
EUROPEAN PARLIAMENT

Working Documents

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15 February 1979

DOCUMENT 606/78

Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 565/78) for a regulation amending Regulation (EEC) No. 816/70 laying down additional provisions for the common organization of the market in wine

Rapporteur: Mr F. PISONI

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By letter of 8 January 1979 the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 43 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a Council regulation (EEC) amending Regulation (EEC) No. 816/70 laying down additional provisions for the common organization of the market in wine.

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

On 17 January 1979 the Committee on Agriculture appointed Mr PISONI rapporteur.

At its meeting of 1 and 2 February 1979 the committee considered the proposal and adopted the motion for a resolution with 3 votes in favour and 5 abstentions.

Present: Mr CAILLAVET, chairman; Mr HUGHES, vice-chairman; Mr PISONI, rapporteur; Mr ALBERTINI, Mr CUNNINGHAM, Mr DEWULF, Mr FRUH, Mr KLINKER, Mr LEMP, Mr L'ESTRANGE, Mr W. MULLER, Mr TOLMAN and Mr VITALE.

The opinion of the Committee on Budgets is annexed to this report.

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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 proposal from the Commission of the European Communities for a regulation amending Regulation (EEC) No. 816/70 laying down additional provisions for the common organization of the market in wine

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 565/78),
 - having regard to its previous opinion on aid for musts²,
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 606/78),
1. Welcomes the Commission's proposal insofar as it relates to a measure already expressly requested by Parliament, which will contribute to the proper functioning of the wine market;
 2. Requests the Commission to adopt the following amendments in accordance with the second paragraph of Article 149 of the EEC Treaty.

¹ OJ No. C 9, 11.1.1979, p. 3

² See paragraph 15 of the resolution on the action programme in the wine sector (Doc. 496/78) adopted on 15.12.1978 (OJ No. C 6, 8.1.1979, p.66)

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

Preamble and recitals unchanged

Article 1

The following Article is hereby
inserted in Regulation (EEC)
No. 816/70:

Article 6f

1. A system of aid is hereby set
up for the purchase of grape musts
and concentrated grape musts
produced within the Community
and used for:

- manufacture of grape juice,
- manufacture in the United
Kingdom and in Ireland of
products falling under heading
No. 22.07 of the Common Customs
Tariff in respect of which, by
virtue of the first subparagraph
of Article 30(1), the use of a
composite name including the word
'wine' may be allowed by the Member
States.

2. The level of the aid must make it
possible:

- in the case of manufacture of the
products referred to in the first
indent of paragraph 1, to achieve
a cost price for such products
comparable to that of competing
fruit juices,

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up for the purchase of grape musts
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and used for:

- manufacture of grape juice,
- manufacture in the United
Kingdom and in Ireland of
products falling under heading
No. 22.07 of the Common Customs
Tariff in respect of which, by
virtue of the first subparagraph
of Article 30(1), the use of a
composite name including the word
'wine' may be allowed by the Member
States, as well as the use of other
special products in which grape must
is the principal ingredient.

2. The level of the aid must be cal-
culated in such a way that the price
of Community grape musts used in the
manufacture of the products referred
to in paragraph 1 is comparable to the
price of grape musts imported from
third countries.

¹ For complete text, see OJ No. C 9, 11.1.1979, p. 3

- in the case of manufacture of the products referred to in the second indent of paragraph 1, to achieve a price level for musts used for such manufacture comparable to the market prices for grape musts and concentrated grape musts in the countries which traditionally supply manufacturers of the product in question.

3. The amount of the aid shall be fixed annually at the latest on 31 August for the following wine growing year in accordance with the procedure provided for in Article 7 of Regulation No. 24. Detailed rules for the application of this Article shall be adopted by the same procedure.

3. unchanged

4. If a decision is taken under Article 6(e) to reserve the grant of aid for concentrated grape musts produced in Community vine-growing zone C III, a similar decision shall be taken in respect of concentrated grape musts intended for the manufacture of the products specified in the second indent of paragraph 1 of this Article.

