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EUROPEAN PARLIAMENT

Working Documents

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11 December 1978

DOCUMENT 496/78

Report

drawn up on behalf of the Committee on Agriculture

on the ~~action~~ programme 1979-1985 for the progressive establishment of balance  
on the market in wine

(Docs. 272/78 and 324/78)

Rapporteur: Mr F. PISONI

1.2.1



By letter of 24 August and 25 September 1978 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council concerning an action programme 1979-1985 for the progressive establishment of balance on the market in wine.

The President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

At its meeting of 30/31 October 1978 the Committee on Agriculture appointed Mr Pisoni rapporteur.

It considered these proposals at its meetings of 20/21 October, 30/31 October, 20/21 November and 30 November/1 December 1978.

At its meeting of 30 November/1 December 1978 the committee adopted the motion for a resolution by 11 votes to 5 with 2 abstentions.

Present: Mr Caillavet, chairman; Mr Liogier and Mr Ligios, vice chairmen; Mr Pisoni, rapporteur; Mr Brugger, Mr Corrie, Mr Cunningham, Mr Dewulf, Mrs Dunwoody, Mr Früh, Mr Halvgaard, Mr Hansen, Mr Hoffmann, Mr Joxe, Mr Klinker, Mr Lemp, Mr L'Estrange and Mr Tolman.

The opinion of the Committee on Budgets is attached.

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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

embodying the opinion of the European Parliament on the action programme 1979-1985 of the Commission for the progressive establishment of balance on the market in wine

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council<sup>1</sup> ;
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Docs. 272/78 and 324/78) ;
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 496/78) ;
- recalling its previous opinions on the problem of wine in the Community<sup>2</sup> ;

A. General

1. Points out that the surpluses in the wine sector are structural in character ;
2. Emphasizes the low level of expenditure on the wine sector as compared with total expenditure under the EAGGF's Guarantee Section (3.2% in 1978, approximately 1.6% in 1979), despite the vital importance of this sector for a large number of producers ;
3. Regrets the fact that, once again, the Commission proposals are essentially negative, inasmuch as they are aimed more at drastically reducing production capacity than at stepping up consumption ;
4. Asks the Commission, therefore, to submit further proposals without delay designed to :
  - encourage consumption,

<sup>1</sup> OJ No. C 209, 2.9.1978, p.3 and OJ No. C 232, 30.9.1978, p.4

<sup>2</sup> See in particular the resolution in the report by Mr KOFOED on the 1977 farm prices, OJ No. C 93, 18.4.1977, p.11

- extend refunds for exports to third countries,

- eliminate discriminatory taxation of alcoholic beverages<sup>1</sup>;

5. Regrets that the Commission does not attack surpluses in other production sectors, incomparably more expensive for the EAGGF, with the same vigour with which it attacks surpluses in the wine sector;

B. Observations on individual measures

(a) Concentrated must

6. Considers that the long-term objective must be to ensure that wine is enriched only with products derived from grapes ;

7. Feels, therefore, that encouragement should be given throughout the Community to the use for enrichment of rectified concentrated must, which in practice consists of pure grape sugar, in order to attain the aforementioned objective ;

8. Emphasizes, moreover, the advantage of using concentrated must in that it does not change the organoleptic properties of wine ;

9. Points out that increased use of concentrated must would significantly improve the balance on the wine market, by reducing the total quantity of grapes used in making wine ;

10. Approves, therefore, the incorporation in the basic regulation of legal provisions for the use of rectified concentrated must ;

11. Is unable to share, however, the Commission's proposal of Community aid for the use of normal or rectified concentrated must because it considers that such aid should not be granted only occasionally, in the event of particularly bad harvests, but should be permanent, in order to offset the present difference in cost between enrichment with saccharose and enrichment with concentrated must ;

12. Considers that this aid should, within the limits of the increase in natural alcoholic strength stipulated in Article 18 of Regulation 816, applied throughout the Community;

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<sup>1</sup> See Parliament's resolution on taxes applicable to wine and alcoholic beverages - OJ No. C 239, 9.10.1978

13. Insists that, pending more general use of rectified concentrated must, Community aid for the use of normal concentrated must should be reserved on a priority basis for musts from wine-growing zone CIII and for musts produced in the individual cooperatives to meet their own needs ;

14. Requests that Community aid be extended to cover musts used in the manufacture of grape juice, British wine and Irish wine ;

(b) Floor price

15. Totally rejects the proposal to insert in Regulation 816 statutory provision for the ban on the marketing of table wine below a specified floor price, as it considers that this measure is :

- contrary to the Community principle of the free movement of goods,
- difficult to justify on legal grounds,
- likely to create further disturbances on the alcohol market, in the absence of Community rules for this product,
- likely to have negative repercussions on the wine market, as it would represent a permanent threat to that market and would therefore seriously distort production,
- difficult to apply and to control ;

16. Considers that this type of measure would constitute a dangerous precedent for the common agricultural policy, which might subsequently be invoked for other products ;

17. Asks the Commission, therefore, to amend its proposal with a view to providing for automatic and permanent Community intervention (withdrawal/distillation/long-term contracts) in the wine sector, as is the case of the other principal agricultural products, whenever prices fall below 90% of the guide price ;

(c) Additional compulsory distillation

18. Considers that the Commission proposals to increase additional compulsory distillation are wholly unjustified from an economic point of view, as they would mean withdrawing a good quality product from the market, and are also almost impossible to apply, as shown by past experience ;

19. Points out that the existing compulsory distillation measures, involving payment at a level lower than the normal distillation price, substantially reduce the income of producers of quality wine and that the proposed additional compulsory distillation would accordingly further penalize these producers in an unacceptable manner ;

20. Feels that the obligation concerning deliveries of alcohol, over and above the 10% rate for normal compulsory distillation, should be confined to those productions diverted from traditional and normal utilization such as wine from table grapes, or wine of which there is a surplus and which cannot therefore be used for the production of eau-de-vie with designation of origin ;

21. Rejects, therefore, the Commission proposals in this area ;

(d) Classification of vineyards

22. Endorses the principle that Community wine-growing policy should be based on the natural suitability for wine production of the various regions ;

23. Feels, however, that this criterion must not only be applied to negative objectives, in other words the reduction of current production, but also to positive objectives such as the flexible adjustment to the requirements of a market which could expand significantly if supported by suitable measures ;

24. Is therefore in favour, in the light of the above considerations, of the subdivision of Community territory into three categories, according to natural suitability, in which production should be promoted or discouraged ;

25. Rejects, however, the criteria indicated by the Commission for the classification of the three categories, considering them simplistic and likely to have undesirable consequences ;

26. Feels that, in the selection of criteria, greater emphasis should be laid on the natural minimum alcoholic strength;

27. Requests the Commission, therefore, to pursue current studies in order to ensure the adoption of universally acceptable criteria as soon as possible ;

(e) Rules on plantings and replantings

28. Feels that a serious programme to plan wine production must be based on territorial suitability for wine-growing, and that it is therefore premature to put forward as of now, as the Commission has done, proposals for final legislation

29. Upholds the principle that wine growers should not be subject to new coercive measures and obligations which have no counterpart in any other common organization of the market unless they are given specific income and employment guarantees ;



30. Considers, moreover, that such proposals must take account of economic and social realities in the various areas or of the fact that in most cases wine is produced by small growers for whom it constitutes the sole source of income;

