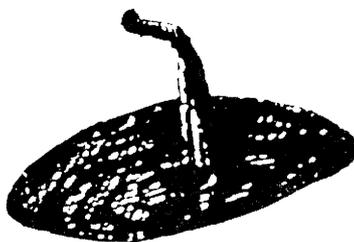




EUROPEAN COMMISSION

# CAP WORKING NOTES



# WINE

1996/97

# Working notes on the Common Agricultural Policy

## WINE

*1996/97 edition*

EUROPEAN COMMISSION  
Directorate-General for Agriculture  
Information, reports, publications, studies and documentation  
130, rue de la Loi, B - 1049 Brussels  
Fax: + 32.2.2957540

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Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 1996

ISBN 92-827-7564-X

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*Printed in Belgium*

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## INTRODUCTION

This text on wine is one of a series produced by the Directorate-General for Agriculture of the European Commission known as "*CAP Working Notes*" which is published towards the end of each year in French, English and German. These documents contain the most recently available information on the current marketing year, particularly the decisions on prices and related measures and the planned budget expenditure for the market organisation of the product in question.

The document is in two parts with a set of annexes. The first part consists mainly of the contribution made by the Directorate-General for Agriculture's Unit "Wine, alcohol and derived products" to the *1996 Report on the Agricultural Situation in the European Union*. The second is taken from the working document "Section III - Commission - Sub-section B1" which accompanies the *Preliminary Draft General Budget of the European Communities for the financial year 1997* which was originally published in May 1996 and has now been updated for inclusion in this text which was completed on 31 October 1996.



## THE SITUATION OF THE MARKET

The Community area under vines decreased from 3.640 million hectares in 1991/92 to 3.345 million hectares in 1994/95, representing a loss of more than 8% (see Table 1).

The largest reductions occurred in Greece (-23%), Spain (-13%) and Italy (-8%).

This is mainly due to the grubbing-up policy which the Commission has been implementing since 1988. At the end of the programme (1996), the abandoned wine-growing area may be estimated provisionally at about 490 000 ha. The programme has been prolonged for another two years.

Yields varied during the same period from country to country. On a Community level, after a drop in 1991/92 to 42.9 hl/ha and a rise in 1992/93 to 53.7 hl/ha, yields dropped again during the following two years to 46.3 hl/ha and 45.7 hl/ha (see Table 1).

Production has been low over the last three years. Whereas production totalled 190 977 000 hectolitres in 1992/93, it only amounted to 158 981 000 hectolitres in 1993/94 and 152 848 000 hectolitres in 1994/95. Production is estimated at 151 million hectolitres in 1995/96. Compared with the low production level of the last three years, which gave the impression that a stable balance had been reached, total production for 1996/97 is forecast at the beginning of the season at 172 million hectolitres, equivalent to average production between 1989/90 and 1993/94.

The European Union is the world's leading wine economy with on average 60% of world production and 55% of world consumption (in 1994 60% and 56%). The other main producers are in descending order Argentina, the United States, Eastern Europe (Bulgaria, Hungary, Romania, ex-Yugoslavia and the Czech and Slovak Republics) and South Africa (no recent statistics are available for the ex-Soviet Union).

International trade in wine (imports and exports together) involves around 34% of world production of some 270 million hl (1992-94 average). Annual consumption of some 224 hl (1992-94 average) gives a world surplus of 46 million hl, about 25% of which is produced by the Union and goes mainly for distillation.

In 1995 owing chiefly to very poor Spanish production exports from the Union fell to 9 793 060 hl from 11 748 000 hl in 1994. Italy (3 244 293 hl), France (3 122 808 hl) and Spain (1 877 516 hl) were the main exporters. The biggest destinations were the United States (23%), Canada (9%), Russia and Japan (7%) (see Table 2).

The Union's 1995 imports of 3 651 041 hl were 33% higher than in 1994. The main importers were Spain (29%), Germany (26%) and the United Kingdom (14%) (see Table 3). The exceptional Spanish import volume was due to a drought-induced shortage. The main suppliers were Argentina (31%) and Eastern Europe (35%), with the United States at 9%. Argentina's exports were chiefly to Spain (1 063 262 hl).

The Union's production for the 1995/96 wine year is estimated provisionally at 151 million hl for all wines (table wine, quality wine produced in specified regions, other wine), down on the 1994/95 harvest of 153 million hl.

Guide prices for table wine of types AI, RI and RII were kept unchanged from 1994/95 at 3.828 ECU/% vol/hl.

Table wine prices varied very widely by production region from 66% to 155% of guide prices (see Table 4).

Direct human consumption of wine, although showing a tendency to fall, should be little changed from previous wine years (127 million hl ) (see Table 5), as should industrial use for vermouth and vinegar production (3.8 million hl).

Producers' and traders' stocks were 103 million hl at the beginning of the marketing year and by its end should be substantially lower at around 97 million hl.

Greatly reduced production (151 million hl and stocks at the beginning of the 1995/96 marketing year down to 103 million hl) allowed recourse to both compulsory and support distillation to be avoided in 1995/96. Only preventive distillation was opened. About 3.1 million hl was distilled (5.3 million hl in 1994/95).

Between 16 December 1995 and 15 February 1996 long-term storage contracts (nine months) were taken out for 6 500 000 hl (table wine 4 826 000 hl, must 1 331 000 hl, concentrated and rectified concentrated must 343 000 hl). The 1994/95 figure was 5 909 000 hl.

**Table 1**  
**Area under vines, yield and production of wine and must**

	Area				Yield				Production				% AV <sup>4</sup>			
	1000 ha				hl/ha				1000 hl							
	1991/92	1992/93	1993/94	1994/95	1991/92	1992/93	1993/94	1994/95	1991/92	1992/93	1993/94	1994/95	1993/94	1994/95	1993/94	1994/95
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
EUR 15 <sup>1</sup>	3695	3608	3485	3394	-2,6	43,1	53,6	46,2	45,8	-0,7	159408	193565	160846	155495		-3,3
Belgium	0	0	0	0	-	-	-	-	-	-	1	2	2	2		-
Germany	104	106	106	106	-	102,9	127,2	93,6	98,2	4,9	10699	13432	9920	10406		4,9
Greece <sup>2</sup>	70	65	66	54	18,2	57,4	62,3	51,2	56,5	10,4	4021	4050	3378	3051		-9,7
Spain	1370	1317	1225	1189	-2,9	22,5	25,8	21,6	17,3	-20,0	30796	34032	26495	20574		-22,3
France <sup>3</sup>	889	883	877	869	-0,9	46,6	71,6	59,4	61,4	3,4	41438	63256	52059	53325		2,4
Italy	943	917	896	866	-3,3	62,8	74,2	69,3	67,9	-2,0	59238	68086	62068	58776		-5,3
Luxembourg	1	1	1	1	-	86,0	271,0	170,0	175,0	2,9	86	271	170	175		2,9
Austria <sup>1</sup>	55	54	50	49	-2,0	56,2	47,9	37,3	54	44,8	3093	2588	1865	2647		41,9
Portugal	262	264	263	259	-1,5	38,2	29,4	18,5	25,2	35,9	10021	7771	4871	6521		33,9
United Kingdom	1	1	1	1	-	15,0	27	18,0	18	-	15	27	18	18		-
EUR 12	3640	3554	3435	3345	-2,6	42,9	53,7	46,3	45,7	-1,3	156315	190977	158981	152848		-3,9

Source: Eurostat.

