

Opinion on the proposal for a Council Regulation (EC) on reform of the common organization of the market in wine⁽¹⁾

(95/C 110/09)

On 14 July 1994 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the abovementioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 7 February 1995. The Rapporteur was Mr Kienle.

At its 323rd Plenary Session (meeting of 22 February 1995), the Economic and Social Committee adopted the following Opinion by 126 votes to 8, with 13 abstentions.

1. Basic remarks

1.1. The ESC is pleased that the Commission has produced a proposal for a Council Regulation on reform of the common organization of the market in wine. However, work in the relevant Community bodies has been seriously disrupted because the document's release was delayed until May. The European Parliament elections and the re-appointment of the ESC have led to further delays in the preparation of Opinions.

1.2. The ESC disagrees with the Commission's assertions in the Explanatory Memorandum that the Community institutions and trade associations gave a largely positive reception to its communication to the Council of 22 July 1993 on the development and future of wine-sector policy (COM(93) 380 final). Quite the contrary. In fact, it is to be regretted that the Commission has taken no account of some vital suggestions of the ESC and developed its proposal overwhelmingly from its own Communication.

1.3. So far, discussions of the proposed regulation in the EU Council have shown that in almost all wine-producing Member States there are serious reservations or even outright rejection of the proposed reform. The ESC too considers the present proposals as unacceptable and calls upon the Commission to amend radically its proposal for a regulation.

2. Comments on the individual proposals

2.1. Objective of the reform (recitals)

2.1.1. The ESC maintains its basic criticism of the Commission's proposed solution, which it clearly expressed in its Opinion of 23 February 1994. The Commission's objective of restoring market equilibrium can be supported if it does not give rise to any burdens being imposed unilaterally on EU producers. But the proposed quota system with reference quantities would lead to just such unilateral discrimination because, on the basis of the EU's international obligations arising

out of the GATT decisions, only the EU's wine producers would suffer the consequences of production cutbacks and land set-aside.

The ESC concludes that, given the general legal framework, market equilibrium cannot be achieved by a central administration run by the EU. Another solution to the EU market's problems should therefore be sought.

2.1.2. The ESC recalls that in its discussion paper the Commission mentioned the removal of red tape, the implementation of subsidiarity and a more self-reliant economy as further goals of wine market reform. The attention paid to these goals in the proposed regulation of May 1994 is totally inadequate. The ESC will therefore put forward proposals in this Opinion for achieving these goals more effectively.

2.1.3. The ESC repeats its call for market guidance to be made a central plank of the reform process. This means turning away from a centrally-run market.

2.1.3.1. Instead, the European wine industry must be encouraged to become more competitive with other countries and drinks. Moreover, trade barriers such as discriminatory excise duties between drinks must be avoided and better sales conditions created for producers and traders. This re-directing of European wine policy should be started at once and completed over a 10-year transitional period.

2.1.4. The ESC advocates a clear separation of market and socio-structural policy. Irrespective of the aims of market policy, the wine-grower's work in maintaining the rural landscape should be rewarded. EU resources should be used to ensure the preservation of traditional wine-producing areas which, although burdened with serious structural problems, are of special importance to the environment and the rural economy.

2.1.5. The ESC would point out that wine production is part of the European way of life and most wine-producing areas have a long tradition. Any reform which

⁽¹⁾ OJ No C 194, 16. 7. 1994, p. 1.

does not take account of this cultural and traditional background in wine-producing regions and their preparation methods is doomed to failure. Reform must instead give the EU's regions more responsibility for quality and market policy, in accordance with subsidiarity. This means, at the same time, deregulation and cutting red tape to encourage economic self-reliance and initiative.

2.1.6. The ESC thinks that EU-level rules should only cover what is absolutely necessary to the operation of a common market for consumers and producers. Basically, rules should be laid down at the lowest possible regional level. The Commission's proposals pay insufficient attention to these needs.