31. Emphasizes the danger of making the development of production in Category I (particularly suitable areas) dependent on the reorganization of production in the other two categories, which would bring an entire sector with good development prospects to a standstill;

32. Asks the Commission to withdraw its proposals and to amend them in the light of the above considerations;

33. Welcomes the fact that the Council has extended for one year the ban on new plantings in Regulation No. 1162, since this period can be used to properly discuss and adopt the abovementioned new proposals;

(f) Structural measures

34. Approves, in general, the various structural proposals from the Commission, inasmuch as they are not coercive but voluntary, based on a system of incentives which gives the wine grower the freedom to assess the economic and social advantages of making use of the possibilities offered by the Community ;

35. Stresses, however, that these measures too, based on the natural suitability of the various zones, will have to be modified in the light of the new definitions ;

36. Points to the danger that the premiums may be used principally for grubbing hybrid low-yield varieties, and not high-yield varieties, and therefore requests that a study be made of the advisability of increasing premiums for the grubbing of high-yield areas ;

37. Is doubtful as to the advisability of providing for depressive abandonment and renunciation premiums from the fourth year ;

38. Approves the proposal concerning collective projects for the restructuring of vineyards, but considers that the provisions on beneficiaries should be reviewed (extension under certain conditions to individual growers not covered by the compulsory collective contracts) and greater flexibility provided for the authorization of new plantings in certain suitable zones ;

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39. Requests that in the course of the negotiations with the applicant countries, the Community should insist on the application by them of planting and production controls similar to those which exist in the Community ;

40. Requests the Commission to adopt the following amendments, pursuant to Article 149, second paragraph, of the EEC Treaty.

Proposal for a Council regulation amending  
Regulation (EEC) No. 816/70 laying down  
additional provisions for the common  
organization of the market in wine

Preamble, recitals and Article 1 : unchanged

Article 2

The following Article is added to  
Regulation (EEC) No. 816/70 :

Article 6e

1. When harvest forecasts show the need to undertake enrichment of a substantial proportion of production, the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 43(2) of the Treaty, may decide to grant aid for concentrated grape musts and concentrated rectified grape musts produced in wine-growing zones C III, used to increase the natural alcoholic strength referred to in Article 18.

The Council shall, in accordance with the same procedure, adopt general rules on granting the aid referred to in the first paragraph and fix the amount of the aid.

2. The detailed rules for the application of this Article shall be adopted in accordance with the procedure provided for in Article 7 of Regulation No. 24.

Article 3

The following Article is added to  
Regulation (EEC) No. 816/70 :

Article 7a

1. Where the representative price for a type of table wine remains below 85% of the guide price for three consecutive weeks despite implementation of all the intervention measures provided for in this Regulation and including that referred to in Article 7, the Council, acting by a qualified majority on a proposal from the Commission in accordance with the voting procedure laid down in Article 43(2) of the Treaty, may decide to prohibit the marketing of table wines of this type below a minimum price to be set by the Council at the same time.

Article 2

The following Article is added to  
Regulation (EEC) No. 816/70 :

Article 6e

1. Before the beginning of each wine year, the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 43(2) of the Treaty shall decide to grant aid in all the wine-growing zones for concentrated grape musts and concentrated rectified grape musts produced in wine-growing zone C III, used to increase the natural alcoholic strength referred to in Article 18 and to manufacture grape juice, British wine and Irish wine.

The Council shall, in accordance with the same procedure, adopt general rules on granting the aid referred to in the first paragraph and fix the amount of the aid.

2. The detailed rules for the application of this Article shall be adopted in accordance with the procedure provided for in Article 7 of Regulation No. 24.

3. In granting the aid for normal concentrated must, priority shall be given to must from wine-growing zone C III or produced by individual cooperatives for their own use.

Article 3

The following Article is added to  
Regulation (EEC) No. 816/70 :

Article 7a

1. In the event of serious crises during which the prices quoted on two different markets, over two consecutive weeks, remain below 90% of the guide price, provision shall be made for the distillation of all table wines at 90% of the guide price of each type of table wine.

At the same time, long-term storage contracts shall be granted. At the end of the normal storage period, these contracts shall benefit from a guarantee of due payment at the level of the maximum buying-in price, in addition to the premium provided for.

<sup>1</sup> For complete text see OJ No. C209, 2.9.1978, p. 3

The minimum price referred to in the subparagraph above shall be adjusted for some production regions, depending on their proximity to the areas of use, so as to ensure that price formation takes its normal course.

2. When it is decided to prohibit marketing as referred to in paragraph 1 the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 43(2) of the Treaty, shall at the same time take a decision to allow distillation of wines of the type in question which meet the analytical quality requirements set for wines which may be the subject of long-term storage contracts.

3. The Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 43(2) of the Treaty, shall adopt provisions to govern the distillation referred to in paragraph 2 and in particular :

- the purchase price of the wine delivered for distillation,
- the conditions under which distillation may be carried out,
- the amount of the aid to facilitate disposal of the products obtained,
- the price to be paid for the alcohol taken over by intervention agencies,
- the share of the intervention agencies' expenditure to be financed by the Guarantee Section of the EAGGF.

4. The level of the minimum price referred to in paragraph 1 and the provisions on distillation referred to in paragraph 2 must be such as to enable the market price rapidly to attain a level equal to or higher than the activating price.

5. These detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 7 of Regulation No. 24. They may also cover provisions relating to the control measures to be adopted by the Member States to ensure that the minimum price is respected.

6. The provisions of this Article shall apply only for the wine-growing years 1978/79, 1979/80, 1980/81 and 1981/82.

This provision shall ensure the marketing of the wine at a price equivalent to the intervention price.

2. Deleted

3. Deleted

4. Deleted

5. Deleted

6. Deleted

Article 4

Article 24a of Regulation (EEC)  
No. 816/70 is replaced by the follow-  
ing text :

Article 24a

1. The quantities of alcohol referred  
to in Article 24(3) may be increased.

From the 1978/79 wine-growing year the  
additional rate to be fixed shall  
range from 0 to 8%. It shall be fixed  
on the basis of data contained in the  
forward estimates before 15 December  
of each year. The rates actually  
applied must however be such as to  
ensure that each region of the  
Community bears a fair share of the  
obligation and that the compulsory  
distillation of wines obtained from  
table grapes referred to in  
Article 24b is taken into account.

A decision may be taken to adjust the  
additional rate, according to region,  
on the basis of one or more of the  
following criteria :

- the yield per hectare,
- the wine variety,
- the colour or type of wine,
- the alcoholic strength.

2. The increase referred to in para-  
graph 1 shall apply to all wine pro-  
ducers except those :

- whose vineyards are situated in the  
Italian parts of the C zones,
- who produce quality wines psr; the  
exception shall cover the part of  
their production to which this  
designation applies,
- who are exempt under Article 24(2)  
and (5) and the second sub-paragraph  
of (6).

However, from the 1978/79 wine-growing  
year, if the additional rate is fixed  
at a level exceeding 3%, the producers  
referred to in the first indent shall  
not be subject to an increase exceeding  
5%.

Article 4 deleted

3. The buying-in price for wine delivered for distillation under paragraph 1 shall be 50% of the guide price for table wine of type A I which enters into force in the year of the harvest concerned.

However, for the wine-growing years 1976/77, 1977/78 and 1978/79, it shall be fixed at 63%, 60% and 55% respectively of the guide price referred to in the above subparagraph.

The price paid by the distiller may not be lower than the buying-in price.