<sup>1</sup> Estimates.

<sup>2</sup> 1994/95: area under production.

<sup>3</sup> Area under production.

<sup>4</sup> AV = annual variation.

Table 2  
Wine exports to third countries (1995)

(in hl)

Destination	EXPORTING MEMBER STATES													EUR 15	
	France	Belgium-Luxembourg	Netherlands	Germany	Italy	United Kingdom	Ireland	Denmark	Greece	Portugal	Spain	Finland	Austria		Sweden
Andorra	2 163	.	.	2	14	.	.	.	.	2 622	41 893	.	.	.	46 693
Angola	125	53	300	.	118	.	.	.	.	179 811	63 931	.	.	.	244 339
Austria	41 310	43	6	4 416	60 497	257	0	.	3 509	6 036	3 949	.	12	.	120 034
Bulgaria	63	97	127	76	242	.	.	.	26	2	.	.	.	.	632
Canada	499 435	20	109	56 958	225 842	40	.	.	17 251	22 980	30 504	.	300	.	853 438
Canary Isles	952	.	10	490	1 411	.	.	.	.	8 412	385 538	.	.	.	396 813
Cape Verde	5	23	.	.	.	.	.	.	.	39 556	928	.	.	.	40 512
Ceuta & Mel.	26	.	.	.	.	.	.	.	.	189	43 915	.	.	.	44 131
Croatia	256	5	4	642	3 718	0	.	.	0	.	66	.	.	42	4 732
Hungary	478	214	.	435	9 334	231	.	.	213	408	6 966	.	167	.	18 446
Ivory Cost	15 957	66	19	.	29	1	.	.	.	111	186 350	.	.	.	202 532
Japan	369 858	419	15 546	157 539	120 044	199	1	.	1 594	14 779	31 617	.	837	1	712 434
Mozambique	.	.	.	.	347	.	.	.	.	17 359	5	.	.	.	17 711
New Zealand	5 458	191	798	2 980	9 482	143	.	.	144	2 163	31 523	.	.	.	52 882
Norway	71 846	5	933	47 407	17 585	69	.	1 398	588	13 764	57 156	.	1 134	125	212 009
Poland	50 666	12 332	1 268	6 240	43 100	0	.	19	404	101	8 137	.	3 447	.	125 714
Romania	47	33	22	1 476	3 393	.	.	.	.	367	217	.	.	.	5 555
Russia	17 288	5 747	2 057	88 012	500 962	188	0	152	22 151	382	23 034	1 336	1 110	160	662 580
Slovenia	173	152	.	713	35 637	.	.	.	.	5	563	.	22	319	37 584
South Africa	1 528	250	4	123	2 729	2	.	.	78	2 317	657	.	.	.	7 688
Turkey	2 097	86	1	410	421	.	.	.	42	3	8	.	11	5	3 084
USA	750 603	408	647	106 486	1 162 954	1 182	98	.	15 908	66 009	167 258	.	296	1	2 271 850
OTHERS	1 292 474	9 216	2 748	280 711	1 046 437	1 237	0	3 503	6 475	142 759	793 301	284	132 381	142	3 711 668
TOTAL	3 122 808	29 360	24 600	755 113	3 244 293	3 551	99	5 072	68 383	520 137	1 877 516	1 620	132 381	794	9 793 060

Source : OSCE - Comext 2.

**Table 3**  
**Wine imports from third countries (1995)**

(in hl)

Origin	IMPORTING MEMBER STATES													EUR 15	
	France	Belgium/ Luxemb.	Netherlands	Germany	Italy	United Kingdom	Ireland	Denmark	Greece	Portugal	Spain	Sweden	Finland		Austria
Argentina	25 120	127	6 441	6 617	10 992	11 037	0	2 789	12	.	1 063 262	3 755	1 225	120	1 131 496
Australia	2 934	1 071	9 051	21 941	549	56 763	233	18 840	.	5	3	67 868	7 388	269	186 916
Bulgaria	93 811	3 838	68 264	104 126	337	61	0	16 161	200	1	101	36 929	10 496	.	334 324
Chile	8 341	15 599	21 904	18 891	591	4 562	0	42 405	2	90	2 335	34 677	10 600	714	160 711
Croatia	187	775	171	43 884	9 106	308	.	94	.	.	.	2	.	279	54 804
FYROM <sup>1</sup>	7 258	.	534	302 599	.	22 519	.	230	280	.	.	109	.	.	333 529
Hungary	9 716	2 136	1 762	156 230	502	98 625	0	2 568	658	.	129	27 078	33 345	899	333 648
New Zealand	158	4	1 169	439	.	49 827	0	162	.	.	.	5 149	220	.	57 129
Romania	928	493	5 143	143 269	10	55 444	18	1 942	18	0	.	12 702	3 451	.	223 418
Slovenia	89	339	57	3 571	262	7 950	.	70	.	.	.	1 986	2 599	50	16 973
South Africa	27 700	20 489	43 126	45 655	2 487	2 178	7	21 906	0	5	0	13 573	4 941	365	182 432
Tunisia	2 999	731	.	35 532	.	.	.	414	.	.	.	.	.	.	39 676
USA	22 029	10 827	16 754	26 155	2 689	161 517	37	47 023	3	50	1 265	39 873	9 314	330	337 867
OTHERS	122 201	6 900	11 049	52 131	387	33 358	0	2 896	1 448	49	11 621	8 965	5 601	1 509	258 117
<b>TOTAL</b>	<b>323 470</b>	<b>63 330</b>	<b>185 425</b>	<b>961 042</b>	<b>27 912</b>	<b>504 150</b>	<b>296</b>	<b>157 501</b>	<b>2 620</b>	<b>200</b>	<b>1 078 716</b>	<b>252 664</b>	<b>89 181</b>	<b>4 534</b>	<b>3 651 041</b>

Source : OSCE - Comext 2.

<sup>1</sup> FYROM: former Yugoslav Republic of Macedonia.