Article 2 unchanged

EXPLANATORY STATEMENT

1. The Commission proposes setting up a system of aid for the purchase of normal and concentrated grape musts intended for the manufacture of grape juice and the products known as 'British wine' and 'Irish wine'. It is intended that the amount of the aid, fixed annually under the management committee procedure, should bring the price of grape juices into line with the price of competing fruit juices, which is substantially lower on the world market, and, in the case of the other products, align the price of Community-produced musts on that of imported musts.

2. The European Parliament is entirely in sympathy with this proposal. It has in fact already expressly requested a Community system of aid for musts used in the products referred to above, in adopting the Pisoni report on the action programme for the progressive establishment of balance on the wine market (Doc. 496/78). In paragraph 15 of the resolution, adopted in plenary sitting on 15 December last, Parliament specifically requested that:

' Community aid be extended to cover musts used
in the manufacture of grape juice, British wine
and Irish wine'.¹

3. Parliament felt that the main justification for extending the aid system to cover musts intended for the manufacture of the products in question was that it would encourage greater use of vine products and hence help to improve the situation on the wine market. This improvement can be achieved without imposing sacrifices on producers, unlike other Community measures which have had an adverse effect by encouraging a cut-back in production capacity without offering adequate compensation to producers.

4. The principle of granting such aid has, moreover, already been acknowledged by the Council of Ministers which, in its resolution on the wine sector adopted at the May 1978 meeting on the farm price review, expressly includes aid for the processing and storage of musts and grape juices among the market liberalization measures proposed. It is unlikely, therefore, that the Council will object to the rapid adoption of the present regulation and, hence to its entry into force during the next marketing year.

¹ See Minutes of the sitting of 15 December 1978, OJ No. C 6, 8.1.1979, p. 66

5. Exports of concentrated musts to Great Britain and Ireland from third countries - mainly Spain and Cyprus, but also Argentina - for the manufacture of 'British and Irish wines', though officially required to conform to the reference price, in practice circumvent this requirement and are subject only to a very low countervailing duty. If the reference price were applied - as it should, as a logical consequence of the full implementation of the relevant Community rules at the end of the transitional period - the present price would be doubled.

It is proposed that Community aid should be paid at the rate of 1 u.a./^o hl for 80,000 - 100,000 hl of Community concentrated must, equivalent to about 300,000 - 350,000 hl of must. Expenditure would thus be in the region of 3.25m EUA per annum.

6. The use of Community concentrated musts in place of those traditionally imported from third countries ought not to present any technical problems. A delegation of representatives of the British wine trade is shortly to travel to Sicily for talks with the wine-growers' cooperatives and to visit the relevant technical installations. One of the main objectives of this visit is to find a solution to what appears to be the most intractable technical problem : how to make the properties of Community musts more or less identical to imported musts to prevent the flavour of the final product being in any way different.

7. It should be noted that, in proposing the grant of aid for grape juice, the Commission was motivated by the same considerations that led to the introduction of Community systems of aid for the production of tomato juice, lemon juice and orange juice: the need to hold down surpluses, help producers and ensure the optimum use of each product. If, as is proposed, the aid for grape juice is paid at the rate of 0.50 u.a./^o hl for about 350,000 hl of must, expenditure will amount of 1.9 m EUA per annum. However, this initial Commission estimate has proved inaccurate. It has been shown that Community production of grape juice amounts to approximately 1 million hl, of which 600,000 is produced in Germany. It is therefore necessary to review the financial statement, as estimated expenditure must be increased up to a maximum of 5 m EUA, instead of 1.9 m.

The market must therefore be rid of a total of 1.3 m hl of musts, which, if used for wine-making, would further exacerbate the difficulties on the wine market. For this reason it seems highly desirable that the aid be fixed by 31 August to enable producers to prepare the necessary quantities of unfermented musts for grape juice, which would otherwise be used for wine production.