4. The Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 43(2) of the Treaty, shall adopt general rules concerning the distillation referred to in paragraph 3, and in particular :

- the conditions under which distillation may be carried out,
- the price to be paid for the alcohol taken over by the intervention agencies,
- the share of the intervention agencies' expenditure to be financed by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund.

5. The decision fixing the additional rate referred to in paragraph 1 and the detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 7 of Regulation No. 24.

6. The Council shall take a decision on the maximum level of the additional rates referred to in paragraphs 1 and 2 applicable from the 1981/82 wine-growing year, on the basis of a report by the Commission to be presented before 1 August 1981.

Article 5 : unchanged

EXPLANATORY STATEMENTA. General observations

1. Before examining the various Commission proposals certain general observations are called for concerning the design underlying the wine package as a whole.

Firstly, we would stress the purely negative nature of the various measures proposed.

Faced with the problem of surpluses, instead of laying emphasis on positive measures for boosting consumption, the Commission resorts to the same old proposals for grubbing up, cessation of farming, etc., thereby destroying resources without offering valid alternatives in the way of substitute productions. In addition, for the first time in the history of the CAP, the principle is introduced whereby a product may not be marketed below a Community floor price; this conflicts with the principle of free trade in products within the Community and might create a precedent for other product lines.

2. It would have been infinitely preferable to introduce measures designed to boost consumption, for example through advertising campaigns in third countries, export refunds, and measures to remove the obstacles holding back wine consumption in the Community such as excessive taxes, monetary compensatory amounts, etc. The Commission merely promises to submit such proposals in the future, whereas they ought to have been introduced instead of or, at least, concurrently with the present proposals.

3. Despite these shortcomings and the Community's relative slowness in introducing a coherent package of measures to boost internal consumption and exports, the Commission doggedly persists in proposing an unbalanced wine policy, aimed exclusively at attacking surpluses. These surpluses are structural in character. However, without a bold policy to stimulate consumption and utilization, surpluses cannot be put down merely to excessive supply. On the contrary, the imbalance is undoubtedly due to the Community's short-sighted policy, and its failure to implement a policy to boost consumption. The issue of surpluses should therefore be judged within the context of an ill-conceived policy and not merely with reference to the theoretical natural equilibrium between production and utilization, and between supply and demand.
4. In addition, statistics throw some doubt on the argument that these surpluses are structural in character even though it is one that the Committee on Agriculture accepts by a slim majority. Only two wine years have seen genuine surpluses (170,646,000 hl in 1973-74 and 160,245,000 hl in 1974-75), after which production has fallen sharply (145,375,000 hl in 1975-76, 148,416,000 hl in 1976-77, and 126,639,000 hl in 1977-78, and estimates for the current year confirm this downward trend). Furthermore, in recent years there has been a substantial reduction in expenditure under the EAGGF's Guarantee Section to support this market, while total internal utilization (139,974,000 hl) in 1977-78 exceeded the level of production in that wine year. According to the Commission's own figures<sup>1</sup>, direct average consumption over the period 1970/71-1976/77 was approximately 129 million hl, despite average imports of 6.2 million hl. If we add the several million hectolitres of illegal wine which undoubtedly infiltrate internal supplies (and against which the Community has never launched a serious anti-fraud policy), it is clearly an exaggeration, to say the least, to claim that Community vineyards are structurally bound to produce surpluses. The most one can say is that there is a serious danger of occasional conjunctural surpluses. That is quite different from the situation in other sectors, in which the Community refrains from holding down production, and in respect of which talk about the bankruptcy of the EAGGF and the deliberate creation of surpluses has real justification.
5. This contradictory approach is confirmed by a simple comparison of the relevant figures, as shown in the following table:

	Cultivated area in 1000 ha (1976)	EAGGF appropriations 1978 (m EUA)	% of total expenditure EAGGF Guarantee Section	% share of final agricultural production
Wine	2,710.3	224.3 <sup>2</sup>	3.22	4.8
Tobacco	87.0	237.4	3.41	0.4
Sugar	1,918.5	812.5	11.67	2.6
Milk	..	2,895.85	41.6	18.9

<sup>1</sup> See graph on page 3a of COM(78) 260 Vol. II

<sup>2</sup> Reduced for 1979 to 136 m EUA approx.

6. These figures provide further evidence of the use of double standards at Community level: the more fortunate producers, i.e. producers of milk or sugar-beet, do not have to concern themselves with conversion or reducing surpluses; others, such as wine producers, even though only modest sums are spent for their benefit at Community level, are accused of disturbing the market and endangering the CAP, and are therefore subjected to a whole series of restrictions and bans, until they cannot even sell their products at the price they wish.

B. Observations on individual proposals

(a) Market measures

(i) Concentrated must

7. Two types of measures are proposed: the first concerns the incorporation in basic Regulation No. 816 of the possibility of using rectified concentrated must for enriching wine, which makes it possible to conserve the organoleptic properties of the product, which are modified by the use of normal concentrated must. The second type provides for the granting of Community aid for the use of normal or rectified concentrated must whenever harvest estimates render it necessary.

8. Rectified concentrated must consists, in practice, of whole grape sugar obtained through the concentration of must and its purification to remove all the other component substances which are not sugar, by a process of ion exchange.

Its great advantage compared with normal concentrated must is that it does not in any way alter the organoleptic properties of the wine, since it acts in the same way as saccharose, i.e. it increases alcoholic strength without adding extraneous substances which may change the properties of the wine.

9. The possibility of using this new type of concentrated must brings us back to the familiar, thorny question of the addition of saccharose for the enrichment of wine. As is known, this is at present permitted for approximately 22-26 million hl (out of an average total of 145 million), broken down as follows:

- German and Luxembourg wines: 8-9 million hl
- table wine from French wine-growing zone B: 5-6 million hl
- French quality wines p.s.r. (Bordeaux/Burgundy): 9-11 million hl.

The quantities of saccharose thus utilized amount to approximately 45,000 tonnes in Germany and 25,000 tonnes in France.



Concentrated must, on the other hand, is used for the enrichment of 200-400 thousand hl in France, and 400-800 thousand hl in Italy, depending on the harvest. The cost of enrichment with concentrated must is approximately twice that of enrichment with saccharose (from Lit 1000<sup>0</sup>/hl to 2000/2500).

10. Past and present opposition from producers of certain types of wine (including high-quality wines) for which the addition of saccharose is permitted to the replacement of saccharose by normal concentrated must is due to two difficulties: the increased cost of the latter method, and the fact that it changes the organoleptic properties of the wine, partly because concentration naturally leads to the increased presence in the concentrated must of negative elements (nitrogenous substances, acidity etc.).

The legal and technical possibility of using rectified concentrated must for enrichment on the one hand, and a granting of Community aid for this purpose on the other, will make it possible to solve both these problems.

11. The stipulated objective at Community level concerning the quality of wine should be to use only grape-derived products for its enrichment; this implies that the addition of any other extraneous product should be treated as adulteration.

If we support this objective, we can only approve and support the two Commission proposals permitting the use of rectified concentrated must for enrichment and granting aid for the utilization of normal or rectified concentrated must.

12. However, given these factors, certain observations must be made concerning this aid. The Commission proposal merely provides for the incorporation into Regulation 816 of the legal basis for granting such aid.

In the last marketing year, Article 38 (exceptional situation due to natural disasters) was used as the legal basis for granting this aid. If the latest proposal is adopted, the Council will be able, on a proposal from the Commission and following consultation of Parliament, to decide by a majority vote on the granting of aid whenever harvest estimates render it necessary.