**Table 4**  
**Production prices <sup>1</sup> of table wines**

	ECU				% AV <sup>2</sup>
	1992/93	1993/94	1994/95	1995/96	1994/95
1	2	3	4	5	6
<i>Type R I: Red, 10 to 12°, % vol./hl</i>					
<i>Greece</i>	-	2,130	-	-	-
Heraklion	-	2,130	-	-	-
Patras	-	-	-	-	-
<i>Spain</i>	1,723	1,824	2,850	4,482	57,3
Requena	1,718	1,831	2,850	4,482	57,3
Reus	1,642	1,674	-	-	-
Villafranca del Bierzo	1,834	1,686	-	-	-
<i>France</i>	3,005	3,004	3,464	4,181	20,7
Bastia	2,912	3,158	3,389	4,157	22,7
Béziers	2,989	3,014	3,424	4,142	21,0
Montpellier	3,016	3,090	3,527	4,212	19,4
Narbonne	3,059	3,096	3,49	4,202	20,4
Nîmes	2,998	3,043	3,46	4,197	21,3
Perpignan	2,716	3,023	3,413	4,074	19,4
<i>Italy</i>	2,043	2,299	2,812	5,27	87,4
Asti	-	2,716	-	-	-
Firenze	1,754	1,656	2,101	-	-
Lecce	-	-	-	-	-
Pescara	2,103	2,031	2,526	-	-
Reggio Emilia	2,845	2,366	3,518	5,93	68,6
Treviso	2,144	2,104	2,617	4,736	81,0
Verona (local wines)	-	2,496	2,944	5,499	86,8
EU	2,849	2,499	3,432	4,237	23,5
<i>Type R II: Red, 12.5 to 15°, % vol./hl</i>					
<i>Greece</i>	-	-	-	-	-
Heraklion	-	-	-	-	-
Patras	-	-	-	-	-
<i>Spain</i>	1,962	1,873	3,205	4,457	39,1
Calatayud	-	-	-	-	-
Falset	1,852	1,966	3,307	4,296	29,9
Jumilla	2,028	1,927	2,973	3,822	28,6
Navalcarnero	1,840	2,284	2,570	3,983	55,0
Requena	-	-	-	-	-
Toro	1,431	-	-	-	-
Villena	2,015	2,385	3,416	5,11	49,6
<i>France</i>	2,979	2,848	3,152	4,006	27,1
Bastia	2,979	2,848	3,152	4,006	27,1
Brignoles	-	-	-	-	-
<i>Italy</i>	2,193	1,889	2,422	3,902	61,1
Bari	2,108	1,861	2,438	3,748	53,7
Barletta	2,118	1,978	2,301	3,766	63,7
Cagliari	3,092	2,703	3,344	5,2	55,5
Lecce	-	-	-	-	-
Taranto	-	-	-	-	-
EU	2,306	2,113	2,596	4,092	57,6

	ECU				% AV <sup>2</sup>
	1992/93	1993/94	1994/95	1995/96	1995/96 1994/95
1	2	3	4	5	6
<i>Type R III : Red, Portuguese type, hl</i>					
Germany	-	51,328	81,03	118,254	45,9
Rheinpfalz-Rheinessen (Hügelland)	-	51,328	81,03	118,254	45,9
EU	-	51,328	81,03	118,254	45,9
<i>Type A I: White, 10 to 13°, % vol./hl</i>					
Greece	-	-	-	-	-
Athènes	-	-	-	-	-
Heraklion	-	-	-	-	-
Patras	-	-	-	-	-
Spain	1,379	2,159	2,801	3,343	19,4
Alcazàr de San Juan	1,366	2,159	2,759	2,729	-1,1
Almedralejo	1,376	1,631	2,719	2,918	7,3
Medina del Campo	-	-	-	5,303	-
Ribadavia	-	-	-	-	-
Villafranca del Penedès	2,077	2,496	3,407	2,542	-25,4
Villar del Arzobispo	-	-	-	-	-
Villarrobledo	1,469	2,068	2,937	3,176	8,1
France	-	-	-	-	-
Bordeaux	-	-	-	-	-
Nantes	-	-	-	-	-
Italy	1,985	1,865	2,714	3,602	32,7
Bari	1,918	1,902	2,562	3,302	28,9
Cagliari	2,655	2,198	2,914	3,535	21,3
Chieti	2,051	1,741	2,718	3,363	23,7
Ravenna (Lugo, Faenza)	2,010	1,973	2,845	3,770	32,5
Trapani (Alcamo)	1,796	1,642	2,348	2,991	27,4
Treviso	2,195	2,129	2,821	5,055	79,2
EU	1,783	1,790	2,725	3,522	29,2
<i>Type A II: White, Sylvaner type, hl</i>					
Germany	33,543	40,309	52,495	69,559	32,5
Rheinpfalz (Oberhaardt)	34,579	39,944	48,472	67,565	39,4
Rheinessen (Hügelland)	32,686	40,548	55,449	71,302	28,6
EU	33,600	40,309	52,495	69,557	32,5
<i>Type A III: White, Riesling type, hl</i>					
Germany	-	40,834	50,973	-	-
Mosel/Rheingau	-	40,834	50,973	-	-
EU	-	40,834	50,973	-	-

Source: European Commission, DG for agriculture.

<sup>1</sup> Weighted average market price.

<sup>2</sup> AV = annual variation.

**Table 5**  
**Supply balance - wine**

	1 000 hl				% AV <sup>2</sup>
	1991/92	1992/93	1993/94	1994/95	<u>1994/95</u> 1993/94
1	2	3	4	5	6
<i>1. Total wine</i>					
Usable production	160650	197676	163913	155423	-5,2
Change in stocks	12452	3681	-14751	-3249	x
Imports	3324	3298	3497	3862	10,4
Exports	8525	9592	12688	12498	-1,5
Intra-EC trade	26335	25503	29107	31346	7,7
Internal uses:	163566	181003	164541	147461	-10,4
- losses - production	529	944	906	100	-89,0
- marketing	236	566	266	210	-21,1
- processing	34748	50476	34736	21816	-37,2
- human consumption	127554	129016	128633	124588	-3,1
Human consumption (l/head)	37,3	37,7	37,1	35,9	-3,2
Self-sufficiency (%)	112,0	133,0	113,0	112,0	-0,9
<i>2. Quality wines produced in specified regions (Total)</i>					
Usable production	49416	59099	54507	55119	1,1
Internal uses	45550	49271	52625	52950	0,6
<i>3. Table wines (Total)</i>					
Usable production	101205	117385	93922	86809	-7,6
Internal uses of which:	102184	108527	96543	78778	-18,4
- human consumption	73710	71443	71466	67581	-5,4
- Community distillation <sup>1</sup>	24430	32878	21242	7226	-66,0

Sources: Eurostat and European Commission, Directorate-General for Agriculture

<sup>1</sup> Excluding distillation for the production of wine spirits bearing a designation of origin and national.

