COMMISSION IMPLEMENTING REGULATION (EU) 2020/975

of 6 July 2020

authorising agreements and decisions on market stabilisation measures in the wine sector

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 ([1]), and in particular Article 222 thereof,

Whereas:

(1) The Union is the world-leading producer of wine. In marketing years 2014/15 to 2018/2019, the average annual wine production in the Union was 167,6 million hectolitres. The wine marketing year runs from 1 August to 31 July of the following year. The Union accounts for 45 % of global wine-growing areas, 65 % of global production, 60 % of global consumption and 70 % of exports to third countries. The top five wine-producing countries in the Union are, in decreasing order of production volumes, Italy, France, Spain, Germany and Portugal.

(2) Due to the COVID-19 pandemic and the extensive movement restrictions on persons put in place in the Member States, growers of wine grapes and producers of wine have been experiencing an economic disruption that has led to financial difficulties and cash-flow problems.

(3) The spread of the disease and the measures in place have limited the availability of labour, compromising notably the stages of production, processing and transport of wine grapes and wine.

(4) The mandatory closure of restaurants, hotels, bars, as well as the cancellation of festivities and celebrations such as weddings, birthdays and business events in the Union and in third countries, brought the operation of the hospitality and catering sectors to a halt for several months. In addition, tourism and wine-tourism activities such as tastings, fairs and purchases and consumption at the source, have been largely disrupted in most Member States since March 2020.

(5) As a result, there have been significant changes in the demand patterns for wine. Consumer demand has shifted towards the home consumption of wine. While consumers have increased the home consumption of certain wine products, such increased home consumption has not compensated for the drop in demand in the hospitality and catering industry.

(6) The closure of restaurants and other hospitality establishments has caused a drop in turnover for wine producers. In Germany, wine producers lost 50 % of their turnover in the first quarter of 2020 as sales to restaurants did not take place. There was also a 23 % reduction in sales to specialised wine shops, which often market higher-end wines. According to industry estimates for the entire Union, restaurant, bar and hotel closures have, from the beginning of the closure of restaurants from mid-March until the end of May 2020, resulted in a 30 % reduction in the volume of wine sold and a drop in value of 50 % compared to the sales before the closures.

(7) Despite the recent relaxation of certain measures and the easing of certain movement restrictions, including the reopening of restaurants and hospitality establishments, the situation is not expected to normalise in the next 6 months. Restaurants and other hospitality establishments will have to respect social distancing conditions that limit the number of customers. In addition, in many Member States, certain restrictions remain in place regarding the size of social gatherings, including private events such as weddings, where wine is traditionally consumed.

(8) Worldwide tourism, which is expected to experience a 70 % drop in turnover in the second quarter of 2020, is also not expected to resume in the next 6 months to a sufficient extent to compensate for the absence of consumption in restaurants during the period where the extensive movement restrictions were in place.

([1]) OJ L 347, 20.12.2013, p. 671.

(9) Overall, it is estimated that wine consumption in the Union in marketing year 2019/2020 will fall to 108 million hectolitres. This is an overall reduction in consumption of more than 8 % in marketing year 2019/2020 compared to the average of the past 5 marketing years.

(10) Exports to third countries are particularly important for the Union wine sector. In 2019, exports totalled EUR 12,1 billion. During the COVID-19 pandemic, exports have been affected by logistical challenges as well as by a reduction in consumption because of the movement restrictions imposed also in third countries. The outbreak of the COVID-19 pandemic in China led to significant port congestion there and elsewhere, as well as to increased blank sailings that led to containers being scarcer, freight rates increasing significantly and exporters seeing their shipments postponed. In addition, Union wine exports had already been negatively affected by the increased import tariffs that the United States imposed on certain wine imports from the Union. Since October 2019, the United States, which is the Union's main wine export market, has imposed 25 % ad valorem import tariffs on Union still wines.

(11) Overall, Union wine exports to third countries are expected to fall by 14 % in marketing year 2019/2020, both compared to the previous marketing year and compared to the average of the past 5 marketing years. Compared to May 2019, the exports of French, Italian and Spanish wines to third countries decreased significantly in May 2020: French wine exports to third countries decreased by 33 % in volume and 55 % in value; Italian wine exports to third countries decreased by 22 % in volume and 26 % in value; and Spanish wine exports to third countries decreased by 63 % in volume and 43 % in value.Exports of sparkling wines have been particularly impacted based on the same reference periods. According to estimates from the wine industry, in May 2020, exports of Champagne to the United States and China decreased by 64 % in volume and 55 % in value, exports of Prosecco to third countries decreased by 27 % in volume and 32 % in value, and exports of Cava to third countries decreased by 40 % in volume and value.

(12) In addition, there are currently large volumes of wine in storage due to an exceptional harvest of 174,4 million hectolitres in marketing year 2018/2019, which increased the opening stocks in marketing year 2019/2020 by 14 % compared to marketing year 2018/2019. Unsold wine will have to be stored.

(13) The above circumstances lead to a qualification of these events as a period of severe market imbalance.