This provision is unacceptable. If the aim is to place saccharose and concentrated must on an equal economic footing, the aid must be permanent and not occasional, and must cover the difference in cost between the two products, taking account of all the elements which jointly make up that cost (processing, treatment, transport, etc.).

13. Another advantage in using rectified concentrated must, i.e. grape sugar, for the enrichment of wine, apart from the fundamental advantage to consumers of its being a genuine product derived directly from grapes, is that it helps to restore the balance on the wine market, as it opens the way for other uses of products, possibly of poor quality, which would otherwise be used in vinification and would subsequently encumber the market. In the future, following the desired generalization of the use of grape sugar to replace saccharose, grapes which, in particularly bad harvests, lack the required minimum strength and are therefore due to for distillation might also be processed. Even table grapes (the vinification of which is prohibited, and wine from which must be sent for distillation) might eventually be used as a raw material for rectified concentrated musts.
14. Reservations concerning the financial aspects of the generalized use of rectified concentrated must are unfounded. Taking the hypothesis that 30 million hl of Community wine needs to be enriched by 3 degrees, the overall cost to the EAGGF, assuming that aid amounted to 1 u.a./°/hl, would be 90 million u.a., which would be partly offset, moreover, by lower expenditure on the distillation/storage of wine removed from the market in this way.
15. This aid, which has been repeatedly requested in the past by the two leading producer countries, Italy and France, should therefore be supported unreservedly. Nevertheless, this measure must be backed up by a number of guarantees:
  - wine enriched with must benefitting from this aid must not benefit subsequently from other Community measures (distillation, intervention);
  - the use of concentrated must should be strictly controlled to prevent fraud (introduction of saccharose into must and its inversion into glucose/fructose);
  - the aid should be extended to cover must intended for the manufacture of grape juice, British wine and Irish wine, in order to limit the utilization of concentrated must from third countries not subject to the reference price;
  - the aid should not be confined to wine-growing zones A and B but should be applied throughout the Community within the limits of the increase in natural alcoholic strength stipulated in Article 18 of Regulation 816; it should be noted that the Commission has claimed that this general application of the aid was implicit in its proposal; the committee nevertheless insists that it be made explicit;

- aid should be reserved on a priority basis for concentrated musts from wine-growing zone C III, i.e., in France, Corsica and some parts of the departments of Var and Pyrénées-Orientales, and in Italy, Calabria, Basilicata, Apulia, Sardinia and Sicily; this priority should be maintained at least for the transitional period, i.e. until the desired use of rectified concentrated must in place of saccharose becomes general throughout the Community. Aid ought also to be reserved on a priority basis for musts produced in individual cooperatives to meet their own needs.

(ii) Floor price

16. This is undoubtedly the most controversial proposal in the entire action programme for the wine sector even if, by comparison with that contained in previous wine proposals (Doc. 564/77), it has been considerably toned down, inasmuch as it provides merely for the incorporation, in Regulation 816, of the legal basis enabling the Council to decide, on a proposal from the Commission, on the banning of table wines from the market below a floor price fixed simultaneously. The present proposal is based on the Council resolution of May 1978, in which it decided that, among measures necessary for relieving the market in the event of crisis, a minimum price should be fixed, together with provision for distillation.
17. The main criticisms of the present proposal, which must be totally rejected, may be summarized as follows:
  - it conflicts with the principle of the free movement of goods within the common market;
  - its legal justification is open to considerable doubt, and would undoubtedly lead to numerous appeals to the Court of Justice, which, it should be remembered, previously annulled the Community regulation on the compulsory incorporation of skimmed milk powder in animal feedingstuffs, considering that this measure discriminated as between producers;
  - the measure in question is likely to raise constitutional difficulties in some Member States;
  - it would create further disturbances on the alcohol market;
  - it would have a harmful effect on the market by probably blocking all negotiations as soon as prices fell and there was a risk of Community sales being frozen;
  - this type of measure is probably not even necessary, seeing that the Council could take a decision on the basis of the resolution of May 1978 whenever the need arose;
  - the fact that all details of its application are to be decided subsequently by the Council means that the main features remain vague, so that we cannot have a clear picture of its final form.

18. Instead of the proposed floor price, a form of permanent automatic intervention price should be introduced for wine, as already exists for the principal agricultural products, whenever market prices fall below 90% of the guide price. This form of intervention, which has been requested on several occasions by the European Parliament<sup>1</sup>, has all the advantages and none of the disadvantages of a floor price and, at the same time, offers certain guarantees for producers' incomes, as is the case in the other common organizations of the market.

19. This system, which has also been requested by the French and Italian organizations within the framework of COPA, would work as follows:

In the event of serious crises in which prices on two separate markets fall below 90% of the guide price for two consecutive weeks, provision is made for distillation for all table wine at 90% of the guide price for each type of table wine.

At the same time, long-term storage contracts are granted, and at the end of the normal storage period, these will benefit from a guarantee of due payment at the level of the maximum buying-in price.

This mechanism should ensure the marketing of the wine at a price which is at least equivalent to the intervention price.

(iii) Additional compulsory distillation

20. The Commission proposes that the additional compulsory distillation, at present applied only in France, should be extended to Italy, a country compelled to send wine from table grapes for distillation, up to a maximum of 5% above the normal rate of 10% for deliveries in any one marketing year of the alcohol contained in the wine production of any one harvest. The rate for France is increased from 6 to 8%.

This measure too is unacceptable, as it lacks any economic justification, particularly given Italy's obligation to distill wine from table grapes. In addition, if it is not linked to the withdrawal and management of alcohol by intervention agencies, at a reasonable price for producers covering the costs of distillation, the producers' interests will be seriously harmed. At present they receive only 50% of the guide price from this compulsory distillation.

21. It should also be noted that, in France, instead of the stipulated quantity of alcohol (corresponding to the additional rate of 6%),

<sup>1</sup> See para. 33 of the resolution tabled by Mr KOFOED on the 1977 farm prices, OJ No. C 93, 18.4.1977, p.15: 'The European Parliament believes it essential that adequate protection should be extended to the wine sector, on which the incomes of millions of producers depend, in particular by the adoption of a genuinely guaranteed Community intervention price which takes account of production costs'.

regular deliveries at present amount to only 1%<sup>1</sup>. It would thus appear unnecessary to provide for a further increase in the rate, which would not be complied with anyway.

In Italy too, it would be difficult to apply and ensure compliance with these rules.

The obligation to deliver alcohol over and above the normal rate of compulsory distillation of 10% should be confined to those productions which have been diverted away from the traditional and normal uses such as, in the case of Italy, wine deriving from the vinification of table grapes, and in France, surplus wine from the Charentes region which cannot be used for the production of cognac.

Your committee therefore urges that the current rate be maintained, in order not to jeopardize hard-won compromises reached in the Council on this problem.

(iv) Classification of vineyards

22. The classification of wine areas to be adopted by the Council divides vineyards into three categories:

- hill areas;
- areas in plains where the soil is other than alluvial, situated south of a climatic demarcation line;
- other areas in the plains.

This classification only concerns table wine, and is subsequently intended to serve as a basis for all Community measures for the regulating of planting and production.

23. In its various reports, the European Parliament has always stressed the need to recognize natural suitability for wine-growing as a basic criterion in this sector. Instead of employing this criterion to penalize production, the sub-division into three categories must reflect the need for flexible adjustment to market requirements. The first category should consist of particularly suitable zones, in which production may be encouraged following the desired recovery of the market brought about by measures adopted at Community level to boost consumption.