<sup>2</sup> AV = annual variation.

## 2. The situation for table wines

Table wines are defined in Annex III to the Basic Regulation [Council Regulation (EEC) No. 822/87] and qualify for financial support from the Community under Article 27 of the Regulation.

The production of table wine has tended to fall over the last ten years. The figures for the most recent years in the European Union are relatively low (see Table 5) with estimates of around 80 million hl in 1995/96. The last two marketing years cannot be used as reference years for forecasts as their very low yields make them atypical. Estimates suggest that the Union will produce 95 million hl in 1996/97.

Demand for table wine in the Community continues to fall. Human consumption, which accounts for about 90% of the total, has fallen from over 90 million hl per year in the early eighties to less than 70 million hl in 1994/95. Estimates put Union consumption (taking account of the adhesion of the three new Member States) at about 72 million hl in 1996 and 71.5 million hl in 1997.

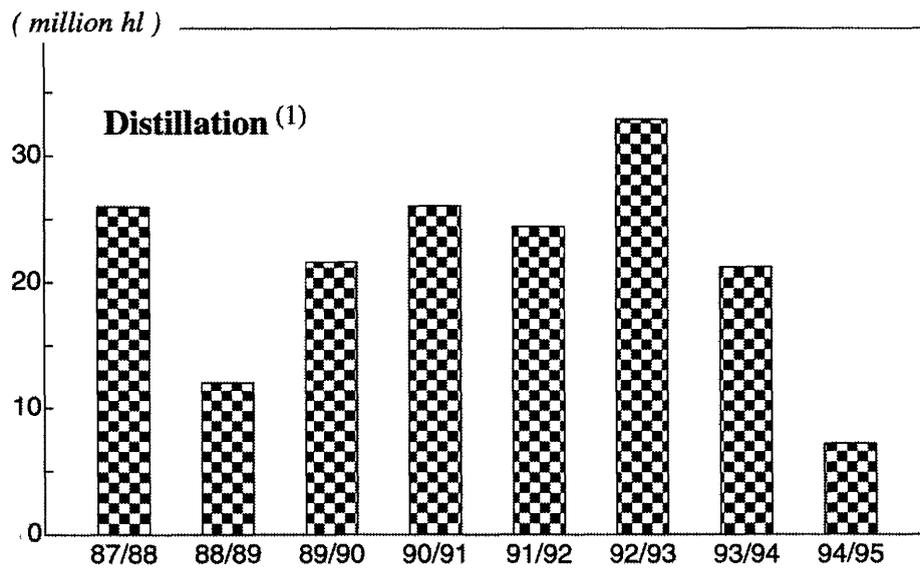
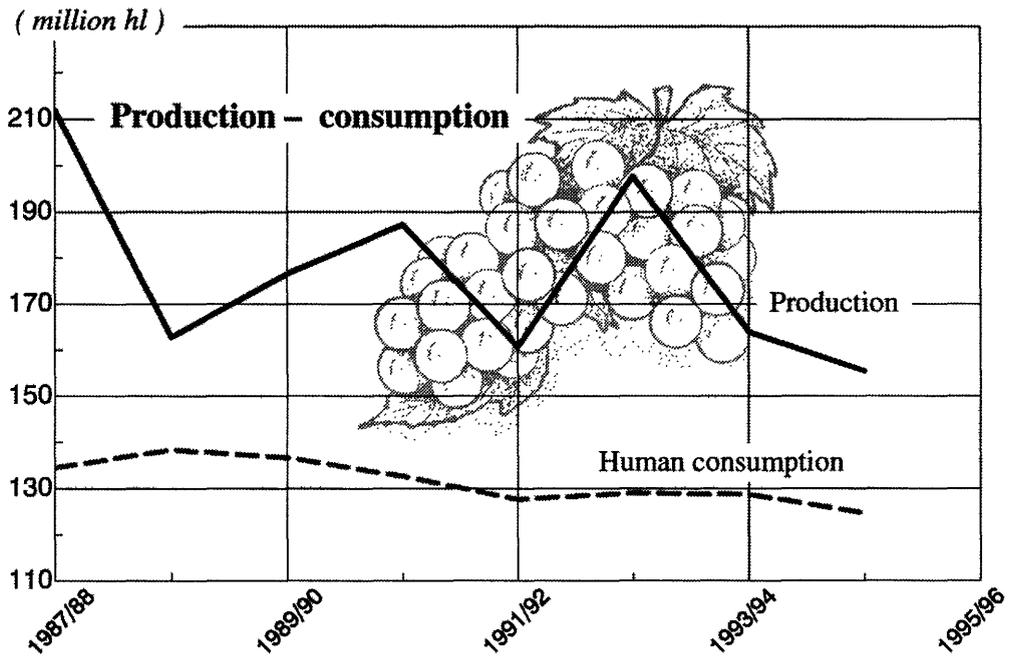
Even if the structural surplus which characterises the sector and which led to the Commission's proposal for a reform of the common market organization still exists, it was camouflaged in 1994/95 and 1995/96 by harvests that were, due to exceptional climatic conditions, clearly deficit ones. This surplus is disposed of in part through trade with non-member countries, so making the Union a net exporter of table wine. The balance of the 15 is estimated at about 3.3 million hl in 1996 and should reach 4 million hl in 1997.

Distillation measures remain the main means of disposing of the surplus. In 1994/95 and 1995/96 only preventive distillation (see 4.a) was opened. The quantity was 5.3 million hl in 1994/95, with a quantity under contract of 5.9 million hl. For 1995/96, preventive distillation has been authorized in two stages:

- at the beginning of the year for 6.3 million hl (distilled quantity: 1.9 million hl);
- at the end of the year for 2.7 million hl (distilled quantity: approximately 1.2 million hl).

There are no costs incurred by the EAGGF apart from distillation aid since the cost of taking over the alcohol is not covered. The Commission has continued its policy of disposing of alcohol derived from wine in the fuel sector.

## Wine



**Source:** European commission, DG for Agriculture.

(1) Compulsory and optimal distillation ( Portugal excluded 1979 – 1991 )  
1992 figures include Portugal.

## THE MARKET ORGANIZATION

This chapter covers principally wine made from fresh grapes but also includes:

- grape juice and must, with or without added sugar;
- grape must, in fermentation or with fermentation arrested;
- fresh grapes other than table grapes;
- wine vinegar;
- other products (piquette, wine lees, grape marc).<sup>1</sup>

By Regulation No 24 of 4 April 1962, the Council provided for the progressive establishment of a common organization of the market in wine. The basic Regulation is currently Council Regulation (EEC) No 822/87, as last amended by Regulation (EC) No 1592/96. The wine year runs from 1 September to 31 August.

