03
W

442.314
+ 442.42

European Communities

EUROPEAN PARLIAMENT

Working Documents

1979 - 1980

23 April 1979 **DOCUMENT 79/79**

Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 639/78) for a regulation amending Regulation (EEC) No 974/71 with regard to the calculation of monetary compensatory amounts in the wine sector

Rapporteur: Mr F.L. HANSEN

12 2

English Edition

PE 57.702/fin.

By letter of 26 February 1979, the President of the Council of the European Communities requested the European Parliament, pursuant to Articles 28, 43 and 235 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 974/71 with regard to the calculation of monetary compensatory amounts in the wine sector.

On 9 March 1979, the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 22 March 1979, the Committee on Agriculture appointed Mr Hansen rapporteur.

At its meeting of 4 and 5 April 1979, the committee considered and adopted the motion for a resolution and the explanatory statement by 13 votes with 1 abstention.

Present : Mr Liogier, vice-chairman and acting chairman ; Mr Ligios, vice-chairman; Mr Hansen, rapporteur ; Mr Andersen, Mrs Dunwoody, Mr Fuchs (deputizing for Mr Früh), Mr Hoffmann, Mr Joxe, Mr Klinker, Mr L'Estrange, Mr Ney, Mr Brøndlund Nielsen, Mr Pisoni and Mr Tolman.

The opinion of the Committee on Budgets is attached.

C O N T E N T S

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 to the Council for a regulation amending Regulation (EEC) No. 974/71 with regard to the calculation of monetary compensatory amounts in the wine sector

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council[1]

- having been consulted by the Council pursuant to Articles 28, 43 and 235 of the EEC Treaty (Doc. 639/78),

- having regard to its previous opinion on the reduction of monetary compensatory amounts in the wine sector[2],

- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 79/79),

Approves the Commission's proposal, which will help to promote intra-Community trade in wine as well as exports to third countries.

---

1 OJ No. C 55 of 1.3.1979, p. 11.

2 See paragraph 5 of the resolution on the action programme in the wine sector (Doc. 496/78), adopted on 15 December 1978 (OJ No. C 6, 8.1.1979, p. 66).

B

EXPLANATORY STATEMENT

1. The primary objective of the Commission's proposal, which is extremely straightforward in its presentation, is to abolish the monetary compensatory amounts currently applied in the wine sector by France and to maintain, in intra-Community and extra-Community trade alike, only the existing difference between Italian MCAs and French MCAs[1].

In practice this means that, while at present for table wines with an alcoholic strength of between 8.5° and 15° the Italian MCA is 384 lire/°/hl and the French MCA is FF 1.63/°/hl or about 320 lire/°/hl, once the regulation has entered into force the MCA applied by France would be discontinued and that applied by Italy reduced (assuming no change in the currency situation) to about 64 lire/°/hl.

2. Thus, trade between Italy and France would not be altered because the difference between the two MCAs would be applied in any case. However, as we shall see, the exports of these two countries to the rest of the Community and to non-member countries would be greatly facilitated.

3. Before giving detailed consideration to the various consequences of the Commission's proposal, it should be pointed out that the European Parliament has already expressly called for the introduction of a measure of this kind. In paragraph 5 of the resolution in the PISONI report (Doc. 496/78) on the action programme in the wine sector, which was adopted at the December 1978 part-session, Parliament, 'in view of the fact that wine is not produced in all the countries of the Community but only in a few', called for 'the abolition of the monetary compensatory amounts between producer and non-producer countries, since their existence cannot be justified on the grounds of competition considerations'[2].

4. Consequently, while the Commission's proposal provides only for a substantial reduction in MCAs in the wine sector and not for their total abolition, it must nonetheless be seen as an integral part of that package of constructive measures for promoting the wine market recommended by Parliament, and must therefore be approved without reservation.

The devaluation of the green lira and the green franc, decided upon recently when the Council was debating the 1979/80 farm prices, will lead to a further reduction of MCAs in the wine sector and represent a further step towards the objective advocated by Parliament, namely their total abolition.

---

[1] It should be noted that positive MCAs exist only for the countries with strong currencies.

[2] OJ No. C 6 of 8.1.1979, p. 66.

5. A brief summary of the advantages deriving from the proposal is given below.

In the first place, as has already been noted, the effect of the proposal on trade between Italy and France will be 'neutral', i.e. it will not alter the status quo nor disrupt present trade flows. It will, however, solve a serious problem that has arisen from time to time in the past, especially in 1976/77 at the time of the 'wine war', namely the dilatoriness of the French authorities in refunding MCAs paid at the frontier by Italian exporters, notwithstanding the availability of the necessary financial resources from the EAGGF[1]. For the moment, refunds are generally being made in reasonably good time (within two to four months). Be that as it may, the present proposal is likely to prevent a recurrence of problems of this kind in the future.

6. A further and more important benefit of this reduction in MCAs is that it will boost Italian and French wine exports to the other Community Member States. The present rules, which effectively penalize exports of wine from two countries with weak currencies to others with strong currencies, are absurd: there is no valid reason why, say, 3,840 lire or FF 163 should be exacted for each hectolitre of a table wine with an alcoholic strength of 10^{o} exported to Denmark or the Netherlands, which have no local production to protect.