<sup>1</sup> Balance of alcohol deliveries pursuant to Articles 24a and 24b of Regulation 816

	1976/77	1977/78
France (additional compulsory distillation)	111,000 hl	0 hl
Italy (wine from table grapes)	+ 400,000 hl	140,000 hl

In the second category (areas of average suitability), production should be discouraged or encouraged depending on prevailing circumstances, while in the third category (unsuitable areas), production should be discouraged in the event of over-production.

24. Difficulties arise when we attempt to fix the criteria for determining the natural suitability for wine production in a given area. The only truly valid criterion would be a value judgment on the quality of the table wine produced in these areas, and the ease or difficulty with which it can be sold. Such a criterion is clearly too insubstantial and subjective to be included in a Community regulation of general application. Other possible criteria include the climate, the soil, the market, and historical and social criteria. However, the choice of any one of these criteria would involve serious risks. A glance at the present situation regarding wine production will show that areas with unfavourable climatic conditions produce excellent wine, those with a long tradition have fallen into decline, and that geographically unsuited areas produce wine which, if not of the highest quality, is sold without difficulty throughout the world and affords its producers a high income.
25. The question of an area's natural suitability is thus extremely complex. The only country at present applying this type of criterion is France, but only to a limited extent, inasmuch as it is used merely to calculate the coefficient applicable to indemnities and premiums for the voluntary grubbing of vines. Soil is divided into four categories, ranging from the more recently formed alluvial soil in plains to the more stony and dry soil of hill areas. However, according to estimates made by the French authorities, categories C and D (disparate, relatively unfertile and dry hill areas difficult to irrigate), i.e. those most suited to the production of good wine, include 85-86% of the vineyards in southern France. This demonstrates that a geographical criterion of this nature cannot usefully be employed for the launching of radical coercive measures, which, in the example mentioned above, would affect only 14-15% of vineyards. In Italy, on the other hand, alluvial soil is found in Veneto, Friuli-Venezia Giulia, and Emilia-Romagna, all areas with a long tradition of quality wine production.
26. Although the climatic/geographic criterion selected by the Commission represents the easiest and most objective choice, it is too strict and theoretical, and at the same time allows ample scope for derogation by Member States (see Art. 15a, para. 3) wherever, in their view, particular natural conditions prevail in these areas. We can expect regions or other authorities to exert strong pressure on their respective national

governments to ensure that wine-growing areas which they consider to have exceptional merits are included in or excluded from the various categories. The value of the classification would thus appear extremely doubtful.

27. In theory, what is needed is to work out a combination of various criteria and to prepare a detailed map of Community vineyards producing table wine, so as to decide which areas enjoy optimum conditions for the production of good quality wine. For example, due account should be taken of soil factors (nature, chemical composition, physicochemical properties, such as permeability and humidity of soils), climate (rainfall, exposure), quality (degree of alcohol content, acidity of the wine produced, etc.), the market (percentage bought in and sent for distillation, demand), local traditions, etc. A more logical solution, even though further study must be made of all its implications, would be to take the natural minimum alcoholic strength, which constitutes the sum of all the objective factors indicated above, as the fundamental criterion. A table showing this minimum strength over several years (the last ten to fifteen wine years) would indicate the relative suitability of a given area for the production of table wine of good, average or mediocre quality.

For example, wine-growing zones C II and C III could be placed in the first category, except for those areas in which wine fails to show the necessary minimum strength. Such areas should be placed in the second category or even, in cases where real possibilities exist of conversion to other types of production, in the third category.

However, zones producing quality wines p.s.r. must automatically be placed in category one.

28. Another important factor to be considered is the existence in the various regions of viable alternatives in terms of agricultural crops. It is indeed expressly mentioned in Regulation 1162/76 of 17 May 1976 amended by Regulations 3140/76 and 2776/78 (OJ Nos. L 135 of 24.5.1976, L 354 of 24.12.1976 and L 333 of 30.11.1978) on measures designed to adjust wine-growing potential to market requirements. Article 5 of this regulation lays down that the Council shall adopt, by 1 October 1979, the measures necessary for this adaptation, taking into account the suitability for wine production of the various regions and the existence in each of these regions of viable alternatives in terms of agricultural crops.
29. Finally, the fact remains that the classification proposed by the Commission offers insufficient guarantees and should be further extended to include other, particularly pedological, criteria. It would be premature to define what are suitable or unsuitable areas on the basis of the simplistic criteria proposed by the Commission. Other supplementary studies will be necessary in order to arrive at a sound and non-controversial definition based above all on the criterion of the natural minimum alcoholic strength.

(v) Rules on plantings and replantings

30. The new proposals provide for:

- Final rules

- (a) Replacement of the present ban on new plantings by the obligation to obtain advance authorization for all new plantings and replantings, to be granted on the basis of natural suitability (category I);
- (b) following the submission of a report by the Commission, annual decision by the Council on the total area for which authorizations may be granted for new planting;
- (c) classification of vine varieties which may be used in the Community; provisionally authorized varieties, i.e. currently cultivated varieties not included in the abovementioned classification, will have to be got rid of within a given period;
- (d) ban on national aid for replantings in areas classified under category III;
- (e) obligation to use only grapes of the varieties included in the classification for the production of wine and must.

- Provisional rules for the 1978-79 and 1979-80 marketing years

31. New plantings are authorized only for quality wines p.s.r. for countries in which the production of these wines over the last three marketing years amounted to less than 50% of total wine production; as regards table wines, new plantings are authorized only in category I, within the framework of development plans or, in particular land reallocation schemes, etc.
32. Our reservations, which are matters of principle, concerning this group of measures may be summarized as follows:
- they are coercive measures, imposing obligations on wine growers which have no counterpart in any other common organization of the market. Given the cost to the EAGGF of the dairy sector, why does the Community not introduce obligations concerning notification and authorization for the construction of new cow-sheds, the purchase of cows, etc?
  - they do not offer wine growers any adequate compensation in terms of income or guaranteed Community intervention at a remunerative price, even though such compensation is provided for staple agricultural products;
  - furthermore, these measures smack of dirigisme and are insufficiently flexible, being imposed from above and unable therefore to take account of local (social and productive situation) and national (difference between France and Italy) factors, or the desires and plans of local administrators (communes, regions);



- these measures are negative, not positive, as their aim is the compulsory reduction of potential wine production, and not an improved demand structure or increased consumption (a more valid objective in economic terms);
- in addition, they lay excessive emphasis on natural suitability for wine-growing and on the division of vineyards into three categories, granting only to category I the possibility of increasing plantings, even though, as mentioned above, no exact definition of the three categories has yet been achieved;
- there exists the additional danger that the development of production in category I may be made dependent on the simultaneous reorganization of categories II and III: the development of the production of good quality table wine for which there is always a market should not be subject to the simultaneous reduction of poor quality production, as this would strike a mortal blow, from an economic and social point of view, to a sector with good development prospects.

33. Instead of introducing coercive and binding measures of this kind, it would be sufficient to set up a much more flexible system of incentives and disincentives for the structural improvement of vineyards, together with measures to boost consumption, of which there is no trace in the action programme under consideration, except in declarations of principle. The measures now proposed ought to be changed radically to take account of these remarks and, in particular, they should be made much more flexible and should constitute a general framework within which the national and regional administrations are given a certain freedom of action. In any case, as these measures are subject to the adoption of the definition of categories based on natural suitability for wine-growing, their consideration in this report is somewhat premature. These particular proposals will come up subsequently for further consideration in all the institutions, including the European Parliament, and cannot therefore be adopted for several months.