The organization of the market in the wine sector includes arrangements for trade with non-member countries, price arrangements and rules on intervention and other measures to regulate the market, rules on production and control of the development of wine-growing potential, practices and treatment in wine making and the circulation and marketing of wine.

To tackle the structural imbalance on the market in wine, stabilizing measures have been in operation since 1988. They include the abandonment of vineyards and reinforcement of the system of compulsory distillation for which the minimum price is below that guaranteed for other types of distillation. The aims of these measures are to reduce wine-growing potential and discourage high yields in anticipation of the expected fall in demand. The Commission is also reducing optional intervention measures by stages. It has, accordingly, not granted restorage aid for table wines since 1988 and has also abolished distillation under the special price support guarantee for long-term storage contract holders with effect from 1991/92 (see 4.e). These measures have not produced the desired results and so the Commission has proposed, in 1994, a thorough reform of the sector. However, this has not yet been adopted by the Council.

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<sup>1</sup> See the definitions of products of the vine-growing sector in Annex 2.

## 1. The price arrangements

The price arrangements concern only table wines, which are divided into several types:

### 1. Red table wines:

- (a) Type R I: red table wine, other than of type R III, of an actual alcoholic strength by volume of not less than 10% vol and not more than 12% vol;
- (b) Type R II: red table wine, other than of type R III, of an actual alcoholic strength by volume of not less than 12.5% vol and not more than 15% vol;
- (c) Type R III: red table wine obtained from vine varieties of the Portugieser type.

### 2. White table wines:

- (a) Type A I: white table wine, other than of types A II and A III, of an actual alcoholic strength by volume of not less than 10% vol and not more than 13% vol;
- (b) Type A II: white table wine obtained from vine varieties of the Sylvaner type or of the Müller-Thurgau type;
- (c) Type A III: white table wine obtained from vine varieties of the Riesling type.

Each year the Council fixes:

- a *guide price* for each type of table wine. This was fixed before 1 August at a level which ensures a fair income for producers, on the basis of the average of prices recorded during the two preceding marketing years and the trend of prices during the current marketing year. The guide price for wine is currently subject to the same changes as the Council is considering for all agricultural products;
- an *activating price*, which is the threshold for activating the intervention mechanism and corresponds to 92% of the guide price.

For each type of wine for which a guide price exists, the Commission establishes two types of price each week:

- an *average producer price* for each representative market in respect of the type of wine in question;
- a *representative price* equal to the weighted mean of all the average prices fixed for types R III, A II and A III and to the weighted mean of half the average prices fixed for types R I, R II and A I.

In May 1994, the Commission sent the Council and Parliament a *proposal to reform* the organization of the market in wine intended to lay down new rules for the sector. This proposal would make the guide price superfluous. However, since it could not be adopted in time, the Council decided to extend the guide prices for 1995/96 shown in the table below in 1996/97. The 1997 preliminary draft budget (PDB) assumes that the sector has not been reformed.

**Table 6**  
**Guide prices for the 1996 budget and the 1997 PDB**

Type of table wine	1995/96 wine year	1996/97 wine year
In ecus per degree of alcohol per hectolitre		
R I	3.828	3.828
R II	3.828	3.828
A I	3.828	3.828
In ecus per hectolitre		
R III	62.15	62.15
A II	82.81	82.81
A III	94.57	94.57

## 2. Trade with non-member countries

Completion of the single market entails the introduction of a single set of arrangements for trade at external frontiers. A single duty based on the alcohol content of the product is intended to stabilize the Community market and prevent prices in non-member countries and fluctuations in such prices from destabilizing the Community market.

To the extent required to permit exports of the products in question (excluding piquette, wine lees and grape marc), the difference between world prices and those in the Union may be covered by an export refund (Article 1-160 in Table 7). The refund is the same throughout the Union and may vary depending on destination. Refunds are fixed in the light of the situation and likely trends of the world and Union markets, marketing and transport costs and the aims of the market organization. A refund may also be granted to raw and white sugar in the form of certain products of the vine-growing sector.

Under the GATT Agreement, the Union undertook to respect limits on subsidized exports of these products<sup>2</sup>. These were set at 2.85 million hl for the 1996 budget and 2.74 million hl for the 1997 budget; the limit will fall to 2.16 million hl in 2000. Forecast expenditure in the established budget for 1996 and the 1997 PDB was based on these volumes and on a proposed average refund of ECU 18.86/hl and ECU 19.05/hl. This means that expenditure on refunds under Article 1-160 will fall by 3.6%.

### **3. Private storage aid for table wine and grape must**

The aim of private storage aid is to encourage wine producers to use storage to freeze existing surplus supplies on the market for a certain period. There are two possibilities for concluding private storage contracts:

- (a) long-term contracts where supplies of wine available at the beginning of the marketing year exceed foreseeable requirements by four months. Storage for must is available when long-term storage for wines is decided on. Aid is conditional on the conclusion of storage contracts valid for a period of nine months. Contracts must be concluded between 16 December and 15 February;
- (b) when long-term contracts expire but market prices fail to match the activating price for three successive weeks, four-month contracts may be concluded.

The amount of aid expected to be paid in 1997 in the PDB is the same as for last year, an average of ECU 4.56/hl for wine and ECU 5.43/hl for must. However, the quantities concerned are lower: 5 million hl of wine and 1.5 million hl of must in 1997 as opposed to 8 million hl of wine and 2 million hl of must in 1996. As a result, appropriations requested for Item 1-1610 are 33.3% lower.

### **4. Intervention via the distillation of wine**

Distillation is triggered at the beginning of the wine year in order to withdraw production surpluses from the market. Distillation payments are scaled to penalize high yields which could educe the quality of the wine. A forecast balance is established in December on the basis of information provided by the Member States and the Advisory Committee on Wine. This balance sets out resources and the use made of them and so permits the stocks at the end of the year to be predicted. The surplus to be distilled is established by comparing forecasts of final stocks with those desired (the equivalent of about four to five months' consumption).

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<sup>2</sup> For a detailed description of the GATT Agreement see the *CAP Working Notes* special edition "GATT and European agriculture".