8. While, therefore, Parliament unreservedly supports the principle of granting aid for musts used for the purposes specified in the proposal, a few amendments to the text of the proposal are indicated.

In the first place, as requested by the UK delegates on the Commission and Council committees of experts, provision ought to be made in this

regulation for the grant of aid for another typical British product, namely the basic ingredient of home-made wines. This is a type of concentrated must which, together with other ingredients, is sold in shops. The recipe for producing the 'home-made' wine is simply to add water to the ingredients and then leave the mixture to ferment. The quantity of wine produced in this way is by no means negligible: an estimated 50,000 quintals of wine, corresponding to more than 50,000 hl of must.

There are difficulties involved in accepting the principle of this aid, as these products are not subject to any form of qualitative control and, being unaffected by the heavy duties imposed on wine, compete with the latter product. However, in view of the not insubstantial quantities involved, The Committee on Agriculture has decided, by a majority, to accept the principle of an extension of aid to these products.

9. It is proposed that the regulation should also be amended to simplifying the criteria used for calculating the amount of aid to be granted. It is pointless to establish different criteria for musts intended for the manufacture of grape juice and those intended for the manufacture of British 'wines'. This would create complications and administrative difficulties because of the need to determine the price of competing fruit juices on the world market. There should therefore be a single simple criterion, namely the difference in price between grape musts imported from third countries and Community grape musts, assuming that they are of the same quality.

10. Finally, there is the vexed question of the priority to be accorded to musts from wine-growing area C III, a problem debated at some length by the Committee on Agriculture when it examined Mr Pisoni's report on the action programme in the wine sector¹.

Since then, the Council has adopted Regulation No. 3065/78², which adds an Article 6 (e) to basic Regulation No.816/70. This Article provides that aid may be granted for concentrated must produced within the Community and used to increase the alcoholic strength of the wine. It also provides that:

' The grant of this aid may be reserved for

¹ See paragraph 14 of the resolution and paragraph 15 of the explanatory statement (Doc. 496/78).

² See OJ No. L 366 of 28.12.1978, p.9.

concentrated grape must produced in
Community vine-growing zone C III if the
current trade patterns in concentrated
grape must and blending wines cannot be
guaranteed without this measure'.

It is logical that this provision should also be applied to concentrated must intended for the manufacture of British 'wines', in order to ensure equality of treatment, irrespective of the use to which the must is to be put. This argument does not apply, however, to normal must used in the manufacture of grape juice, since it is generally obtained from the zone or region in which the processing plant is situated, partly because of transport costs.

11. In conclusion, the Committee on Agriculture welcomes the present proposal and hopes it will be followed very shortly by the other proposals envisaged by the Commission with a view to improving the market in wine. It also hopes that these proposals will be based more on a constructive policy of development than on a negative policy involving drastic cuts in production. Such measures should, of course, cover the grant of export refunds, publicity campaigns, the review of the problem of monetary compensatory amounts in trade between producer and non-producer countries, and the taxation of alcoholic beverages.

British and Irish wines(a) British wines

The typology of British wine can be summarized as being generally a fortified product, which, as the finished product, has on average an alcoholic strength band of 15° - 18°, of which grape juice/must is a major constituent. The following quantities were produced over the period 1972-1976 (in hl):

1972	: 580,460
1973	: 701,440
1974	: 800,560
1975	: 632,680
1976	: 539,125

Principal types are as follows:

- | | |
|--|--|
| - British Sherry (55% of total production) | - fortified wine of high alcoholic strength |
| - British ruby and sweet white wines (20%) | - fortified sweet wine |
| - Aromatized British wine | - fortified wine with addition of aromatic flavouring |
| - British fruit or flavoured wines | - fortified wine with the addition of fruit or other flavours |
| - Ginger wine | - British wines made with the infusion of ginger |
| - British tonic wines | - British wines incorporating ingredients having accepted medicinal properties |
| - British mead wines | - British wines made with the use of honey |
| - Sparkling/slightly sparkling British wines | - carbonated lower strength wines |

