

COMMISSION OF THE EUROPEAN COMMUNITIES

HILLMAN

COM (75) 517

Brussels, 13 October 1975.

PROPOSAL FOR A REGULATION OF THE COUNCIL
ON THE GRANTING OF A CONVERSION PREMIUM
IN THE WINE SECTOR.

(Submitted by the Commission to the Council)

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EXPLANATORY MEMORANDUM

1. INTRODUCTION

The report by the Commission to the Council on the foreseeable development of vine planting and replanting in the Community (Doc. COM(75) 416 of 16 July 1975) showed that the excess of wine produced over consumption tends to increase from one year to the next. Effective measures must be taken to stabilize the market by a decrease in production. In this context, the grubbing of vines which yield wines whose disposal in previous years has been found to be particularly difficult can contribute to a reduction in the supply of table wines and to an increase in the quality of the wines on the market. Encouragement by means of a premium should therefore be provided to wine growers who are prepared to grub all or part of their vines in the immediate future and to give up vine cultivation once and for all, or at least for the 10 years following the grubbing on the areas cleared of vines.

2. GUIDELINES

2.1. Limitation of the premium to certain varieties.

This conversion premium should be limited to such varieties as produce wines of definitely lower quality than that of the wines produced by other varieties grown in the same region, i.e., in the terms of the Community classification of vine varieties

- all the varieties classified on 31 December 1975 as provisionally authorized in view of the poor quality of the wines they yield ;
- certain varieties selected from the recommended or authorized varieties by the administration authority concerned in view of the need to reduce the production of wine from table grapes.

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2.2. The amount of the premium

The amount of the premium, calculated per hectare of grubbed vines, should consist of 500 u.a. representing the cost of grubbing of and a further 800 to 1.000 u.a. to cover loss of earnings during the three following years. In order to encourage the producers to speed up their grubbing in the immediate future the premium should be degressive.

The following premiums are proposed :

| | u.a. |
|---------|-------|
| 1975/76 | 1.500 |
| 1976/77 | 1.400 |
| 1977/78 | 1.300 |

2.3. Cost to be borne by the EAGGF

In order that the Member State concerned should effectively control this operation, the EAGGF, Guidance Section share of the cost should not exceed 50 %.

2.4. Undertaking by the recipient of the conversion premium

The producers who, at their request, have been granted a conversion premium should be required to sign a written undertaking not to plant vines again on the parcel in question earlier than the eleventh year following that in which the vines were grubbed.

This undertaking shall be related to the parcel and shall remain binding even where the parcel is taken over by another grower.

2.5. The areas affected.

It is difficult to forecast what decisions would be taken by the vine growers if a premium were offered them to grub their vines.

First estimates are as follows :

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| - varieties classified as provisionally authorized (= mainly productive hybrids) | |
| - in France | 50.000 ha |
| - in Italy | 20.000 ha |
| - varieties selected from the recommended or authorized varieties because of the poor quality of the wine they produce (= the particularly productive vitis vinifera, in particular table grape varieties and certain productive hybrids) | |
| - in France | 20.000 ha |
| - in Italy | 30.000 ha |
| | <hr/> |
| | 120.000 ha |

3. Comparison of the expenditure per year falling to the EAGGF in respect of the conversion premium compared with the expenditure which would be inevitable if this premium were not offered.

If the conversion premium were not granted, the production of the 120.000 ha of vines mentioned above would each year continue to weigh down the wine market. If this over-production continued, a quantity corresponding to the production from these vines would be distilled under the intervention measures laid down in Article 7 of Regulation (EEC) n° 816/70 which is subsidized by the EAGGF at 0.90 u.a. per degree/hl. If the wines produced on the 120.000 ha at issue are of 10 % average strength this subsidy would be 9.00 u.a. per hl.

The production of the 120.000 ha to grubbed may be estimated as follows :

| | <u>thousand hl</u> |
|---|--------------------|
| 75.000 ha of vines in full production (yield per ha : 70 hl) | 5.250 |
| 45.000 ha of vines of decreasing production (yield per ha : 40 hl) | 1.800 |
| | <hr/> |
| | 7.050 |
| | ./. |

The expenditure borne by the EAGGF resulting from the distillation of a quantity of wine corresponding to the production of the 120.000 ha to be grubbed will amount each year to $7.050.000 \times 9.00 = 63.450.000$ u.a., which is, therefore, more than twice the average expenditure per ha for the planned annual conversion premium. The grant of a conversion premium during three years bids favourably to finally rectify the imbalance on the wine market, whereas intervention by distillation only relieves the wine market temporarily and what is more, contributes to the creation of surpluses on the alcohol market.