**Table 7**  
**Appropriations authorized in 1996**  
**and appropriation requirements for 1997<sup>1</sup>**

*(in ECU)*

Art. Item	Heading	Appropriations authorized for 1996	Appropriation requirements for 1997	Change % (2/1)
1-160	Refunds on products of the vine-growing sector	56 000 000	54 000 000	- 3.6
1-161	Intervention for products of the vine-growing sector	428 000 000	286 000 000	- 33.2
1-1610	Intervention storage of wine and grape must	48 000 000	32 000 000	- 33.3
1-1611	Distillation of wine	312 000 000	189 000 000	- 39.4
1-1612	Compulsory distillation of the by-products of wine-making	68 000 000	65 000 000	- 4.4
1-162	Taking over of alcohol from compulsory distillation	181 000 000	178 000 000	-1.7
1-1620	Technical costs	2 000 000	2 000 000	0.0
1-1621	Financial costs	0	0	
1-1622	Other costs	14 000 000	21 000 000	+ 50.0
1-1623	Depreciation of stocks	165 000 000	155 000 000	-6.0
1-163	Aid for the use of must	134 000 000	123 000 000	- 8.2
1-164	Permanent abandonment premiums in respect of areas under vines	303 000 000	247 000 000	-18.5
1-169	Other	pm	pm	
	TOTAL	1 102 000 000	888 000 000	- 19.4

<sup>1</sup> See Annex 4: Main factors in determining requirements for appropriations in 1997. See Annex 1 for conversion rates to national currencies. The appropriation requirements are contained in Letter of Amendment No 1 to the Preliminary Draft Budget for 1997. However, the Community authorities appear to be moving towards a reduction of about 2-3 % for each budget item and this position is reflected in the same Letter of Amendment.

Producers of table wine who comply with the obligations of the market organization for the vine-growing sector may receive a guaranteed minimum price when they deliver wine for distillation. This minimum buying price varies depending on the type of distillation. A distiller who respects these minimum prices when purchasing from producers receives aid for disposing of the alcohol produced or, in the case of compulsory distillation, may deliver that alcohol to the intervention bodies.

The minimum guaranteed price for wine for each type of distillation (except in the case of the distillation of wines other than table wines) is reduced for producers who have enriched their harvest with sucrose or concentrated must on which the aid provided for in Article 45 of the basic Regulation has been paid.

Item 1-1611 covers various types of distillation.

- (a) *Voluntary preventive distillation* (Article 38 of the basic Regulation). If justified by harvest forecasts, the Commission may, at the start of each wine year, introduce preventive distillation at 65% of the guide price for each type of wine. The producer may then voluntarily use this facility if he considers that it will be difficult to market all his harvest. The quantities distilled in this way are limited to part of the production of each holding and concern, in principle, wines of inferior quality.
- (b) *Compulsory distillation of table wine* (Article 39 of the basic Regulation). The Commission normally decides on this distillation in December and at the end of February at the latest if there is a severe imbalance on the market, that is when the wine available exceeds four months of normal demand, when production exceeds normal demand by more than 9% or when the weighted average of the representative prices of all types of table wines remains at the beginning of a wine year at less than 82% of the guide price. In practice, these conditions are normally met. However, for a number of years, the small quantities of wine produced have raised representative prices on the production markets to levels exceeding the threshold, at least in the case of the current wine year (1995/96).

The Commission allocates the total quantity to be distilled to the various regions of production in the Union grouped by Member State on the basis of the gap between production in the region during the wine year in question and 85% of average production in the years 1981/82, 1982/83 and 1983/84 in that region. Each producer subject to compulsory distillation distils a proportional quantity of his production in accordance with an annual scale drawn up by the appropriate national authorities of the Member State in cooperation with the Commission. The quantities distilled under preventive distillation for each producer may be deducted from the requirements of compulsory distillation.

The minimum price guaranteed to producers varies depending on the wine year but is always well below that for other types of distillation.

- (c) *Market support distillation* (Article 41 of the basic Regulation). The Commission opens support distillation automatically once compulsory distillation has been decided on but may authorize it in any event. The minimum guaranteed price to producers is 82% of the guide price for each type of wine. The quantities to be distilled may not exceed 6.2 million hl without authorization from the Council. In order to maintain the guaranteed price, appropriate measures other than distillation may be used.

- (d) *Compulsory distillation of wines other than table wines* (Article 36 of the basic Regulation). This distillation measure applies to surplus wine in the Cognac area, to wines made from table grapes or from grapes for drying, etc.
- (e) *Distillation complementary to long-term contracts* ("special price support guarantee distillation") (Article 42 of the basic Regulation) has not been used since the 1991/92 wine year.

Expenditure under Item 1-1611 varies from one year to another depending on the surplus production to be distilled and the rate of aid paid to the distiller who provides proof that he has paid the minimum price to the producer. The fall in expenditure expected from 1996 to 1997 results from the quantities expected, as shown in the following table.

**Table 8**  
**Assumptions regarding distillation of wine**  
**used to calculate expenditure, 1996 and 1997**

Distillation	1996 budget		1997 PDB	
	Quantity (million hl)	Cost (ECU/hl)	Quantity (million hl)	Cost (ECU/hl)
1. market support (Art. 32)	2.5	27.77	1.0	27.77
2. voluntary preventive (Art. 38)	11.0	19.26	6.0	19.26
3. compulsory table wine (Art. 39)	5.5	8.33	4.0	8.33
4. compulsory other than table wine (Art. 36)	3.0	5.44	2.3	5.44
5. price support guarantee (Art. 42)	-	-	-	-

Another type of distillation falls under Item 1-1612: compulsory distillation of the by-products of wine-making (Article 35 on by-product deliveries).<sup>3</sup> This compulsory distillation of marcs and lees is intended to prevent their overpressing and the marketing of inferior-quality wines with a low natural alcohol content. A slight fall in both the quantities expected to be distilled and the rate of aid to be used explains the fall of 2.9% in expenditure under this item in the 1996 budget and the 1997 PDB, which is based on 1 300 000 tonnes of product receiving aid at the rate of ECU 0.495/% vol/hl.

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<sup>3</sup> See definition in Annex 2.

## 5. Taking over of alcohol derived from compulsory distillation

Distillers receive aid for disposing of alcohol produced (see 4) from wine delivered under Community distillation schemes. In the case of alcohol manufactured as the result of compulsory distillation, distillers may receive aid or deliver the alcohol to a Community intervention body, which is the procedure normally followed in practice.

Disposal of alcohol taken over by the intervention bodies may not disturb the Community market in alcohol and spirits. Where necessary, disposal is directed to other sectors, particularly fuel. Alcohol is sold mainly to the Caribbean and Central America exclusively to be used as processed alcohol in the fuel sector in the United States. In 1995 alcohol was also sold to Brazil for use as fuel.

These operations give rise to four types of expenditure:

- technical costs of public storage (Item 1-1620);
- financial costs of public storage (Item 1-1621);
- other storage costs, i.e. losses or profits on sales (Item 1-1622);<sup>4</sup>
- depreciation of stocks (Item 1-1623).

**Table 9**  
**Assumptions underlying the main factors**  
**on which storage costs are calculated**

*(million hl)*

	1996 t = 1996	1997 t = 1997
Stock at 1 October in year t-1	1.829	1.506
Purchases from 1 October in year t-1 to 30 September in year t	1.619	1.539
Sales from 1 October in year t-1 to 30 September in year t	1.250	1.350
Stock at 30 September in year t	2.198	1.695
<b>Average stock</b>	<b>1.973</b>	<b>1.601</b>

N.B. The stocks at the end of 1996 may differ from those at the beginning of 1997 because estimates were made on different dates, May 1995 and April 1996 respectively.