(b) Irish wines

The title 'Irish wine' (annual production: 8,000 hl) currently includes three main types of products:

- | | |
|----------------|---|
| - Irish sherry | - fortified wine of an alcoholic strength of 17.1° and over |
| - Ginger wine | - fortified wine with ginger infusion of a strength of 14.2° and over |
| - Tonic wine | - fortified wine of an alcoholic strength of 14.2° and over, incorporating ingredients having accepted medicinal properties |

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr Michael COINTAT

On 24 January 1979 the Committee on Budgets appointed Mr. M. Cointat draftsman of the opinion.

It considered the draft opinion at its meeting on 31 January 1979 and adopted it unanimously save for one vote against.

Present: Mr Lange, Chairman; Mr Cointat, vice-chairman and draftsman; Mr Alber; The Earl of Bessborough; Lord Bruce of Donington; Mrs Dahlerup; Mr De Keersmaeker, deputising for Mr Notenboom; Mr Shaw and Mr Wurtz.

Background to the proposal

1. On 24 August 1978, the Council transmitted to Parliament the Commission's document which constituted its 1979-1985 action programme for the progressive establishment of balance on the market in wine¹.
2. The Committee on Budgets considered this programme at its meeting of 4 and 5 December 1978; it noted the proposed measures and stressed the relatively low expenditure on the Community wine sector².
3. Among the issues covered by the Commission in its action programme was the examination, in greater detail, with the Member States most concerned, of the possibility of aids for the use (i) of natural musts in the production of grape juice and (ii) of concentrated musts in the production of British and Irish wine.

Outline of the proposal

4. With notable alacrity, the Commission has now put forward its proposal³ in regard to that aspect of the action programme referred to in the preceding sub-paragraph. This proposal is set out rather scantily and has two aspects. First of all, there is the proposal to assist financially from the budget the use of a quantity of 350,000 hectolitres of must in the production of grape juice within the whole Community; secondly, there is a proposal for the use of a certain quantity of concentrated musts amounting to 85,000 hectolitres to be used in the production of British and Irish wines.
5. The proposal does not say how these particular amounts were calculated. However, it may be assumed that the figures were arrived at in consultation with the Member States concerned - as was promised by the Commission in its action programme document. The implications of this particular proposal from the agricultural viewpoint will, of course, be gone into by the Committee on Agriculture as the committee responsible. Whilst this opinion is confined primarily to the budgetary and financial aspects, it must be said that the proposal has certain features likely to find favour with the Committee on Budgets because it would operate to take care of some grape production by having it put on the market under the form of grape juice and because it would also make the production of certain regional beverages in Ireland and the United Kingdom - to wit, British and Irish wines - a more viable proposition.

¹ Doc. 272/78

² Doc. 496/78, page 36

³ COM(78) 720 final

Estimated cost involved

6. The following table sets out the estimate of the cost involved:

(i) Must for grape juice

350,000 hl at 10⁰ x 0.5 per⁰ hl = 1,750,000 u.a.

(ii) Must used in production of British and Irish wines

85,000 hl x 3½ = 297,500 hl

at 10⁰ x 1 u.a. per⁰ hl = 3 million u.a. approximately.

This makes a total of 4,750,000 u.a. which is equivalent to approximately 5.15 million EUA.

Shortcomings of the Financial Statement

7. Whilst this effort to increase outlets for Community grape musts represents a step which is likely to be endorsed by the Committee on Budgets, it is to be regretted that the presentation of the proposal leaves much to be desired from the budgetary aspect. No effort is made to explain how the quantities involved were arrived at, nor does the document set out how the amount of aid per unit was calculated.

8. What is envisaged is a permanent arrangement likely to continue until 1985 at least, since the action programme is for the years 1979-1985. Nevertheless, at point 5 of the Financial Statement, figures for only two financial years are shown. In some of the language versions, the financial statement has been checked in an indifferent manner. For instance, in the English language version Receipts of 5.15 million EUA are shown for the years 1980 and 1981.