REGULATION (EEC) No OF THE COUNCIL ON THE
GRANTING OF A CONVERSION PREMIUM IN THE WINE SECTOR

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Articles 42 and 43 thereof ;

Having regard to the proposal from the Commission ;

Having regard to the Opinion of the European Parliament ;

Having regard to the Opinion of the Economic and Social Committee ;
Whereas the disparity between the production of and demand for wine in the
Community has reached a dimension that clearly exceeds cyclical variations
from year to year ; whereas production continues to increase ; whereas the
intervention measures for stabilizing markets provided for in Regulation
(EEC) No 816/70 of the Council, of 23 April 1970, laying down additional
provisions for the common organization of the market in wine ⁽¹⁾ have proved
to be inadequate ; whereas it therefore seems advisable to encourage, by
the grant of a premium the conversion of vineyards whose production is
particularly difficult to dispose of, and thus to contribute to a reduction
in the wine growing potential ;

Whereas the market in wine is being increasingly compromised by low quality
wines derived from wine grape and table grape varieties which appear in the
classification of vine varieties as "temporarily authorized" and from cer-
tain varieties classified as "recommended" or "authorized" ; whereas it is
therefore appropriate to grant the conversion premium for the grubbing of
vines belonging to those varieties ;

Whereas in order that the measure may have durable effects, there should be
a requirement for the recipients of the premiums to undertake not to plant
vines again within ten years of grubbing and not to renew for three years
after grubbing that part of their vineyard that they have retained ;

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(1) OJ No L 99 of 5 May 1970, p. 1

Whereas the amount of the conversion premium must be set at a level which takes account of the cost of the grubbing ; whereas for the purpose of encouraging growers to grub large quantities in the near future, a degressive premium should be laid down ;

Whereas, in order to ensure the correct application of the system of conversion premiums, it should be laid down that national aid designed to achieve the same objectives as those which are sought by the said regulation may be granted only where the applications relating thereto have been submitted before the entry into force of this regulation ;

Whereas all the measures considered are of Community interest and aim to obtain the objectives laid down in Article 39(1)(a) of the Treaty ; whereas they therefore constitute a common measure within the meaning of Article 6 of Regulation (EEC) No 729/70 of the Council, of 21 April 1970, on the financing of the common agricultural policy (1), as last amended by Regulation (EEC) No 2788/72 (2) ;

Whereas the Community should contribute to the cost of granting conversion premiums ;

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(1) OJ No L 94 of 28 April 1970, p. 13

(2) OJ No L 295 of 30 December 1972, p. 1

HAS ADOPTED THIS REGULATION :

Article 1

1. The producers of wine in the Community shall, on application by them, and under conditions defined hereunder, be accorded a premium for the conversion of vineyards planted with wine grape or table grape varieties to crops other than vines or for permanently giving up wine growing on the parcel in question.

This conversion premium shall be granted only in respect of parcels on which are grown the varieties which

- enumerated in the classification of vine varieties in the category of vine varieties provisionally authorized, or
- being recommended or authorized vine varieties appearing in the said classification, are included in a list to be adopted.

2. The conditions for granting this premium and the list of varieties referred to in paragraph 1, second indent, shall be adopted in accordance with the procedure laid down in Article 7 of Regulation No 24 (3).

Article 2

1. Application for the granting of the premiums must be submitted for
 - the 1975/76 wine year, before 1 February 1976
 - the 1976/77 and 1977/78 wine years, before 1 November of the year in question.
2. The granting of the premium shall be subject to the written undertaking of the recipient :

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(3) OJ No 30 of 20 April 1962, p. 989/62

- (a) to carry out or to have carried out, before 1 April of the wine year, during which the premium has been applied for, the grubbing of the vines in respect of which the premium has been applied for ;
- (b) to forego on his holding
- for a period of ten years starting from the grubbing, any replanting of vines on the parcels which have been grubbed and any planting of new vineyards,
 - for a period of three years from the grubbing, replanting of vines for normal replacement, whether total or partial of the vines remaining on his holding after the grubbing which has given rise to the grant of the premium.

The Member States concerned shall ensure that the undertaking by the recipient referred to in the previous subparagraph shall also bind other farmers who may cultivate the grubbed parcel after any change of ownership of that parcel.

3. Parcels, the greater part of the crop from which is used for consumption by the growers and his family, shall not be eligible for the conversion premium.

Article 3

1. The amount of the conversion premium shall be fixed in accordance with the procedure laid down in Article 7 of Regulation No 24 and in the light of
- the type of cultivation, in particular as regards mixed cultivation vineyards,
 - the method of cultivation employed in the vineyard,
 - the productivity of the vineyard, in particular in view of the age of the vines.
2. The maximum amount of the premium shall be for :
- the 1975/76 wine year, 1.500 u.a. per hectare,
 - the 1976/77 wine year, 1.400 u.a. per hectare,
 - the 1977/78 wine year, 1.300 u.a. per hectare.

