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COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

Wine Agreement Marks Completion of Common Market Farm Finance Policy

Wine will flow freely in the Common Market. With the adoption of the regulation setting up a Community wine policy, the last obstacle has also been removed to completing the Community's package deal on financing its farm policy, in turn clearing the way for opening negotiations with Britain, Norway, Denmark, and Ireland for entry into the European Community.

Meeting in Luxembourg on April 20-21, the European Communities Council of Ministers reached agreement on the technical aspects of a common wine policy, formally approved their decision on granting the Community its own financial resources and the new regulation on financing of the common agricultural policy (CAP), and signed a treaty conferring on the European Parliament increased control over the Community's budget.

Agreement on wine policy came after two months of deadlock and only after intervention, finally, of the foreign ministers of the Six. Wine will circulate freely within the Community after June 1; German and Luxembourg winegrowers will be allowed to increase the alcoholic strength of sugar-enriched wines by 3.5 per cent, and price support levels for wine will be fixed at current French rates, the highest in the Community. The regulation adopted thus creates the Community organization of the wine market, defines oenological standards and practices, and fixes the system for imports from outside the Community. Another regulation defines special provisions for "quality wines" produced in certain Community regions. Only two major items concerning wine remain to be decided: the system for Algerian wine imports into the Community, and provisions for sparkling wines.

Wine Policy Became A Key Hurdle

As a result of a series of conditions imposed by member states, the wine policy became a keystone upon which rested almost the entire policy for the Community in the 1970's. Last December, France finally said that she would agree to open negotiations with Britain, Norway, Denmark, and Ireland for Community membership once the Six had settled the definitive rules for financing the common farm policy. At that time, the Six worked out a package deal whereby the Community would gradually become self-financing from its own resources (levies on farm imports, customs duties on other imports, plus a portion of the tax on value added) and the European Parliament would get increased budgetary powers in 1975.

Italy, however, said she would not sign the financial agreement unless the Six agreed on a common policy for wine -- which proved more difficult than expected. Italy felt it could not agree to the financial aspects of the final phase of the CAP while an important sector remained excluded. In February, the Six fixed the bases for a common policy, but winegrowers in Germany and Luxembourg insisted that they be allowed to continue to sugar their wines to compensate for their relative lack of sunshine. France, in turn, asked for higher price supports than had been expected by her partners. The deadlock was broken following two days of almost non-stop talks.

Also settled was another technical aspect of the regulation. Germany sought to separate the market organization provisions from the standards and definitions provisions and to

Grape harvest in Bourgogne. A manpower shortage has contributed to cutbacks in France in both the number of vineyard holdings and the area under cultivation.

cover the latter by a "directive" which allows each member state to draw up its own national laws or regulations. Germany dropped its demand after it was arranged that the Community standards that were adopted would take into account existing German requirements and traditions for wine production. Thus, the German Government felt it could commit itself to the regulation without seeking Parliamentary approval.

In addition to removing the last obstacle to carrying out the decisions taken in December and January, bringing one of the last remaining important products under the CAP, and bringing a large number of Community farmers under the coverage and benefits of the CAP provisions, the wine agreement introduced a new "vigilance" system over the volume of wine production and new vine planting. This system will enable production plans to be established without actually limiting production in advance.

The Importance of the Community's Vineyards

The Community's vineyards, owned by 3.5 million individuals, cover 7,089,586 acres, or almost a third of the world's total wine growing area. Although their share of world production has dropped from the 78 per cent 1960-66 average, they still produce more than 48 per cent of the world's wine and account for more than 6 per cent of the Community's farm production. With the discovery of new ways of controlling blight and with more and more young vines reaching fruit-bearing age, the Community's yield per acre has improved, even as the land under cultivation has decreased.

Since 1957/1958, the vineyard area has declined in Italy and France, remained the same in Luxembourg, and increased (by 19,768 acres) in Germany. Because much of the work must be done by hand, the manpower shortage has contributed to the French and Italian reductions. At the same time, an even greater cutback has occured in the number of holdings. In France, for example, the number of crop declarations fell from 1,365,000 in 1958/59 to 1,237,000 in 1965/66, for a reduction in vineyard area of 74,133 acres.

The main wine-growing countries of the Community are Italy and France, which account for 49.2 per cent and 46.7 per cent, respectively, of all Community production. Germany is next, accounting for 3.9 per cent (all figures are for the 1966/67 wine year). The amount of wine grown in Luxembourg is small and production in the Netherlands is insignificant. Wine drinking attitudes, too, vary widely from country to country. Wine appears on the table every day in Italy and France, whereas, except in the wine growing areas, it is reserved for state occasions and social gatherings in Germany, Belgium, and the Netherlands. This produces enormous differences in per capita consumption in the Six: France, 30.4 gallons; Italy, 29.8 gallons; Luxembourg, 9 gallons; Germany, 4 gallons; Belgium, 2.5 gallons; and the Netherlands, 1 gallon.

The uneven pattern of wine growing and wine drinking has left its mark on legislation and market structures in the various countries.