<sup>4</sup> Items 1-1622 and 1-1623 are the reflection in the budget of the depreciation of stocks. Until 1988, that depreciation was calculated in the year when the stock was disposed of as the difference between the value of the goods when they were taken into storage and their value when taken out of storage. Since 1988, for stocks built up during a wine year, depreciation has been calculated as the difference between the value of the goods when taken into storage and their estimated value at the end of the financial year (1-1623). Item 1-1622 represents the difference between that estimated value and the value when the goods were taken out of storage, normally during a year subsequent to that during which they were taken into storage.

The factors used to calculate requirements for appropriations in 1996 and 1997 are shown in the table below. Lower stocks at the beginning of the year and lower provision for purchases in the 1997 PDB than in the 1996 budget mean that the appropriations required in 1997 are less than in 1996, particularly as far as costs relating to the depreciation of stocks are concerned.

## 6. Aid for the use of grape must

This aid is intended to improve the competitive position of must produced in the Community. It is granted for the utilization of grape must and concentrated grape must to enrich certain wines or for the production of juice or 'British', 'Irish' and 'home-made' wines.

The amount of the aid is fixed annually before 31 August for the following wine year and may not be more than that paid for preventive distillation. Part of the aid for grape juice is used for the organization of promotional campaigns, research into new outlets, etc. (see Annex 3). The Commission's aid proposals and the quantities concerned in the table below show that the expected reduction in expenditure under Article 1-163 from 1996 to 1997 is the result of a fall in both aid and quantities.

**Table 10**  
**Assumptions and proposals regarding aid for the utilization**  
**of grape must for 1996 and 1997**

	1996 budget		1997 PDB	
	Quantity (million hl)	Rate (ECU/% vol/hl)	Quantity (million hl)	Rate (ECU/% vol/hl)
Concentrates for enrichment	8.0	1.62	2.0	1.699
Rectif. concentrates for enrichment <sup>1</sup>	50.0	2.10	43.5	2.206
Processing into grape juice	2.5	9.53 x 65%	3.0	8.257 x 75%
Manufacture of British wines, etc.	1 000 t	ECU 310.33/t	1 000 t	ECU 310.3/t

<sup>1</sup> Rectified concentrated grape must - see definition in Annex 2.

## 7. Permanent abandonment premiums in respect of areas under vines

The very large structural surplus in the vine-growing sector has resulted in restrictions on the Union's production potential in the form of limits on the replanting of vines and a temporary ban on new planting (Council Regulation (EEC) No 1442/88). Virtually all areas under vines may be permanently abandoned, that is, grubbed up, and so attract a premium.

These premiums vary depending on the yield, the type of crop and the varieties, from ECU 1 449 to ECU 12 317 per hectare. In addition, a producer who has permanently abandoned an area used for the production of table wine and whose wine-producing potential has fallen by at least 20% is exempted from the compulsory distillation of table wine (Article 39 of the basic Regulation).

The attraction of this measure to producers is falling as time goes by. To offset this, the Commission has proposed a thorough revision of the arrangements as part of the reform of this sector.

According to the PDB, the areas abandoned in 1995/96 and earlier wine years should be lower in 1997 than in the previous year so reducing the appropriations required for Article 1-164.

The system as defined by the Regulation came to an end on 31 August 1996. It has been prolonged for two years, 1996/97 and 1997/98. The new measures include a maximum threshold for the area eligible for the premiums (25 000 hectare for the whole of the Union). A breakdown by Member States can be found in Regulation (EC) No 1595/96 of 30 July 1996. Table grapes have been excluded from this system.

## ANNEX 1

### Monetary assumptions made when drawing up the 1997 preliminary draft budget

1 ECU = ... national currency

Member State	Agricultural conversion rate	Assumed market rate <sup>1</sup>	Average dual rate coefficient <sup>2</sup>	
<b>B/L</b>	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	40,8337	38,8905	1,050
	Other	39,5239		1,016
<b>DK</b>	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	7,74166	7,31008	1,059
	Other	7,49997		1,026
<b>D</b>	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	1,94962	1,89272	1,030
	Other	1,90616		1,007
<b>EL</b>	All products	311,761	309,136	1,008
<b>E</b>	All products	165,198	159,037	1,039
<b>F</b>	All products	6,61023	6,48239	1,020
<b>IRL</b>	All products	0,829498	0,816196	1,016
<b>I</b>	Beef premiums	2 164,34	2 003,05	1,081
	Other	2 096,38		1,047
<b>NL</b>	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	2,19672	2,11827	1,037
	Other	2,14021		1,010
<b>A</b>	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	13,7190	13,3110	1,031
	Other	13,4084		1,007
<b>P</b>	All products	198,202	195,465	1,014
<b>FIN</b>	All products	5,88000	5,89704	0,997
<b>S</b>	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	9,24240	8,49346	1,088
	Other	8,93762		1,052
<b>UK</b>	All products	0,856563	0,841589	1,018

<sup>1</sup> Assumed market rates for the financial year equal to market rates on 25 March 1996.

<sup>2</sup> The average dual rate coefficient is obtained by dividing the agricultural conversion rate by the market rate. For further explanations on monetary questions, see the special edition of *CAP Working Notes* entitled *The Agrimonetary System in the Single Market*.

## ANNEX 2

### Definition of the main terms<sup>5</sup>

- *Grape juice*: the unfermented but fermentable liquid product obtained by appropriate treatment rendering it fit for consumption as it is.
- *Grape must*: the liquid product obtained naturally or by physical processes from fresh grapes.
- *Grape must in fermentation*: the product obtained from the fermentation of grape must and with an actual alcoholic strength by volume of more than 1% vol but less than three-fifths of its total alcoholic strength.
- *Fresh grapes*: the fruit of the vine used in making wine, ripe or even slightly raisined, which may be crushed or pressed by normal wine-cellar means and which may spontaneously produce alcoholic fermentation.
- *Wine vinegar*: vinegar which is obtained exclusively by acetous fermentation of wine and has a total acidity of not less than 60 grams per litre expressed as acetic acid.
- *Piquette*: the product obtained by the fermentation of untreated grape marc macerated in water or by leaching fermented grape marc with water.
- *Wine lees*: the residue accumulating in vessels containing wine after fermentation, during storage or after authorized treatment and the residue obtained from filtering or centrifuging this product. Some other residues may also be considered to be wine lees.
- *Grape marc*: the residue from the pressing of fresh grapes, whether or not fermented.
- *Actual alcoholic strength by volume*: the number of volumes of pure alcohol contained at a temperature of 20°C in 100 volumes of the product at that temperature.
- *By-product deliveries*: the obligation on wine producers to deliver to the intervention body a quantity of alcohol corresponding to the presumed alcohol content of the by-products of wine-making
- *Concentrated grape must*: uncaramelized grape must obtained by partial dehydration of grape must.
- *Rectified concentrated grape must*: the liquid uncaramelized product obtained by partial dehydration of grape must and subjected to authorized treatment for deacidification and elimination of constituents other than sugar.