Article 4

The Member States shall verify that the recipient of the premium has abided by the undertaking referred to in Article 2(2)(b) of this Regulation. They shall carry out this verification from 1 April of the wine year in which the grant of the premium was applied for.

The Member States shall inform the Commission of the results of that verification.

Article 5

All the measures laid down in this Regulation shall constitute a common measure within the meaning of Article 6(1) of Regulation (EEC) No 729/70.

Article 6

1. The estimated total cost to the EAGGF of the common measures shall be 85 million units of account.
2. The implementation of the measure referred to in paragraph 1 shall be limited to the 1975/76, 1976/77 and 1977/78 wine years.

Article 7

1. The expenditure incurred by the Member States in respect of the measure provided for in this Regulation shall be eligible for financing by the EAGGF, Guidance Section.
2. The EAGGF, Guidance Section, shall refund to the Member States 50 % of the eligible expenditure.

Rules for the implementation of paragraph 2 shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

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Article 8

1. Application for reimbursement shall relate to expenditure incurred in a calendar year by the Member States and shall be submitted to the Council before 1 July of the following year.
2. The Commission shall take a decision on these applications, on one or more occasions in accordance with the procedure laid down in Article 7 (1) of Regulation (EEC) No 729/70.

Article 9

1. Not with standing Article 8 of Regulation (EEC) No 729/70, the Member States shall take, in accordance with their national laws, regulations and administrative provisions, the necessary measures to recover the amounts paid in cases where the undertakings referred to in Article 2 have not been observed.
They shall inform the Commission of measures taken for these purposes and in particular shall periodically communicate to it the state of administrative and judicial procedures relating thereto.
2. The sums recovered shall be paid to the paying authorities or bodies and deducted by them from the expenditure financed by the Fund prorata to Community financing.
3. The financial consequence failing to recover amounts paid out shall be borne by the Community prorata to Community financing.
4. The amounts to be recovered may be increased by interest.
5. Rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

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Article 10

1. The Member States shall communicate to the Commission during the wine years referred to in Article 2(1) the areas of vine which have been grubbed and have been accorded the conversion premium in connection with national forecast referred to in Article 17(3) of Regulation (EEC) No 816/70. The Commission shall take account of this information in the report referred to in paragraph 4 of the said Article.
2. An amendment to the amount of the premium may be decided upon by the Council, acting by a qualified majority on a Proposal from the Commission.

Article 11

This Regulation in no way derogates from the granting of aid provided for by national regulations designed to meet similar objectives to those which are sought by this Regulation, so long as the applications for such aid have been submitted before the date of its entry into force.