(b) Structural measures<sup>1</sup>

34. The proposed measures may be divided into three groups:
- (a) a group of three regulations on the conversion, abandonment or cessation of wine-growing;
  - (b) a directive on conversion in the Charentes departments;
  - (c) a regulation on collective projects for the restructuring of vineyards.

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<sup>1</sup> See Annex

35. The first group of regulations improves and supplements, in practice, existing Regulation 1163/76, under which the conversion of approximately 39,000 ha of vineyards has so far been financed in France and Italy.

The directive on the Charentes region is on the same lines as that previously adopted by the Council on Languedoc-Roussillon.

According to the Commission, these measures as a whole, both old and new, should make possible the conversion or abandonment of approximately 150,000 ha of vines, which would in practice mean a drastic reduction in existing production capacity.

36. Your committee supports this group of proposals in general since the measures put forward are not coercive but voluntary, based on a system of incentives which gives the wine grower the freedom to assess the advantages of making use of the possibilities offered by the Community.

Past experience with Regulation 1163 has apparently been positive and so there are no grounds for not supporting the new proposals.

Possible reservations might be expressed in respect of two measures only: one for the conversion and permanent abandonment of given areas producing vine vegetative propagation material, the other concerning renunciation of the possibility to replant vines in given areas. The first of these proposals could easily be brought under the general regulation on conversion, with the same conditions and with no need to introduce a separate regulation.

37. The second proposal applies exclusively to France and concerns the system under which owners of second and third category vineyards may reacquire the right to replant. It might well be asked here whether it is not for the national authorities rather than the Community to take financial measures based on national law. However, given the relatively modest sum to be met by the EAGGF (14.7 million ua over seven years), this measure too could be accepted.

38. The regulation on conversion and abandonment calls for the following observations only:

- (a) given that these measures are bound up with the definition of the various categories of land based on natural suitability for wine growing, there is a danger that, if delimitation is late or altogether lacking, the introduction of the measures will face delays and difficulties;

(b) it should be pointed out that the Special Committee of Inquiry, in its report concerning the Guarantee Section of the EAGGF, wine sector<sup>1</sup>, stressed that the results of the abovementioned Regulation No. 1163 during the first year (1976-77) 'show, however, that in some cases the vines grubbed up were hybrid varieties whose disappearance was thus speeded up. For the rest, it would appear that the vines in respect of which grubbing premiums were granted were low-yield varieties, many of which were being phased out, and would have disappeared anyway in time. On the other hand, no high-yield vines producing mediocre wines seem to have been grubbed up.'

The report concludes that it is necessary to analyse the cost/efficiency ratio where aid for the conversion of vines is concerned. In its proposals, then, the Commission must somehow provide greater incentive for the grubbing of high-yield areas. Otherwise, there is a danger that the measures will lead to a squandering of resources without affecting the level of surpluses. In this connection, the question might be asked whether the 3,000 EUA/ha for high-yield areas (Art. 5 para. 1(d)) is sufficient.

39. Even if we can approve both the amount of the EAGGF contribution (50%) and the overall cost of these actions (150 m EUA over eight years), there is some doubt as to the advisability of providing for a degressive abandonment premium, to be reduced by 200 EUA annually after the fourth year. It would be preferable for the wine grower to benefit by the same amount in successive years, since this would give him more time to take stock of his situation.
40. The directive on conversion in the Charentes region, modelled on that for Languedoc-Roussillon, calls for no particular comment. Its adoption would make it possible, among other things, to end the special system provided for at present for the distillation of wines for the production of certain eau-de-vie with designation of origin (Article 6(d) of Regulation 816). The cost of this system in 1976-77 was 8.5 m EUA for 1.2 million hl, and 129,360 EUA in 1977-78, owing to the fact that the quantities distilled have been considerably smaller.

However, the possibility of increasing the total number of hectares affected by the measure ought to be examined, with a view to increasing it from 5,000 to 7,000 - 8,000, while simultaneously reducing the amount of the aid per hectare and, possibly, bringing this measure within the general framework of the regulation on conversion.

<sup>1</sup>See Doc. XX/6/78 II, 1 February 1978, p. 32

41. The Commission's final proposal concerns collective projects for the restructuring of vineyards. It is one of the most important in the package of structural measures, in terms of both cost (156 m EUA over seven years) and area affected (approximately 200,000 ha of vines for table wine, and 23,000 ha of vines for quality wines p.s.r.). The aim is to improve the basic structures of vineyards for table wines in categories I and II and for quality wines p.s.r., with a view to rationalizing work, increasing producers' incomes and improving the quality of the wine. The proposal provides for the granting of a premium of between 1,500 and 2,000 ua/ha per restructured vineyard, and of 1,500 ua/ha for the new plantings which will be essential if this action is to be effective. Reimbursement to be effected by the EAGGF amounts to 35%.
42. This measure too has your committee's full support, above all because the quality of wine will be improved by replantings.

Certain minor reservations may be made as regards the beneficiaries (if possible, aid should also be granted to individual producers not covered by compulsory collective contracts), the geographical scope of the measure, and the desirability or otherwise of granting aid also for new plantings. However, these points could be cleared up by careful re-editing of the text and do not affect our position, which remains decidedly favourable.

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STRUCTURAL MEASURES

MEASURE	SCOPE	CONDITIONS		AMOUNT OF PREMIUMS (in EUA)	AREA AFFECTED (estimate)	PERIOD OF VALIDITY	COST TO EAGGF	
		of entitlement	as regards compliance				%	in EUA
CONVERSION	Second and third category table wines + table grapes (except Charentes region + root-stock parent vines)	Must cultivate vineyards in production	Must grub up and undertake not to replant for eight years	Between 1,500 and 3,000 u.a./ha (for parent vines: 2,500 u.a./ha)	78,000 ha (including 28,000 ha in Languedoc/Roussillon - Directive 78/67)	Up to 1984-85	50	96.25 + 1.25 (parent vines)
ABANDONMENT	Second and third category table wine (except Charentes region) + root-stock parent vines <sup>1</sup>	Must have carried out conversion, pursuant to Reg. 1163/78 or new Reg.	Must definitively abandon the cultivations of vines in	2,000 u.a./ha (decreased by 200 u.a./ha yearly from 4th year)	57,000 ha (+ 33,000 in Languedoc/Koussillon)	Up to 1992-93	50	56.46 + 1 (parent vines)
RENUNCIATION	Holdings with vineyards (intended for the production of table wine) classified in the second and third categories	Must have grubbed vines before entry into force of reg. and have right to replant.	Definitive renunciation of cultivation of vines	2,000 u.a./ha (decreased by 200 u.a./ha yearly from 4th year)	15,000 ha	Up to 1984-85	50	16.91
CESSATION OF AGRICULTURAL ACTIVITY	Second and third category table wine + table grapes	Must have benefited from conversion + abandonment measures. Aged between 55 and 65. At least 20% of holding must be under vines	Cessation of agricultural activity - holding no longer constitutes autonomous economic activity - must give up at least 85% of released land	500 u.a./ha per year up to 65th birthday	16,000 ha	Up to 31.12.85	50	22
RESTRUCTURING	First and second category table wines (except Languedoc/Roussillon) + quality wines psr	Must cultivate vineyards in production or have right to replant (must not have benefited from aid for conversion or renunciation)	Replantings or, by way of exception, new plantings (Cat.1) under a collective restructuring project, in compliance with certain technical conditions	1,500 - 2,500 u.a./ha	223,000 ha	Up to 1984-85	35	156.1

<sup>1</sup> This measure does not apply to areas in Languedoc/Roussillon which have benefited from the special conversion premium

OPINION OF THE COMMITTEE ON BUDGETS

Rapporteur: Mr M. COINTAT

On 21 November 1978 the Committee on Budgets appointed Mr COINTAT draftsman.