Neither Belgium nor the Netherlands has any wine growing industry worth mentioning. Algerian wines apart, they have had no quantitative restrictions on wine imports. Import duties from non-member countries have been relatively low.

The interest of the two large wine producing countries, Italy and France, have been quite different. Italy has been able to meet all its requirements from its own vineyards. Imports have been confined to limited amounts of quality wines. France's situation has been similar, although a large shortage of table wines and wines for processing has been covered by imports, at greatly reduced rates of duty, from North Africa. In both countries, government intervention to clear the market of surpluses and to stabilize prices has been established practice. Italy has offered distillers considerable tax advantages to distill surplus wine. It also has followed a restrictive import policy. In France the wine market has been strictly regulated. Most of the wine produced has been blocked in the growers' cellars and released gradually in the light of market conditions. Bonuses have been paid for temporary stocking of wine and imports have been subject to a quota system.

Germany has been able to meet about 60 per cent of its requirements from domestic output, the balance imported either from other Community countries or from outside the Community. A stabilization fund for wine, an organization financed by the wine industry and subject to control by the Federal Government, has had the ability to influence the quantity of wine available by means of intervention measures, but in fact has spent most of the resources available to it on advertising. The German market, unlike the markets in the big wine growing countries, is still expanding.

As far as domestic production is concerned, Luxembourg's interests coincide with those of Germany. Its imports, whether from inside or outside the Community, have not been subject to any quantitative restrictions.

U.S.-EEC Trade Low, but Growing

Community Imports	World	USA
1958	$ 466,462,000	$ 0
1968	$ 247,684,000	$ 9,000
Community Exports		
1958	$ 124,884,000	$22,735,000
1968	$ 326,534,000	$60,388,000

First Steps Taken in 1962

The foundations for the market organization for vine products were laid by a regulation adopted in 1962 which stipulated that:

- the member states compile a vineyard register
- crops and stocks be evaluated and declared each year
- the Commission draw up a forecast at the beginning of each year to determine resources and assess foreseeable requirements.

A second decision taken at the same time opened quotas between the producing member states. Neither decision made any provision for Community financing or market intervention.

Contents of the Wine Regulation

At its April 20-21 meeting, the Council adopted the basic regulation which, together with essential implementing regulations, sets up a Community organization in vine products, with free intra-Community circulation of wine. The regulations apply to: grape must, wine of fresh grapes, fresh grapes for wine making, grape juice, wine vinegar, wine lees, and argol.

The regulation includes a system of prices and intervention measures for table wines subject to a number of quality requirements, a system for trade with third countries, common production rules, provisions for control of vineyard development and for common standards for oenological definitions and practices, and measures for circulation and supply. Special definitions for free circulation and marketing, within a member country, of quality wines produced before the regulation comes into force are also spelled out.

Price and Intervention Measures

A guide price is to be fixed each year, before August 1, for each of the most representative types of table wine in the Community. For each wine type, the Council will fix a threshold price for triggering the intervention machinery. This price will be based on the market situation, the need for price stability, the quality of the harvest, and information provided by forward estimates made each year by the Commission. These latter have been made by the Commission since the 1964/65 marketing year.

The threshold price will be fixed each year by December 15 (except the current year which should be in force as soon as possible) for each type of wine as a percentage of the relevant guide price.

Market Support

Normal intervention measures consist in granting aids for the laying down of private stocks. These will be granted where, for a particular year, the forward estimate shows that the quantities available exceed estimated consumption needs by more than five months. They will also be granted until prices return to the normal level where, for a particular type of wine, the average price remains below the intervention price for two consecutive weeks.

Should there be any risk of aids to private stocking alone proving inadequate to bring about a recovery in prices, the Council, acting on a proposal by the Commission, may decide on the distillation of table wine as an exceptional intervention measure. The conditions for this operation may differ from one wine growing area to another and the measures will seek to avoid causing any disturbances on the alcohol market.

Expenditure for such operations will be payed by the European Agricultural Guidance and Guarantee Fund (EAGGF).

Trade with Non-Member Countries

Imports. The system for trade with third countries provides for the removal of all quota restrictions on imports into the Community. The Common Customs Tariff (CCT) will be in full force.

In the event of unfair practices on external markets, imports of both red and white wines will be safeguarded by a reference, or sluicegate, price calculated on the basis of the guide prices for table wines. In order to uphold Community preference, if the free-at-frontier price of a wine imported into the Community plus customs duty falls below the appropriate reference price, a countervailing charge to make up the difference between the reference and the offer prices will be levied. This charge will not apply to imports for countries guaranteeing observance of the reference price or to imports of quality wines (such as controlled appelation port and sherry accompanied by a certificate of origin).

All imports of products covered by the regulation (except grape juice) must have an import license, which will be issued by the member states and be valid throughout the Community. Export licenses may be issued, if required.

Export refunds financed by the Community may be granted to maintain exports.

