



# Newsletter

## Wine: Profound reform will balance market, increase competitiveness, preserve rural areas and simplify rules for producers and consumers

The European Commission called on 22 June 2006 for a root-and-branch reform of the common market organisation for wine. The plan aims to increase the competitiveness of EU wine producers, strengthen the reputation of EU wines, win back market share, balance supply and demand, and simplify the rules, while preserving the best traditions of EU wine production and reinforcing the social and environmental fabric of rural areas. The Commission considers four options for reform, and comes out clearly in favour of a radical reform model specific to the wine sector.

'European wines are the best in the world,' said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development. 'Our wine sector has huge potential for further growth, but we need to use this potential actively. Despite our history and the quality of so many EU wines, the sector faces severe problems. Consumption is down, and exports from the new world <sup>(1)</sup> are making huge inroads into the market. We in Europe are producing too much wine for which there is no market. We spend far too much money disposing of surpluses instead of building our quality and competitiveness. Over-complex rules hold back our producers and confuse our consumers. I am not advocating cutting the budget, of about EUR 1.2 billion a year, but we must use this money more intelligently. This is a great opportunity to put the EU wine sector back at the top where it belongs — we must not waste it.'

### The EU wine sector

The EU has more than 1.5 million holdings producing wine, covering 3.4 million hectares, or 2 % of the EU agricultural area. Wine production in 2004 represented 5.4 % of EU agricultural output, and more than 10 % in France, Italy, Austria, Portugal, Luxembourg and Slovenia.

### The objectives for a new EU wine policy

- To increase the competitiveness of the EU's wine producers; strengthen the reputation of EU quality wine as the best in the world, recover old markets and win new ones.
- To create a wine regime that operates through clear, simple rules — effective rules that balance supply and demand.
- To create a wine regime that preserves the best traditions of EU wine production, reinforces the social fabric of many rural areas, and respects the environment.

### The issues

EU wine consumption is falling steadily, although sales of quality wines are increasing. Over the last 10 years, imports have grown by 10 % per annum, while exports are only increasing slowly. On current trends, excess wine production will reach 15 % of annual production by 2010/11.

Market support measures such as distillation offer a permanent outlet for an unsaleable surplus. 'Crisis distillation', initially intended for use in the event of exceptional market disturbances due to major surpluses, is being used increasingly for quality wines.

For example, on 7 June 2006, the Wine Management Committee voted to open crisis distillation of wine in France (maximum quantity of 1.5 million hectolitres of table wine and of 1.5 million hectolitres of quality wine) and Italy (maximum quantity of 2.5 million hectolitres of table wine and 100 000 hectolitres of quality wine). Further quantities from Spain and Greece were granted on 23 June 2006.

Current rules for adapting winemaking practices are cumbersome and hinder competitiveness.

Labelling rules are complex and inflexible, confusing consumers and hampering the marketing of EU wines.

### The preferred option: Profound reform of the wine regime

Two variants of the profound reform option are considered, differing in the speed of implementation.

Variant A foresees a one-step approach: the expiry of planting right restrictions on 31 July 2010 or their immediate abolition. The grubbing-up scheme would be abolished at the same time.

Variant B foresees a two-step approach. The grubbing-up scheme would be reactivated, with the grubbing-up premium set at an attractive level to encourage uncompetitive producers to leave the sector. The premium would be reduced annually to encourage take-up from year one.

The aim is to grub up around 400 000 hectares over a five-year period, with a maximum aid of EUR 2.4 billion. Grubbing up would be voluntary.

The system of planting rights would be extended to 2013, when it would expire. The least competitive producers would have a strong incentive to sell their rights, while those staying in the sector would focus more on competitiveness, as the cost of planting rights would no longer hamper their expansion.

<sup>(1)</sup> Australia, South Africa, South America, United States.

Areas formerly under vines would qualify for the single farm payment, and minimum environmental requirements would be attached to the payments.

Market management tools — such as support for by-product distillation, potable alcohol distillation, private storage aid and

must aid — would be abolished. Crisis distillation would be abolished or replaced by an alternative safety net using a national financial envelope.

After an in-depth debate on its ideas, the Commission plans to table legislative proposals in January 2007.

## European Commission adopts an EU forest action plan

The European Commission has demonstrated its commitment to enhancing sustainable forest management by adopting an EU forest action plan on 15 June 2006. The action plan builds on last year's report on the implementation of the EU forestry strategy and consequent conclusions by the Council and focuses on four main objectives: (1) to improve long-term competitiveness; (2) to improve and protect the environment; (3) to contribute to the quality of life; and (4) to foster coordination and communication. Eighteen key actions are proposed by the Commission to be implemented jointly with the Member States over a period of five years (2007–11).

The communication on the EU forest action plan was presented by Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, in association with Vice-President Günter Verheugen, Commissioner for Enterprise and Industry, Stavros Dimas, Commissioner for Environment, Andris Piebalgs, Commissioner for Energy, and Janez Potočnik, Commissioner for Research. It is accompanied by a detailed report on the situation of forests and forestry in the EU and the process of preparing the EU forest action plan.

'This action plan is designed to make a major contribution to sustainable forest management. Our intention is to maintain and enhance the multifunctional role of European forests, underpinning better and sustained provision of goods and services to citizens,' said Commissioner Fischer Boel.

Building on the Council resolution of 15 December 1998 on a forestry strategy for the European Union, the action plan provides a framework for forest-related actions at EU and Member State level. It also serves as an instrument of coordination between EU actions and the forest policies of the Member States. Recognising the wide range of natural, social, economic and

cultural conditions and differences in forest-ownership types in the EU, the action plan acknowledges the need for specific approaches and actions for different types of forests. It emphasises the important role played by forest owners in the sustainable management of forests in the EU.

In order to improve long-term competitiveness of the forest sector, the action plan encourages innovation and research activities as well as training for forest owners and forest workers. In line with the biomass action plan and the EU biofuels strategy, it also proposes actions aimed at increasing the use of forest resources for energy production.

The action plan includes a number of specific steps to contribute to EU environmental objectives concerning climate change and biodiversity. It also addresses the protection of forests and proposes to work towards an improved European forest monitoring system.

Forests currently cover 37.8 % of the EU's land area. The forest area of the EU Member States has been steadily increasing over the last decades. According to recently published reports, total forest cover in the EU during the period 2000–05 increased by 2.3 million hectares.

The communication on an EU forest action plan is available at:

[http://ec.europa.eu/agriculture/fore/action\\_plan/index\\_en.htm](http://ec.europa.eu/agriculture/fore/action_plan/index_en.htm)

More information on EU forest-related policy and the EU forest action plan is available at:

[http://ec.europa.eu/agriculture/fore/index\\_en.htm](http://ec.europa.eu/agriculture/fore/index_en.htm)

## Commission launches public consultation on reform of fruit and vegetables market

Earlier this year, the European Commission's Directorate-General for Agriculture and Rural Development launched a consultation on the future of the common market organisation for fresh and processed fruit and vegetables. The Commission is cur-

rently awaiting the finalisation of impact assessments into the functioning of the current fruit and vegetable regime. The Commission's reform proposal on fruit and vegetables is due to be published in November this year.

**European Commission**  
**Directorate-General for Agriculture and Rural Development**

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This publication does not necessarily express the official views of the Commission.

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