At its meeting of 5 December the committee considered the draft opinion and adopted it unanimously.

Present: Mr Lange, chairman; Mr Cointat, draftsman;  
Lord Bessborough, Lord Bruce of Donington, Mrs Dahlerup, Mr Früh, Mr Inchauspe,  
Mr B. Nielsen, Mr Ripamonti, Mr Ryan, Mr Schreiber, Mr Shaw and Mr Spinelli.

## INTRODUCTION

1. In May 1978, the Council invited the Commission to submit further proposals relating to the organization and structure of the wine market.
2. This request was prompted by the development of imbalance on the wine market caused by recurrent surpluses of table wine. In general these are the outcome of a steady increase in production and a virtually stagnant rate of consumption.
3. In August/September 1978, the Commission therefore drew up two sets of proposals<sup>1</sup>, which form a multiannual programme (1979-1985) aimed at restoring balance in the wine sector by means of measures affecting both market mechanisms and production structures.

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### I. - GENERAL PRESENTATION OF THE PROPOSED MEASURES AND THEIR FINANCIAL IMPLICATIONS

4. The measures are explained and analysed in detail in the report of the Committee on Agriculture. Here it is sufficient to describe briefly their principle characteristics and to indicate their budgetary implications, as assessed by the Commission.

#### Measures relating to market mechanisms

5. These measures are grouped together in one proposal for a regulation which provides for :
  - (a) the enrichment of wine by the use of rectified concentrated grape must and the possible granting of Community aid for this process  
Estimated cost : between 20 and 45m u.a. per year;
  - (b) an increase in the alcohol content of products delivered for distillation as part of deliveries of wine  
Estimated cost : between 6.5 and 23m u.a. per year;
  - (c) the possibility of prohibiting the marketing of certain table wines below a minimum price and the possibility of distilling these wines  
Estimated cost : this cannot be assessed since it depends on actual surpluses, on the minimum price fixed by the Council and on the quantities authorized by the Council for distillation.

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<sup>1</sup> COM(78) 260 final - Vols. III and IV

Measures relating to production structures

6. These are the subject of five further proposals for regulations and may be summarized as follows :

- (a) the granting of premiums for the conversion or abandonment of certain vines  
Estimated cost : around 18m u.a. per year (or a total of 148m u.a. over an eight year period);
- (b) the granting of premiums for the cessation of wine growing  
Estimated cost : around 1.3m u.a. per year (or a total of 20m u.a. with the payments spread over nearly fifteen years);
- (c) the granting of premiums for the conversion or abandonment of vine nurseries and the purchase of the rights to plant on abandoned vineyards  
Estimated cost : around 2.4m u.a. per year (or a total of 17m u.a. over a seven year period);
- (d) the granting of premiums to speed up the conversion of certain areas under vines in the Charentes departments  
Estimated cost : 3.33m u.a. per year (or a total of 10m u.a. over a three year period);
- (e) aid for the restructuring of vineyards naturally suited for wine-growing  
Estimated cost : 22.3m u.a. (or a total of 156m u.a. over a seven year period).

7. There is also a proposal on the control of wine-growing potential, involving the classification of Community wine-growing areas, which is intended to form the basis for the above structural measures. It will not, however, have any direct financial implications.

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## II. GLOBAL FINANCIAL IMPLICATIONS OF THE PROPOSED MEASURES

8. The following table is compiled on the basis of the above figures :

EAGGF/Guarantee	EAGGF/Guidance	COST (m u.a.)	
		Annual	Total
Concentrated must		20/45	(1)
Compulsory deliveries of wine for distillation		6.5/23	(1)
	Reconversion		
	Abandonment	18	48
	Cessation of farming	1.3	20
	Nurseries and planting rights	2.4	17
	Charentes conversion	3.3	10
	Restructuring of vineyards	22.3	156
		<u>73.8/115.3</u>	<u>251</u>
		(81.18/126.8 m EUA)	(276.1 m EUA)

9. Setting aside the financial implications of the minimum price system, the total estimated cost of these measures would therefore be around 100 m EUA, per year more or less equally divided between guarantee and guidance expenditure.

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## III.- COMMENTS BY THE COMMITTEE ON BUDGETS

10. The analysis of the measures proposed by the Commission prompts the Committee on Budgets to put forward both favourable and unfavourable comments :

- the favourable comments concern the modest budgetary implications of the proposed measures and their 'voluntaristic' nature;
- the criticisms concern the lack of measures to promote higher consumption and the disregard for certain budgetary principles.

### Modest budgetary implications of the proposed measures

11. According to the Commission's proposals, the measures to establish balance on the wine market can be implemented at an average annual cost of 50m EUA for the Guarantee Section (excluding possible expenditure under the minimum price mechanism) and 50m EUA for the Guidance Section.

(1) These are permanent measures

12. This additional expenditure is not taken into account in the estimates for the 1979 financial year, but the small amount involved makes it very unlikely that a supplementary budget will be necessary.

13. The proposed expenditure in the wine sector under the 1979 budget seems particularly modest, above all when expressed as a percentage of the total appropriations allocated to the agricultural sector as a whole :

	in EUA	%
Guarantee (Chapter 69)	119.4	1.2
Guidance (Articles 835 and 842)	48.5	12.0
TOTAL . . .	<u>167.9</u>	1.7

14. The low proportion of wine sector expenditure as compared with agricultural expenditure as a whole is, moreover, a permanent characteristic of the common agricultural policy : annual expenditure in this sector for the last five financial years (1973/1977) was 93m u.a. or 1.97% of total EAGGF/Guarantee expenditure.

The percentage is higher in the Guidance Section : 10.8%, representing an average annual expenditure of around 31.6m u.a.

'Voluntaristic' nature of the proposed measures

15. Although the measures proposed by the Commission are seemingly of a traditional nature, they are in fact different from those already in force in the other agricultural sectors.

The proposed minimum price system leaves the Community (in practice, the Council) the option of intervening and, above all, of adjusting the size of the intervention. This system is therefore different from that of 'open intervention' in force in the other agricultural sectors and there is a danger that it may prove somewhat cumbersome and inflexible in practice.

To a lesser extent, the proposals for structural improvements are also deliberately designed to concentrate Community aid on carefully selected sectors and types of farms.

Lack of measures relating to outlets for wine

16. Without going into the strictly agricultural aspect of the Commission's proposals, it is clear that all the measures are aimed solely at restricting growth in production and, as a secondary objective, at improving quality. It seems paradoxical that the Commission should concentrate its 'action plan' on negative measures, when the difficulties facing the wine market are of a

short-term economic rather than a structural nature and when the overall cost of Community intervention is marginal.

17. The Committee on Budgets must therefore remind the Commission of the need to introduce less cumbersome and more productive measures to improve balance on the wine market.