As in the other basic agricultural regulations, the safeguard clause contained in this regulation allows the Council, on the proposal of the Commission to take the appropriate trade measures in oder to remedy any disturbance or threat of disturbance to the Community market by imports from outside the Six.

Production Aids. The regulation prohibits all aids for planting new vines, except those authorized in certain exclusively wine-growing areas which would allow these areas to increase revenue based essentially on viticulture.

Any further planting will be subject to prior notification to the national authorities and a certificate issued. National forward planning forecasts will be drawn up on the basis of these notifications, and from these the Commission will submit a yearly report to the Council on production and use trends.

If this report shows production tending to exceed foreseeable uses, thus threatening vinegrowers' incomes, the Council can, under a compulsory Community plan, adopt the necessary provisions covering further planting and re-planting of vines, in order to prevent structural surpluses.

Alcoholic Content. For fortifying and the possible increasing of the natural alcoholic content, the regulation specifies that the addition of sucrose in aqueous solutions in certain wine-growing regions in zone "A"* may continue until July 1, 1979, provided that the volumetric increase does not exceed 15 per cent.

In no event may such operations result in a total alcoholic content by volume exceeding 11.5° in zone A, 12° in zone B, 12.5° in zone C I, 13° in zone C II, and 13.5° in zone C III.** (This covers fresh grapes, grape must, partially fermented grape must, new wines still in the process of fermentation, wines suitable for obtaining table wine, or table wines themselves.)

However, for red wine, the total alcoholic

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* Zone A: Germany (except areas in zone B) and Luxembourg.
Zone B. Baden-Württemberg, part of the Palatinate (Germany). Alsace, Lorraine, Jura, some vineyards of the Val de Loire, Savoie (France).
Zone C I: Center-West, Center, South-West vineyards in France.
Zone C II: Southern vineyards in France and Italy (except areas in zone C III).
Zone C III: Corsica, Eastern Pyrenees, Var (France), vineyards south of Rome and on the Islands (Italy).

** A degree is approximately the same as a percent of alcohol by volume, or two proof.

content for these products may be as high as 12° in zone A and 12.5° in zone B.

Quality Wines. In order to guarantee high quality production, the regulation prohibits high pressure treatment of wine lees. It also stipulates that producers must arrange for the distillation of marc and wine lees, or failing this, of a certain quantity of wine. The Council may exempt certain regions from this obligation.

The Council will also fix the price to be paid for alcohol handed over to intervention agencies and will determine the extent to which the EAGGF will contribute towards financing such operations.

Except for liqueur wines and vinified wines, the addition of alcohol to wines covered by this regulation is prohibited. This prohibition also applies to imported wines.

Blending: The regulation allows Community wines to be blended with each other. Blending of wines which can be made into table wine will be allowed only if the wines come from the same wine-growing region and if the blending is done in that region.

Blending of Community wines with imported wines is prohibited. The Council may waive this rule in exceptional cases. Certain exceptions may also be made for a member state if the blending rules cause serious difficulties.

Labeling. The member states may keep existing rules which, in order to use a geographical appelation, require that the table wine in question be made from certain specifically designated vines and come only from the precisely defined area whose name it bears.

Using a geographical appellation to indicate table wines resulting from the blending of wines made from grapes harvested in different wine-growing areas will only be authorized if at least 85 per cent of the table wine blended comes from the wine-growing area after which it has been named.

This regulation lists a number of Community standards, but leaves considerable scope to national regulations allowing for the peculiarities and traditional practices in the quality wines sector.

The standards relate to the following:

(i) the boundaries of the "specified areas"
(ii) drawing up a list of the vine-stocks suitable for the production of each of the "quality wines produced in specified areas" (v.q.p.r.d.)
(iii) cultivation techniques necessary to ensure optimum quality
(iv) the making of "v.q.p.r.d." wines
(v) fixing a natural alcohol content by volume for each of the quality wines, namely: 6° in zone A, 7° in zone B, 8° in zone C I, 9° in zone C II, 9.5° in zone C III
(vi) tolerances and methods for fortifying acidifying, and deacidifying corresponding to those laid down for ordinary wines; however, sugaring in an aqueous solution in northern regions will only be authorized up to 1979, within a tolerance of 10 per cent.
(vii) yield per hectare;
(viii) analytic and organoleptic examination.

As regards the appellation under which quality wines are to be marketed, the regulation provides for use to be made of either the label "v.q.p.r.d." or any other appellation traditionally used for such wines in the member states. The member states must ensure control and protection of the v.q.p.r.d. wines.

The Council adopted a regulation on special provisions for the production, marketing, and control of quality wines. And, at its April 27-28 meeting, it also adopted implementing regulations defining wine types; setting guide prices, and setting out general rules for the fixing of reference prices and intervention prices; and defining products from third countries. The last proposals concerning the common wine policy were adopted by the Council on May 26. These covered: rules for granting export refunds; rules covering the addition of alcohol to certain types of wine, as an exception to the basic regulation; and, rules for classifying wines.

The member countries were given until June 15 to bring their national laws into line with the new Community policy.

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