9. The basis for the estimate of 0.1 million EUA for 1979 appropriations is not set out in the document. It is accepted that this level of expenditure could be readily met by way of a transfer within the sphere of agriculture.

10. The comment at the end of the Financial Statement: 'The amount of the aid is forecast on the basis of the difference between the reference prices and the offer prices in non-member countries. The aid for concentrated musts takes the cost of concentration into account.' is rather elliptical and does not facilitate the work of the budgetary authority in checking the accuracy of the sums envisaged.

11. Furthermore, no effort is made by way of a paragraph or two to justify this particular scheme on economic grounds, nor is there a presentation of the medium-term or longer-term implications.

Reference to earlier Regulations

12. The Committee on Budgets noted also that the Commission proposes to give effect to this new measure by way of legislation which refers to earlier Regulations. In the past¹, the Committee commented unfavourably on this procedure because (i) it takes from the clarity and transparency needed to repress irregularities and (ii) it makes it more difficult to implement Community legislation.

Earlier views of the Committee on Budgets

13. At this point, your draftsman recalls the letter sent almost two years ago by Mr LANGE, chairman of the Committee on Budgets, to Mr TUGENDHAT, Commissioner responsible for the budget, regarding financial statements². As some time has elapsed since this letter was sent to the Commission, your draftsman feels that it is appropriate to quote the key paragraphs again in this Opinion:

'...
Above all, the Committee on Budgets has once again been faced with the problem of the inadequacy of financial statements: even if the budgetary implications of this particular proposal are limited, it is undoubtedly the Commission's responsibility to calculate - or estimate - them with the utmost care and precision.

.....

The Committee on Budgets feels that, generally speaking, the financial statements accompanying Commission proposals should not be designed, as is evidently the case, mainly with a view to their use by the Commission itself or to estimating the financial impact in the current budgetary year but, on the contrary, to assess for the budgetary authority, the overall and lasting implications of action which the Commission is contemplating introducing or pursuing. The Committee on Budgets considers it essential that the budgetary authority - and above all the European Parliament, which, unlike the Council, is not closely involved in the drawing up of legislative measures proposed by the Commission - should have at its disposal, in a standardised and comprehensive form, detailed calculations of the short and medium-term budgetary implications of all action proposed by the Commission. This is a basic principle of financial responsibility.

....'

Conclusions

14. These criticisms apply, once again, to the Financial Statement now under consideration. However, in view of the fact that the Committee on Budgets

¹ See, for example, the RYAN report (Doc. 78/78) on a proposal from the Commission to the Council (Doc. 506/77) for a regulation laying down general rules for the financing of certain interventions by the EAGGF Guarantee Section.

² PE: 47.989 of 9 March 1977

has considered this proposal, in its broad outline, at its meeting of 4/5 December 1978, the Committee now agrees to approve the details. Nevertheless, it stresses that any future proposal which comes before it with an inadequate Financial Statement will be given a negative opinion.

Summary

15. The Committee on Budgets

- recalls its earlier examination of the Commission's 1979-1985 action programme in relation to the establishment of balance on the wine market;
- notes that the present proposal is in line with the details of the programme;
- appreciates the speed with which this proposal was put forward by the Commission;
- strongly criticises the scanty data provided in the Financial Statement;
- insists that, in future, the Commission must provide the kind of basic data that would enable the budgetary authority to check calculations of the likely budgetary impact of any proposal having financial implications;
- considers that this particular proposal is only a minor palliative affecting one small part of grape production and that it will have relatively little impact on the overall situation;
- is of the view that the criteria of clarity and transparency - so essential in the fight against fraud and irregularities in the EAGGF sector - are not served by giving effect to this proposal by way of an amendment which adds a new Article 6(f) to a basic Regulation without showing, even by way of footnote, where articles 6(a) to 6(e) of the amended Regulation can be found.