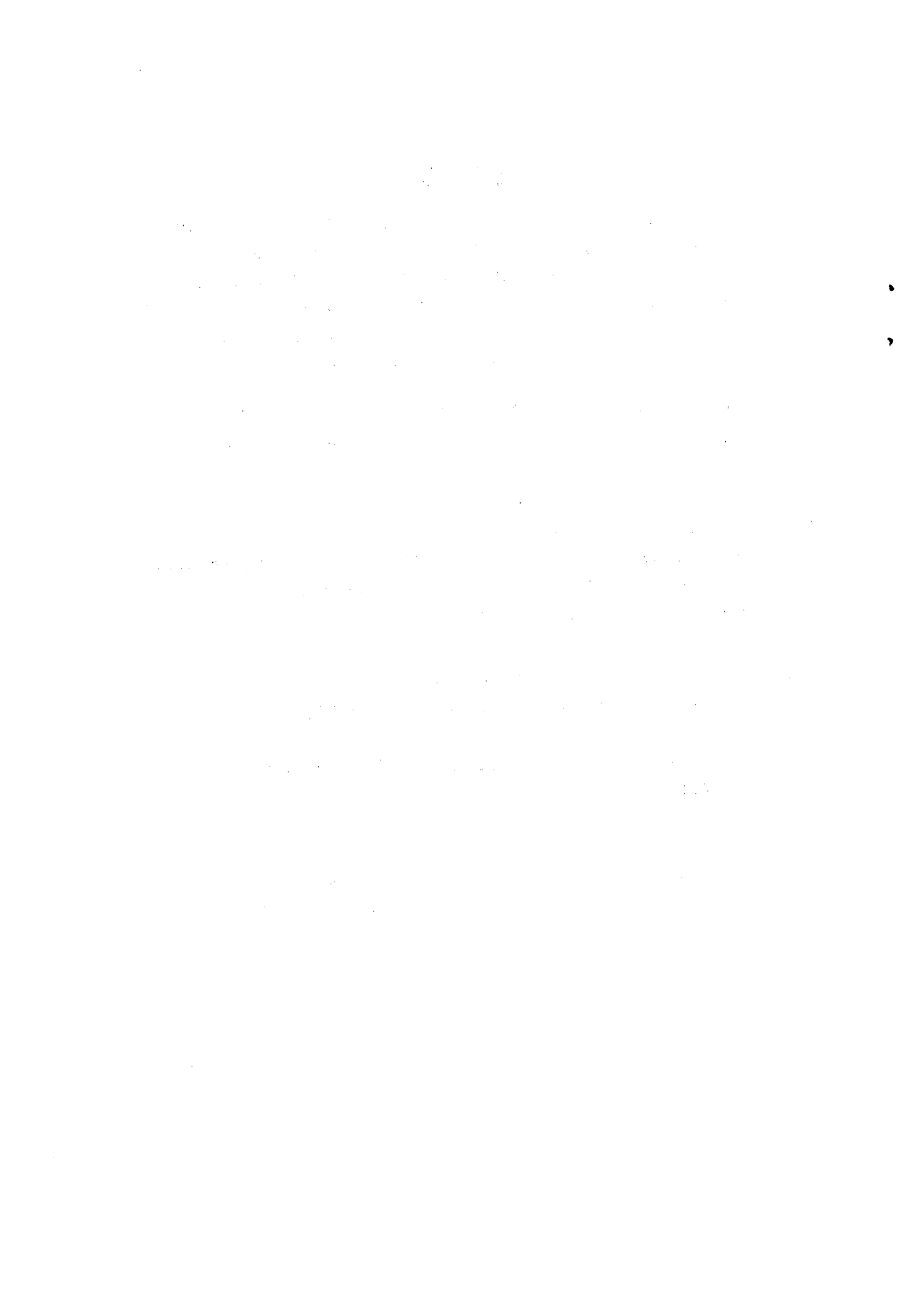
Article 12

This Regulation shall enter into force on 1 November 1975.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President



FINANCIAL STATEMENT

Annex to Doc.

Date

1. Line of the Budget concerned :

2. Title of the action : Proposal for a Council Regulation on the granting of a conversion premium in the wine sector.

3. Legal basis : Article 6 of Council Regulation (EEC) No 729/70 of 28.4.1970 on the financing of the common agricultural policy.

4. Objectives of the action : To encourage, by a premium, those producers of inferior quality wine who are prepared to grub-up part or the totality of their vines. This premium contributes towards the reestablishment of market equilibrium by a reducing production and towards reducing market regularisation costs to EAGGF.

| 5.0. Cost of the action | during the campaign | current exercise () | following exercise() |
|--|---------------------|----------------------|-----------------------|
| charge to the EC Budget | - | - | mn UA |
| charge to the national administrations | - | - | 75 |
| charge to other national sectors | - | - | - |

5.1 Estimated costs Year .1977. Year .1978. Year .1979.
 37 mn. UA 28 mn. UA 20 mn. UA

5.2 Method of calculation

The calculation method for determining the financial estimates is complex and is outlined in detail under the heading "Comments" (see overleaf)

6.1 Possible financing by credits written into the relative chapter of the current Budget

~~Yes~~ No

6.2 Possible financing by transfers between chapters of the current Budget

~~Yes~~ No

6.3 Necessity for a supplementary Budget ~~Yes~~ No

6.4 Credits to be written into future budgets 1977 : 37 mn.UA 1978 : 28 mn.UA 1979 : 20 mn.UA

Comments :

Comments.

1. The figure for the premium, calculated by hectare of grubbed up vine, should cover grubbing-up costs of 500 UA as well as a figure of 800-1.000 UA for revenue loss, thus giving a premium of :

| | |
|---------|------------------------|
| 1975/76 | 1.500 UA/ha grubbed-up |
| 1976/77 | 1.400 UA/ha grubbed-up |
| 1977/78 | 1.300 UA/ha grubbed-up |

2. The area likely to be grubbed up is estimated as the following :

| | |
|---------------------------|-------------|
| wine-growing year 1975/76 | : 50.000 ha |
| wine-growing year 1976/77 | : 40.000 ha |
| wine-growing year 1977/78 | : 30.000 ha |

3. The Guidance Sector of EAGGF will reimburse Member States 50 % of their eligible costs borne during the preceding year.

4. The following table gives an estimate of the costs to be borne by the Guidance Sector of EAGGF.

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| Budgetary year | Wine-growing year | Area ha | Premium UA | Total cost to Member State mn.UA | Reimbursement EAGGF (50 %) mn.UA |
|----------------|-------------------|---------|------------|----------------------------------|----------------------------------|
| 1975 | | | | | |
| 1976 | 75/76 | 50.000 | 1.500 | 75 | |
| 1977 | 76/77 | 40.000 | 1.400 | 56 | 37 |
| 1978 | 77/78 | 30.000 | 1.300 | 39 | 28 |
| 1979 | | | | | 20 |
| TOTAL | | 120.000 | | 170 | |

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