the sugar sector, which is already burdened by a compulsory contribution to production of 2% of the intervention price and by a rigid system of production quotas; furthermore, it is doubtful, from the point of view of rule-making, whether a regulation of such importance relating to one market organization, that of sugar, could be incorporated into another, that of wine.

- * it would be difficult if not impossible to supervise; how would it be possible to distinguish between sucrose intended for the enrichment of wine and that destined for normal consumption? What type of complex bureaucratic apparatus would have to be set up for this purpose? Fraud and deceitful practices would be encouraged unless the fraud prevention services were to be strengthened at the same time;
- the abolition of aid for ordinary concentrated musts, together with the introduction of a levy on sucrose, is likely, in the absence of proper controls, to prevent or restrict their use - which this measure is intended, indirectly to encourage; the same is true of rectified concentrated musts, given that the aid granted them is inadequate and only serves to cover the difference between the cost of their production and that of normal concentrated musts;
- the idea of directing revenue from the sucrose levy, were it to be introduced, into the EAGGF in its present confused state appears absurd; if a similar levy were applied in the milk sector, the revenue would be used to promote the consumption of milk and dairy products; why not do likewise in the wine sector, for example through promotional activities, studies on quality improvement or an increase in export subsidies?
- objections of a legal nature have also been raised in many quarters, on the grounds that a levy on sucrose would constitute an 'own resource' in the same way as VAT revenue or customs duties and that, therefore, its introduction would require an amendment to the Treaties which would have to be formally ratified by all the national parliaments.

These brief observations show how inconsistent the Commission's proposal is.

A possible alternative solution would be to increase the aid to both normal and rectified concentrated musts; laying down a precise date after which sugaring would be definitively prohibited throughout the Community; a possible date would be 1 January 1986, coinciding with the end of the Community plan for restructuring the wine sector. A limited number of exceptions could be made for some parts of wine-growing zones A and B - although these should be strictly defined in terms of geographical or production limits - or for some quality wines psr with specific characteristics.

In the meantime, further measures should be taken to facilitate the transition to a definitive system, notably by developing all the techniques which enable wine to be produced solely from grape-derived products, especially rectified concentrated musts.

Preventive distillation

9. One of the most controversial of the Commission's proposals is that involving the compulsory preventive distillation of table wines at the beginning of the wine year, in order to reduce estimated stocks to a normal level.

From the outset, the Committee on Agriculture has declared its support for the principle of a preventive distillation to replace the distillation measures provided for in Article 11 of the basic regulation. The latter has never really been effective because the buying-in price for wine was only 55% of the guide price, an inadequate incentive for producers to avail themselves of this possibility.

This preventive distillation, however, should initially be voluntary and should only become compulsory at a later stage, if it has proved inadequate to relieve the pressure on the market.

The success of this new measure will again depend on the level of the price. If it is as close as possible to the activating price, producers will be keen to sign distillation contracts; otherwise they will do their utmost to avoid doing so. It is necessary, therefore, for the price paid to be remunerative. This measure could also be supplemented by others: for example, producers who have not used compulsory distillation could be prevented from entering into storage contracts with performance guarantees.

In addition, the quantity of wine distilled under voluntary distillation could be deducted from the quantity which would have to be delivered for compulsory distillation, if it were decided to apply this measure.

The Council of Ministers has in fact shown itself to be favourable to the solution advocated by the Committee on Agriculture of a voluntary distillation followed by a compulsory one.

There are a number of doubts about the criterion, proposed by the Commission and also used by the Council, of yield per hectare as a basis for determining the quantity of wine to be delivered for compulsory distillation.

It should be borne in mind that, aside from its financial implications, distillation is a measure which destroys resources and which should only be used as a last resort to remove poor quality wines from the market and prevent them from overburdening it. The only valid criterion for determining whether or not a wine should be distilled is therefore the market itself, if we are to avoid applying the same treatment to low-strength poor quality wines which cannot be marketed without considerable external additions (sugaring, coupage, etc.), and good quality table wines which are inexpensive because they require little processing, are easy to market and are produced in zones where the soil, climate and environment are favourable.