The same argument holds true of exports to all the other non-producer countries and, indeed, of exports to producer countries like Germany and Luxembourg, partly because they are small producers (the average annual output of Germany being about 8.5 million hl and that of Luxembourg about 156,000 hl), and partly because in general their wines are quality wines which can easily be sold on the internal or external markets.

7. The reduction of MCAs on wine will also benefit trade with third countries in two different ways. In the first place, exports of wines by these countries to France (the amounts exported to Italy are negligible) will cease to benefit, on entry, from the French MCA, which will have been abolished, with the result that the price of these wines will be brought more into line with that of Community wines. This will put a stop to the absurd situation in which Tunisian or Algerian wines have to be subsidized before they can be put on the French and Community markets because of the French negative MCA!

8. The second benefit is that a higher export refund will be paid on Italian and French exports to third countries. Under the existing arrangements, the refund is reduced by the amount of the French or Italian MCA, which is tantamount to an export levy. In future, however, if the regulation is adopted, French exporters will receive the whole of the refund, while the amount refunded to Italian producers will be far greater than at present, even if it is still reduced by the difference between the French and the Italian MCAs.

[1] See Written Questions No. 914/76 by Mr Cousté and No. 978/76 by Mr Pisoni - OJ No. C 162 of 11.7.1977.

9. In this way, the European Parliament will have achieved yet another of its objectives: a substantial increase in export refunds[1] which will promote exports to third countries and thus mitigate the problems affecting the wine market, while obviating the need to resort to drastic cuts in the Community's productive potential.

10. In conclusion, although there will be some financial loss to the Community, insofar as the MCAs applied to exports from countries with weak currencies to countries with strong currencies are a source of income to the Community and their abolition or reduction will thus involve a drop in budgetary revenue, the proposal has to be approved by the Committee on Agriculture, not only for the sake of consistency with the positions already adopted by Parliament, but also because of the decided advantages of the measures it entails.

11. The argument that the problem of MCAs should be tackled comprehensively rather than on a sectoral basis - an argument already put forward by some Member States within the Council - must be repudiated. There are many precedents for the introduction of specific measures to remedy the more serious distortions in a particular sector, e.g. in the pigmeat sector. Moreover, there would seem to be no sound reason for delaying solutions to problems in a given sector because of some remot possibility of finding an overall solution to the intricate and controversial problem of MCAs.

---

[1] See paragraph 4 of the resolution cited above.

ANNEX

France and Italy : Wine production, exports and imports (within the EEC)

('000 hl)

Marketing year	Production		Exports		Imports	
	France	Italy	France	Italy	France	Italy
1970/71	74.637	69.176	-	-	-	-
1971/72	61.937	64.540	-	-	-	-
1972/73	59.118	60.524	4.939	11.875	6.513	734
1973/74	83.056	77.046	4.263	7.166	3.272	375
1974/75	76.338	77.167	3.930	10.699	7.296	139
1975/76	66.354	70.134	4.305	12.718	7.496	141
1976/77	73.729	66.050	5.949	9.202	5.517	184
1977/78	52.870	-	4.863	10.171	6.473	151

Federal German Republic and Luxembourg : Wine production, exports and imports (within the EEC)

('000 hl)

Marketing year	Production		Exports		Imports	
	Germany	Luxembourg	Germany	Luxembourg	Germany	Luxembourg
1970/71	10.117	242	-	-	-	-
1971/72	6.361	104	-	-	-	-
1972/73	7.938	140	321	81	7.117	68
1973/74	10.756	186	303	83	4.992	68
1974/75	6.969	138	345	76	5.662	78
1975/76	9.108	157	453	82	6.541	74
1976/77	8.936	128	508	74	6.458	73
1977/78	11.283	155	559	74	6.125	78

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the committee chairman to Mr Henri Caillavet, chairman of the Committee on Agriculture

Brussels, 30 March 1979

Subject : Opinion of the Committee on Budgets on the proposal from the Commission to the Council for a regulation amending Regulation (EEC) No. 974/71 with regard to the calculation of monetary compensatory amounts in the wine sector (Doc. 639/78)

Dear Mr Chairman,

At its meeting of 21/22 March 1979, the Committee on Budgets considered this proposal with a view to submitting its opinion to the Committee on Agriculture.

The Committee on Budgets noted that the object of this proposal is to simplify the application of monetary compensatory amounts to the common organization of the market in wine.

More particularly, the proposal will make it possible, in the French and Italian winetrade, to apply only the difference between the MCAs of these two countries. The committee responsible should, however, study the matter very carefully in order to establish whether such a bilateral arrangement is in conformity with the Treaties.

In the budgetary field, the adoption of this measure may be expected to result in an increase both in additional expenditure (estimated at 13m EUA for the 1979 financial year and 17.3m EUA for the 1979/80 marketing year) and in revenue (estimated at +3.2m EUA for the 1979 financial year and +3.5m EUA for the 1979/80 marketing year); but it should be borne in mind that the proposed change in the application of MCAs to wine may well favour Community exports to third countries and so help to improve market equilibrium.

In view of these considerations, the Committee on Budgets gives the proposal its support.

Yours sincerely,

Erwin LANGE

Present : Mr Lange, chairman ; Mr Bangemann and Mr Cointat, vice-chairmen ; Mr Alber, Lord Bessborough, Mrs Dahlerup, Mr Brøndlund Nielsen, Mr Ripamonti, Mr Schreiber and Mr Shaw.