2.2. *Title I: Regional viticultural adjustment programmes*

2.2.1. To clarify guidelines and responsibilities for running regional programmes, the term 'region' should be defined precisely. The ESC does not dispute that regional viticultural adjustment programmes may be necessary for many wine-growing areas. But the programmes proposed conflict with the aims of deregulation and subsidiarity. To bring about a clear separation between market and social policy, the ESC suggests that the Commission's proposed regional programmes be split up into market structural and socio-structural programmes. Adequate EU funds need to be made available for this purpose. The ESC considers that additional cofinancing should be provided from national or regional coffers: on the other hand, market intervention should be funded exclusively by the EAGGF.

2.2.2. The ESC suggests that the EU restrict itself to putting forward voluntary measures which may be applied by wine-growing areas. Care must be taken to ensure that the restructuring process is acceptable, both socially and regionally.

2.2.3. The ESC is in favour of an EU programme which helps wine-growers who have to operate under unfavourable conditions. This includes cultivating on steep hillsides or on ground which is susceptible to erosion. Such a programme should help to ensure that wine-growing is not abandoned in traditional areas for cost reasons and replaced by other vineyards which are cheaper to run but less suitable for wine growing. The programme should also compensate growers who care for the landscape in such traditional rural areas, which are often major centres for holidays and tourism.

2.2.4. The ESC calls for a specific wine-growing promotion programme to help environmentally friendly economic measures. Wine-growers already feel obliged

to produce in a manner which is suited to local conditions and preserves the soil. The environmental programme should ensure that the grower's activities conserve the environment and preserve natural resources. The political conditions necessary to encourage this must be created on the basis of scientific knowledge and discussion.

2.2.5. The ESC recommends that EU funds be made available to support the development of better marketing structures in producer areas. The wine industry is made up mainly of small firms. So, there is a danger that they may become completely dependent on a demand side which bears the stamp of powerful concentration processes. To prevent this, energetic steps should be taken to make supply structures more competitive in wine-growing areas.

2.2.6. The ESC suggests that social programmes for agriculture be tailored to the special needs of wine-growing. This would include measures to encourage young farmers and provide old-age pensions for wine-growers of both sexes, in those countries that do not have universal coverage for all citizens.

2.2.7. The ESC suggests that a voluntary grubbing programme be introduced during the transitional period so that vineyard capacity can be adjusted to market conditions. The 'regionalization' of premiums might be a way of responding to varying structural and socio-economic circumstances. The premiums in question should initially be attractive but should then be gradually phased out by the end of the transitional period. The grubbing programmes should be run by the administrations of wine-growing areas to forestall any adverse effects on wine-growing structures. Member States may exclude areas or parts of wine-growing areas from grubbing programmes where grubbing up has been above average in recent years, or whose preservation will help to maintain quality and traditional wine-growing structures or protect the environment.

2.2.8. However, it seems essential to have a preliminary overall and up-to-date idea of all the basic data on vineyards which have already been grubbed up and on the extent and location of those which have been wrongly planted.

A knowledge of such facts would enable better thought-out decisions to be taken on what measures should be encouraged.

2.3. *Title II: Rules governing oenological practice and processes*

2.3.1. The ESC would emphasize that when production conditions are laid down and oenological practices (e.g. minimum natural alcoholic strength, enrichment, acidification) are authorized, account must be taken of the varying geographical, climatic and weather conditions within Europe's wine-growing regions.

2.3.2. The ESC therefore does not agree with the European Commission that the number of wine-growing zones can be reduced from seven to three or that there can be a levelling-out of natural minimum alcoholic strengths and oenological practices.

2.3.3. Instead it advocates that consideration be given to the classification of wine-growing zones on the basis of objective criteria (cf. its Own-initiative Opinion of 27 October 1988 on the demarcation of wine-growing zones in the Community).

2.3.4. The ESC considers oenological practices to be an important instrument in the promotion of a policy aimed at improving quality.

2.3.5. The use of oenological practices to increase wine production rather than to improve quality runs counter to the market organization's objectives, and should therefore be restricted to a minimum. Such practices should be permitted only when a vintage suffers from the weather.

2.3.6. To prevent enrichment methods from being misused, they should be performed only for wines for which maximum yields per hectare have been laid down.

2.3.7. The ESC is aware that traditions, experiences and opinions differ considerably with regard to the various enrichment methods.