The Committee on Agriculture therefore rejects the idea of determining the producers' quotas solely on the basis of yield, or, worse still, of establishing national distillation quotas. Specific criteria relating to quality should instead be used to determine the quantities to be delivered for preventive distillation.

A further area of uncertainty concerns the proposed measures to protect small-scale producers, which are to be taken by the Management Committee and consist mainly of exemption from compulsory distillation. In addition to leaving the Management Committee too wide a margin for defining what is meant by 'small-scale producers', this measure seems inadequate.

10. A remark should also be made on the disposal of the produce obtained by distillation. This alcohol, taken from the national intervention agencies, should be granted aid from the EAGGF to facilitate its placement on the market. The committee on Agriculture has welcomed the fact that measures of this type have been adopted by the Council of Ministers.

11. Finally, there was full support for the introduction of a guaranteed minimum price, not to be applied to intraCommunity trade, but to assist wine producers, who, unlike other categories of agricultural producers, have not benefitted in the past from this form of income support.

Conclusions

1. Of all the sectors of Community agricultural policy, wine is probably the most tortuous. There is little point in dwelling on the series of events which saw a renewed outbreak of the 'wine war' a few months ago, when it seemed to have subsided following the truce painstakingly achieved last summer. Two particularly abundant harvests in succession have provoked a serious crisis in a sector which had sufficient problems of its own already. The general drop in consumption caused by changing consumer tastes in the producer countries, the persistence of major fiscal barriers to the movement of the product in non-producer countries and the excessive increase in production during recent years, often in areas and on land unsuitable for the purpose, are the fundamental causes of the crisis. Producers are now experiencing the consequences of these developments and are often faced with the daunting alternative of either accepting a progressive fall in their income and living standards or of switching to other types of production - a difficult step to take in both psychological and practical terms. As a result, their dissatisfaction often manifests itself in uncontrollable outbursts.

2. Community regulations reflect this situation. Proposals for reforms are inconsistent and sporadic, dictated by the needs of the moment and designed to resolve the most serious immediate crises. Some of the most important measures (special distillation, application of minimum selling price) have to be decided upon periodically by the Council.

The proposals under consideration here are the third package of measures in the last few years. These too, however, seem incapable of providing a final solution to a crisis whose origins are deep-rooted.

Although some of these measures are acceptable, the major proposals provoke serious doubts. The levy on sucrose, for instance, and the suppression of aid for concentrated musts seem impracticable and inconsistent with a coherent long-term policy in this sector.

Compulsory preventive distillation for all producers is a measure which can be accepted only if it is preceded by a voluntary distillation at a remunerative price, and only if it is applied in such a way as to avoid affecting indiscriminately both good wines as well as poor ones and reputable producers who pride themselves on quality as well as less reputable ones who aim for excessive yields and quantity.

3. The Commission's proposals and the recent Council decisions fail to give any indication of the longer term policies called for on many occasions by Parliament, which are worth reiterating:

- the codification of Community wine regulations in a single text; the countless amendments introduced in recent years has made the current legislation inaccessible, particularly Regulation No. 337/79;

- an increase in exports to third countries through a more effective policy on export refunds;
- supervision of the reference price mechanism applicable to imports, which is too often evaded;
- harmonization and reduction of excise duties applied by non-producing countries which curb consumption drastically;
- speeding up of structural measures to promote reconversion and the abandonment of wine-growing in unsuitable areas;
- improving quality controls by strengthening national fraud prevention services and establishing a Community service;
- a definitive solution to the problem of sugaring, with a view to using only grape-derived products for the enrichment of wine, especially rectified concentrated musts;
- a clear definition of rosé wines.