18. In particular, the Commission should take steps to remove some of the artificial barriers which distort the free interplay of supply and demand and prevent the normal marketing of wine products. This applies above all to the exorbitant , not to say prohibitive taxes which are levied on the consumption of wine in certain Member States and which are in effect customs duties applied to Community products<sup>1</sup>.

19. Measures could also be introduced to promote certain wines both within and outside the Community and to establish a more dynamic export policy, in particular by introducing export refunds better adjusted to the international market.

20. It is therefore regrettable that the Commission does not intend to encourage the production of refreshing beverages made from grapejuice or wine-based beverages with a low alcohol content.

21. It could easily be shown that these positive support measures would cost much less than the defensive measures implemented hitherto.

22. The Committee on Budgets therefore considers that there is a serious lack of balance in the Commission's proposed 'action plan', since it does not provide for any measures to encourage consumption, and that the related expenditure (fairly modest) will not show such a good return as is desirable.

#### Disregard for certain budgetary principles

23. In both the presentation and the content of several of its proposals the Commission more or less flagrantly disregards certain budgetary principles to which Parliament has nevertheless repeatedly drawn attention.

24. Firstly, there is the rule whereby appropriations earmarked for specific measures must be fixed during the budgetary procedure and not by means of a regulation. All the Commission's proposals for structural measures contain an article which fixes the amount of appropriations allocated to the measure in question, in some cases this amount is binding and in others it is intended as a guide. This provision is likely to prejudice the decision of the budgetary authority and should therefore be amended<sup>2</sup>.

<sup>1</sup> Percentage of excise duties and VAT in the consumer price of wine :

Luxembourg	4.7%	France	17.7%	Ireland	66.2%
Italy	5.6%	Netherlands	43.2%	Denmark	72%
Germany	10.7%	Belgium	46%	United Kingdom	72.8%

<sup>2</sup> In other sectors of expenditure (e.g. research), the Commission has now refrained from fixing appropriations in regulations and an agreement has been reached with the Committee on Budgets on a prototype provision. It is annoying that the other departments of the Commission seem to be unaware of this agreement.

25. The second criticism concerns the proposal for a regulation on the restructuring of vineyards. The Commission proposes that the Standing Committee on Agricultural Structure should submit to the Council a draft of the measures to be adopted and that the Council may oppose these measures. The Committee on Budgets has always felt that, when the Council is asked to decide on measures involving agricultural expenditure, Parliament should be involved in the decision ; in this case, too, it therefore proposes that the proposal for a regulation should be amended.

26. Finally, the Committee on Budgets notes that the Commission has been somewhat negligent in the preparation of the financial statements, and above all in the assessment and presentation of the budgetary implications of the proposed measures. In particular, the section of the report devoted to the financial aspects is totally inadequate ; it is also annoying that the expenditure figures are expressed sometimes in u.a. and sometimes in EUA, depending on the text. This negligence occurs too frequently in the Commission's agricultural proposals and is probably the result of an inadequate awareness of budgetary matters on the part of the services concerned. However, the very volume of agricultural expenditure and the criticisms sometimes levelled at it should induce the Commission to amplify and harmonize its financial estimates in this sector.

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The Committee on Budgets' overall assessment

27. In the last analysis the Committee on Budgets was unable to assemble a majority to give either a favourable or unfavourable opinion on the measures proposed by the Commission. It has therefore confined itself to noting these proposals.

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CONCLUSIONS

28. The Committee on Budgets notes the series of measures proposed by the Commission subject to the two amendments referred to below.

29. It stresses the relatively low expenditure on the Community wine sector, which is nevertheless of considerable geographic, economic and human importance.

30. It regrets the lack of positive measures to encourage consumption, and in particular condemns the tax discrimination to which wine is subject within the Community itself.

31. It urgently calls on the Commission to implement as comprehensive and consistent a system as possible of estimating agricultural expenditure using modern techniques for establishing financial estimates.

Council Regulation on the grant of  
conversion and permanent abandonment  
premiums in respect of certain areas  
under vines

Preamble, recitals and Articles 1 to 7 unchanged

Article 8

The total costs of the common  
measure to the European  
Agricultural Guidance and  
Guarantee Fund shall be 150  
million units of account.

Article 8

The total cost of the measure  
to the EAGGF is estimated at  
150 m u.a. This figure is intended  
only as a guide.

Articles 9 to 15 unchanged

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Council Regulation establishing a  
system of premiums for the cessation  
of wine-growing in France and Italy

Preamble, recitals and Articles 1 to 4 unchanged

Article 5

The total contribution by the EAGGF  
to the cost of the common measure  
is estimated at 22 million EUA

Article 5

The total cost of the measure to  
the EAGGF is estimated at 20 m u.a.  
This figure is intended only as a  
guide.

Articles 6 to 10 unchanged

- 0 -

Council Regulation laying down further  
provisions on the grant of conversion  
and permanent abandonment premiums in  
wine production

Preamble, recitals and Articles 1 to 11 unchanged

Article 12

The total cost of the common measure  
to the European Agricultural  
Guidance and Guarantee Fund shall  
be 17 million units of account.

Article 12

The total cost of the measure to  
the EAGGF is estimated at 17 m u.a.  
This figure is intended only as a  
guide.

Articles 13 to 18 unchanged

- 0 -

Council Directive on the programme  
to speed up the conversion of certain  
areas under vines in the Charentes  
departments

Preamble, recitals and Articles 1 to 4 unchanged

Article 5

1. The duration of the measure  
shall be three years from  
notification of this Directive.

2. The estimated total cost of  
the common measure to the Fund  
shall be 10 million units of  
account for the whole period.

Article 5

unchanged

2. The total cost of the measure  
to the EAGGF is estimated at  
10 m u.a. This figure is intend-  
ed only as a guide.

Articles 6 to 8 unchanged

- 0 -

Council Regulation on collective  
projects for the restructuring of  
vineyards

Preamble, recitals and Articles 1 to 8 unchanged

Article 9

1. The period envisaged for imple-  
menting the common measure shall be  
seven years from the date of  
entry into force of this  
Regulation.

2. The estimated cost of the common  
measure to the Fund for the period  
referred to in paragraph 1 shall  
amount to 156 million units of  
account, or 22 million units of  
account per year.

3. Article 6(5) of Regulation (EEC)  
No. 729/70 shall apply to this  
Regulation.

Article 9

unchanged

2. The total cost of the measure  
to the EAGGF is estimated at  
156 m u.a. This figure is intend-  
ed only as a guide.

unchanged

Article 10 unchanged

Article 11

1. Where the procedure laid down  
in this Article is to be followed,  
the matter shall be referred to  
the Standing Committee on  
Agricultural Structure by the  
Chairman, either on his own  
initiative or at the request of  
the representative of a Member  
State.

unchanged

Article 11

2. The representative of the Commission shall submit a draft of the measures to be adopted. The Standing Committee on Agricultural Structure shall deliver an opinion on those measures by a majority of 41 votes within a time limit set by the Chairman according to the urgency of the matter; the votes of the Member States shall be weighted as provided for in Article 148(2) of the Treaty. The Chairman shall not vote.

unchanged

3. The Commission shall adopt measures which shall be immediately applicable. However, if such measures are not in accordance with the opinion of the Standing Committee on Agricultural Structure, they shall forthwith be communicated by the Commission to the Council; in that event, the Commission may defer application of the measures which it has adopted for not more than one month from the date of such communication.

unchanged

The Council, acting by a qualified majority, may take a different decision within one month.

However, if these measures have substantial financial implications, the Council may act only in agreement with Parliament.