2.3.8. For example, chaptalization is completely scorned in wine-growing areas where enrichment is unnecessary and banned, or is only performed with concentrated must, whereas areas where chaptalization is authorized prefer this method to enrichment with concentrates.

2.3.9. Given the varying traditional practices and climatic and geographical conditions, the ESC does not advocate extending the use of chaptalization to the whole of the Community. The existing ban on chaptalization should remain in force as hitherto. The use of sucrose can continue to be permitted only as a strictly exceptional measure in wine-growing areas which traditionally practised chaptalization before the establishment of the European wine market organization.

In order to avoid distortions of competition between the various EU producer countries, the current aid for the use of concentrated must and rectified concentrate should be maintained.

In order to inform consumers clearly about the enrichment processes used, the Council of Ministers should adopt appropriate provisions as part of the wine description regulation.

2.4. *Title III: Intervention and other measures to improve market conditions*

2.4.1. According to the ESC, experience has shown that voluntary and compulsory intervention measures are not suitable instruments for improving market

conditions. The Commission's proposal for a quota system with reference quantities in connection with compulsory distillation is rejected decisively. Instead of reducing market interference and bureaucracy, this would create new compulsory administrative measures, interfere with the market and produce more red tape.

2.4.1.1. Production quotas (reference quantities) are a quite unsuitable instrument for regulating the EU wine market, which can now operate in a context of free foreign trade following the GATT agreements.

2.4.1.2. Should the Commission's pessimistic consumer forecasts turn out to be true, with imports from third countries (e.g. eastern Europe and overseas) rising simultaneously, European wine growers would be expected to bear the brunt of the imbalance between supply and demand. With imports rising more sharply, quotas for European wine growers would be cut even if there happened to be a slight rise in the consumption of wine in the EU.

2.4.1.3. Production quotas for wine are out of step with the dynamic market trends witnessed in the wine industry. In particular, they fail to reflect the differences between products.

2.4.1.4. In addition to these fundamental reservations about a quota scheme, the ESC is also afraid that the proposed regulation will create new tensions between European wine-growing regions. After all, it has not even been possible to reach an agreement in the past about reference quantities for quotas and about their allocation within and between the Member States.

2.4.2. The ESC also thinks the whole intervention system should be simplified right away. There should be two types of distillation: 'preventive', or voluntary distillation, to be carried out at the beginning of the marketing year and at an attractive price, and 'compulsory' distillation, where the price paid would be lower and based on the surplus quantities to be disposed of.

Aid for private storage should be maintained at any event, as a linking measure between years where production was in surplus and those where yields were low.

2.4.3. The ESC considers the distillation of the by-products of wine-growing, and the distillation of quantities which exceed the maximum yield per hectare, as a measure forming part of the policy on quality. These quantities should not therefore be eligible for subsidies from the EU's intervention funds.

2.5. *Title IV: Promotion of products of quality*

2.5.1. The ESC is pleased that the Commission has clarified its proposals to promote quality products. They are a step in the right direction towards improving the

conditions for marketing wine products. However, they do not answer the ESC's call to make the marketing of wine products a central plank of wine market reform.

2.5.2. The ESC repeats its call for a comprehensive overall programme to promote the sale of wine products. This should cover market research, information and communications strategies; support measures for the product and sales policy of firms involved in the wine trade, as well as the removal of legal, economic and tax barriers to sales.

2.5.3. There is still insufficient information about market and consumption trends, which can only be obtained through an ambitious research and market research programme. Trends should be analyzed at retail outlets and the point of consumption (restaurant trade, households) as should consumers' reasons for changes in purchasing or consumption habits.

2.5.4. The ESC advocates an information and educational programme about the advantages of a moderate level of wine consumption as part of a conscious diet, and about the dangers of misuse.

2.5.5. To implement these research and information measures, considerably more EU funds are needed than those earmarked so far by the Commission.

2.5.6. The ESC considers that the maintenance of high excise duties on wine is a barrier to sales, whilst the Commission's idea that a wine tax might be introduced in Member States where wine is not subject to excise duty would throttle any measures taken to improve the marketing conditions for wine. The ESC therefore calls upon the Commission and the Council to change their excise duty policy regarding wine and adapt it to the aims of wine market reform.