4. The prospect of the enlargement of the Community to include Spain and Portugal makes these measures a matter of still greater urgency. Otherwise, we shall continue to be faced with the need for urgent measures to deal with crisis situations, in the continuing absence of a long-term strategy for a sector which is of vital importance to millions of producers.

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MOTION FOR A RESOLUTION (DOCUMENT 1-619/81)

tabled by Mr MARTIN, Mr MAFFRE-BAUGE, Mrs POIRIER, Mr PIQUET, Mr PRANCHERE, Mrs DE MARCH, Mr FERNANDEZ and Mr WURTZ pursuant to Rule 47 of the Rules of Procedure on the need to improve the rules governing the wine sector

The European Parliament

- having regard to the need to bring about lasting improvements in the wine sector,
 - whereas Community rules are not applied uniformly in all the Member States,
 - whereas the CAP provided insufficient protection for wine producers in southern Europe in 1980,
 - having regard to the deficiencies and unsuitable aspects of Community rules,
 - whereas large wholesalers use imported wines to depress the prices paid to producers,
 - whereas there are many cases of fraud and adulteration in the wine trade,
1. Calls for effective and uniform application of Community rules in all the Member States;
 2. Urges the expansion of markets by:
 - (a) increasing exports to non-Member countries through the provision of adequate refunds and their extension to new countries,
 - (b) abolishing the taxes on wine imposed in certain countries to discourage consumption;
 3. Proposes the immediate improvement of Community rules to guarantee a reasonable level of income to family wine-growing businesses by:
 - (a) automatically applying the minimum price procedure in intracommunity transactions in respect of products of similar quality to ensure that imports are regulated in such a way as to take account of market requirements in terms of volume and quality,
 - (b) commencing distilling operations as a preventive measure at the beginning of the marketing year at a profitable price,
 - (c) adjusting distillation rates and prices according to yields,
 - (d) subsidizing the use of concentrated must for enrichment;
 4. Calls for more effective measures to be taken to combat fraud and adulteration of wine, which has adverse effects on both wine growers and consumers, notably by:

- (a) defining more accurately and monitoring more effectively the quality of wines,
 - (b) controlling blending operations by supervising stocks,
 - (c) defining rosé wine in a regulation,
 - (d) requiring that the country of origin be indicated on table wines,
 - (e) prohibiting the manufacture of alcoholic products similar to wine from sweetened raw materials or raw materials other than grapes;
5. Calls for a halt to negotiations on the enlargement of the European Community;
 6. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from Mr Lange, Chairman of the Committee on Budgets, to Sir Henry Plumb, Chairman of the Committee on Agriculture.

Subject: Proposal from the Commission for a Council regulation amending Regulation (EEC) No. 337/79 on the common organization of the market in wine (Doc. 1-675/81)

Dear Sir Henry,

The Committee on Budgets considered the abovementioned Commission proposal at its meeting of 29/30 April 1982.

According to the details given in the financial statement, the proposed regulation will lead to a reduction in expenditure approximately 130m ECU in 1983, 119 m ECU in 1984 and 99 m ECU in 1985. As the measures proposed by the Commission will result in overall savings, the Committee on Budgets recommends that the Committee on Agriculture, as the committee responsible, approve the proposal.

Nevertheless, it requests that careful consideration be given to these measures, particularly the use of concentrated grape musts for sugaring in place of sucrose.

This opinion was adopted by 15 votes to 1 with 1 abstention.

Yours sincerely,

Erwin LANGE

The following took part in the vote: Mr Lange, chairman; Mr Notenboom, vice-chairman; Mr Abens, Mr Arndt, Mr Cluskey, Mr Georgiadis, Mr R. Jackson, Mr Kellett-Bowman, Mr Louwes, Mr Marck (deputizing for Mr Lega), Mr Newton Dunn, Mr Orlandi, Mr Saby, Mr Konrad Schön, Mr Simonnet, Mrs van Hemeldonck (deputizing for Mr Balfe) and Mr van Rompuy (deputizing for Mr Barbagli).