(14) In order to help wine growers and wine producers find a balance in this period of severe market imbalance, it is appropriate to allow for agreements and decisions of farmers, farmers' associations or associations of such associations, or recognised producer organisations, associations of recognised producer organisations and recognised interbranch organisations concerning the production of wine grapes and of wine, on a temporary basis for a period of 6 months. These measures include: (i) transformation and processing; (ii) storage; (iii) joint promotion; (iv) quality requirements; and (v) temporary planning of production.

(15) Such agreements and decisions could for example include: (i) processing wine for other purposes such as distillation of wine into alcohol; (ii) creating and finding storage capacities for the increased volume of wine to be stored; (iii) promoting the consumption of wine; (iv) agreeing on quality requirements that would restrict the marketing of wines to those respecting such requirements; and (v) planning measures to reduce volumes for future harvest.

(16) Any agreement or decision should be temporarily authorised for a period of 6 months. The upcoming harvest for marketing year 2020/2021 starting in August 2020, and the run-up to the end of year celebrations, where in particular high-end wines and sparkling wines are consumed and exported, are the periods in which the said measures can be expected to have most impact.

(17) In accordance with the first subparagraph of Article 222(1) of Regulation (EU) No 1308/2013, an authorisation is to be given if it does not impair the functioning of the internal market and if the agreements and decisions strictly aim at stabilising the sector. These specific conditions exclude agreements and decisions that directly or indirectly lead to partitioning markets, to discrimination based on nationality or to fixing prices. If the agreements and decisions do not fulfil these conditions, or no longer fulfil these conditions, Article 101(1) of the Treaty applies to these agreements and decisions.

(18) The authorisation provided for in this Regulation should cover the Union territory given that the severe market imbalance is common to the whole Union.

(19) In order for the Member States to be in a position to assess whether agreements and decisions concerning the production of wine grapes and of wine do not undermine the functioning of the internal market and strictly aim to stabilise the wine sector, information should be provided to the competent authorities of the Member State, including the competition authorities of that state, having the highest share of estimated volume of production of wine grapes and of wine covered by those agreements or decisions on the agreements concluded and decisions taken and on the volume of production of wine grapes and of wine and time period covered by them.

(20) Given the severe market imbalance, the necessity to take into account the existing stocks of wine, the drop in consumption and the loss of export markets and so as to help the wine sector recover in the period when the COVID-19 restrictions are eased, including until and beyond the end of year celebrations, this Regulation should enter into force on the day following that of its publication.

(21) The measures provided for in this Regulation are in accordance with the opinion of the Committee for the Common Organisation of the Agricultural Markets,

HAS ADOPTED THIS REGULATION:

Article 1

Without prejudice to Articles 152(1a), 209(1) and 210(1) of Regulation (EU) No 1308/2013, farmers, farmers' associations, associations of such associations, recognised producer organisations, associations of recognised producer organisations and recognised interbranch organisations are hereby authorised to conclude agreements concerning the production of wine grapes and of wine and take common decisions concerning the production of wine grapes and of wine on transformation and processing, storage, joint promotion, quality requirements and temporary planning of production during a period of 6 months starting from the date of entry into force of this Regulation.

Article 2

Member States shall take the necessary measures to ensure that the agreements and decisions referred to in Article 1 do not undermine the proper functioning of the internal market and strictly aim to stabilise the wine sector.

Article 3

The geographic scope of this authorisation is the Union territory.

Article 4

1. As soon as the agreements or decisions referred to in Article 1 are concluded or taken, the farmers, farmers' associations, associations of such associations, recognised producer organisations, associations of recognised producer organisations and recognised interbranch organisations concerned shall communicate those agreements or decisions to the competent authorities of the Member State having the highest share of estimated volume of production of wine grapes and of wine covered by those agreements or decisions, indicating the following:

(a) the estimated volume of production of wine grapes and of wine covered;

(b) the expected time period of implementation.

2. No later than 25 days after the end of the 6-month period referred to in Article 1, the farmers, farmers' associations, associations of such associations, recognised producer organisations, associations of recognised producer organisations and recognised interbranch organisations concerned shall communicate the volume of production of wine grapes and of wine actually covered by the agreements or decisions to the competent authorities referred to in paragraph 1 of this Article.

3. In accordance with Commission Implementing Regulation (EU) 2017/1185 [2], Member States shall notify the Commission of the following:

(a) no later than 5 days after the end of each 1-month period, the agreements and decisions communicated to them in accordance with paragraph 1 during that period;

(b) no later than 30 days after the end of the 6-month period referred to in Article 1, an overview of the agreements and decisions implemented during that period.

Article 5

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels, 6 July 2020.

For the Commission
The President
Ursula VON DER LEYEN

[2] Commission Implementing Regulation (EU) 2017/1185 of 20 April 2017 laying down rules for the application of Regulations (EU) No 1307/2013 and (EU) No 1308/2013 of the European Parliament and of the Council as regards notifications to the Commission of information and documents and amending and repealing several Commission Regulations (OJ L 171, 4.7.2017, p. 113).