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<sup>5</sup> Extract from Annex I to Regulation (EEC) No 822/77 - see that Annex for fuller definitions.

## ANNEX 3

### Measures to promote grape juice

(ECU million)

Appropriations authorized 1996		Appropriations requested 1997		% change	
Commitments	Payments	Commitments	Payments	Commitments	Payments
11	11	6	6	-45	-45

#### 1. TITLE OF THE MEASURE

Promotion of the consumption of grape juice.

#### 2. BUDGET HEADING

B1-38

#### 3. LEGAL BASIS

Article 46(4) of Regulation (EEC) No 822/87, Annex VII to Regulation (EC) No 2000/94 and Regulation (EEC) No 3461/85.

#### 4. GENERAL DESCRIPTION OF THE MEASURE

##### 4.1. General aim of the measure

To increase the consumption of grape juice obtained from Community raw materials throughout the Community in order to reduce the quantity of wine to be distilled.

##### 4.2. Period covered by the measures and procedure for renewal

Permanent measure - annual programmes

#### 5. CLASSIFICATION OF THE EXPENDITURE

##### 5.1. Compulsory expenditure

##### 5.2. Non-differentiated appropriation

## 6. TYPE OF EXPENDITURE

100% financed by the Community.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating the cost of the measure

Detailed budget by item in accordance with the criteria for eligibility laid down in Annex III to the specimen contract for indirect management.

### 7.2. Breakdown of the measure by components

*(ECU million)*

Breakdown	Appropriations 1996	Appropriations 1997	% change
Germany	2.1	2.1	0
France	1.7	1.7	0
Netherlands	0.6	0.6	0
Spain	1.5	1.5	0
Italy	:	:	-
Austria	:	0.3	-
Reserve	:	:	-
	11	6	- 45

The appropriations allocated have been reduced pending an appraisal of the effectiveness of these programmes.

## 8. ANTI-FRAUD MEASURES PLANNED (AND RESULTS OF THEIR IMPLEMENTATION)

- Monitoring of measures by the supervisory bodies in the Member States supplemented, where appropriate, by audits and on-the-spot inspections by the Commission.
- Advance security (110%) and performance guarantee (15%).

## **9. COST/EFFECTIVENESS ANALYSIS**

### **9.1. Specific quantifiable aims, target population**

To increase the consumption of grape juice obtained from Community raw materials throughout the Community in order to reduce the quantity of wine to be distilled.

To this end, the campaign seeks to make grape juice an item of everyday consumption by promoting its image and stressing nutritional aspects (presence of calcium, potassium and magnesium).

*Final target:* households with children (housewives under 50).

*Intermediate targets:* Distributors and consumer motivators (journalists, dieticians, etc.)

### **9.2. Reasons for the measure**

The vine-growing sector is facing a structural over-production of wine. Before the measure began, processors were purchasing a large part of their raw materials outside the EEC. Since then, there has been an increase in consumption of about 20% from Community raw materials and an equivalent reduction in surplus wine.

### **9.3. Monitoring and assessment of the measure**

Article 5 of the contract provides for quarterly reports on the work carried out and a final report (summary of achievements and assessment of results).

## ANNEX 4

### Main factors in determining requirements for appropriations in 1997

Expenditure in this sector concerns only table wine. It varies substantially from year to year because of fluctuating production. In a normal year, it accounts for 2.5% to 5.5% of EAGGF Guarantee Section expenditure. It accounted for 2.8% in 1995 and should account for 2.7% in 1996 and 2.2% in 1997.

Technical and economic factors determining forecast expenditure 1997				Appropriations requested 1997 (ECU)
<b>1-160 Refunds for products of the vine-growing sector</b> <i>Refund rate:</i> ECU 19.05/hl <i>Quantity:</i> 2.74 million hl				<b>54 000 000</b>
<b>1-161 Intervention for products of the vine-growing sector</b> 1-1610 Intervention in the form of storage of wine and grape must <i>Rate of assistance for wine:</i> ECU 4.56/hl <i>Quantity of wine:</i> 5 million hl <i>Rate of assistance for must:</i> ECU 5.43/hl <i>Quantity of must:</i> 1.5 million hl				<b>286 000 000</b> 32 000 000
<b>1-1611 Distillation of wine</b>				<b>189 000 000</b>
	<i>Quantity</i> (million hl)	<i>Rate of aid</i> (ECU/%vol/hl)	<i>Alcohol content</i> (% volume)	
Market support	1.0	2.415	11.5	
Voluntary preventive	6.0	1.751	11.0	
Compulsory table wine	4.0	0.833	10.0	
Compulsory other wine	2.3	0.640	8.5	
<b>1-1612 Compulsory distillation of the by-products of wine-making</b> 1.28 million hl x 100% vol ( <i>quantity</i> ) x ECU 0.495/%vol/hl ( <i>aid rate</i> )				<b>65 000 000</b>
<b>1-162 Taking over of alcohol from compulsory distillation</b>				<b>178 000 000</b>
1-1620 Technical costs	Initial stock:		1 506 hl	2 000 000
1-1621 Financial costs	Purchases		1 539 hl	0
	Sales		1 350 hl	
1-1622 Other costs	Final stock		1 695 hl	21 000 000
1-1623 Stock depreciation				155 000 000

<b>1-163 Aid for the utilization of must</b>		<b>123 000 000</b>
	<b>Quantities (million % vol/hl)</b>	<b>Rate of aid (ECU/% vol/hl)</b>
Concentrates for enrichment	2.0	1.699
Rect. concentrates for enrichment		
Concentrates for animal feed	43.5	2.206
Processing into grape juice	0.0	0.0
Manufacture of British wines etc	3.0	8.257
	1 000 tonnes	ECU 310.3/tonne
<b>1-164 Permanent abandonment of areas under vines</b>		<b>247 000 000</b>
<b>1-169 Other</b>		<b>pm</b>
<b>TOTAL</b>		<b>888 000 000</b>



EUROPEAN COMMISSION

**WINE**

Luxembourg: Office for Official Publications of the European Communities

1996 - 33 p. - 21 x 29,7 cm

ISBN 92-827-7564-X

**BELGIQUE/BELGIE**

**Moniteur belge/Belgisch Staatsblad**

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