2.5.7. The ESC points out that the rules governing the labelling and presentation of the various categories of wine vary at Community level, and that in some areas responsibility still rests with the Member States. The multifarious rules currently in force should therefore be re-examined and a common legal framework established for the labelling and presentation of all categories of wine. The requirements of consumer information and modern marketing also dictate a re-examination of the rules currently in force. The rules still to be adopted under the labelling Directive on the identification of ingredients are a case in point in connection with the provision of consumer information. One question needing particular attention is whether the rule that the wine label cannot specify anything which is not explicitly allowed could be relaxed by introducing a rule similar to the one applicable to sparkling wines which states

that — in addition to the obligatory information — the label can specify anything as long as it is not misleading.

2.6. Title V: Inter-branch organizations and agreements

2.6.1. The ESC considers measures which lead to the wine industry taking responsibility itself for adjusting supply to demand and for running production, trading and sales structures, as important steps towards deregulation and subsidiarity in the field of wine law.

2.6.2. The ESC does not think it urgently necessary for the reform paper to set out in detail the rules for the recognition and activities of such organisations. Instead, the basic regulation should simply contain a general rule for the authorization of inter-branch agreements; the implementing provisions should be left out of the reform debate and discussed later.

3. Title VI: Amendments to Regulation (EEC) No 822/87

3.1. If the EU abandons centralised guidance of the European wine market, the costly statistical system currently in use for observing trends in wine-growing potential can be simplified considerably. It is therefore necessary to simplify the proposed mechanism for assessing:

- production of the various wine sector products;
- the industrial utilisation of these products;
- the consumption trend for wine and other products consumable without further processing; and
- management of the market, encouragement of desirable supply adjustments and organisation of measures to promote consumption.

Experiences to date with reports from firms have shown that assessment is very costly and time-consuming. Because of market dynamics it therefore seems worthwhile trying random sampling and panels.

3.2. The Commission's proposal to extend the ban on new plantings is welcomed. The process of adjusting from an organised market to a free market under the responsibility of the regional wine industry should not be hampered by extensions of the local or regional vineyard, especially during the change-over period.

3.3. The right to replanting and the transfer of replanting rights should, moreover, be used without restriction so that the best land in wine-growing areas is planted out in accordance with a policy on quality.

The Commission should not be able to restrict replanting rights in order to adjust wine-growing potential to market requirements. The allocation and use of EU replanting rights should be decided at regional level.

3.4. The classification of vine varieties should be standardised at EU level but implementation should be transferred to the regions.

4. Title VII: Non-regional abandonment programme for areas under vines

As already stated in Title I, the ESC only supports a voluntary grubbing programme which is independent of regional programmes. The amount of the premium does not seem sufficient to lead to extensive use of the programme.

5. Title VIII: Amendment of Regulation (EEC) No 823/87

The ESC believes that, in accordance with the principle of subsidiarity, regulating the yield per hectare must be the responsibility of the regions. Any provisos which further restrict the Member States' room for manoeuvre are therefore rejected.

6. Title IX: Amendments to Regulation (EEC) No 2048/89

The ESC supports measures which are necessary to improve the efficiency of monitoring and ensure uniform application of EU law. But the proposed programmes

are seen as extra red tape. The ESC calls for a review aimed at simplifying legal provisions concerning reports, accounts, accompanying documents and other wine monitoring measures. Cooperation between official supervisory authorities in the Member States should be improved as soon as possible.

7. Title X: Simplified vineyard register

Simplification of the vineyard register is among the things to be done to bring about deregulation and less bureaucracy in EU wine law. Quite apart from any simplification of EU law, it should be left to the Member States and regions to implement any further measures for managing their market.

8. Final remarks

8.1. The ESC calls on the Council to immediately press on with its talks on reforming the wine market and bring them to a conclusion as soon as possible, as the European wine industry needs reliable framework conditions for the future.

8.2. The talks should be pursued in a spirit of dialogue, as called for by the Commission, so as to find mutually acceptable solutions. An open confrontation between wine-growing regions would, in the final analysis, be harmful to all wine-growing regions and to the image of wine as a cultural asset.

Done at Brussels, 22 February 1995.

The President
of the Economic and Social Committee
Carlos FERRER