

Opinion of the European Economic and Social Committee on the Communication from the Commission to the Council and the European Parliament — Towards a sustainable European wine sector

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On 22 June 2006 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned proposal.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 November 2006. The rapporteur was Mr Kienle.

At its 431st plenary session, held on 13 and 14 December 2006 (meeting of 14 December), the European Economic and Social Committee adopted the following opinion by 107 votes to two with four abstentions:

1. Summary of conclusions and recommendations

1.1 The European Economic and Social Committee welcomes the fact that the European Commission has submitted a report on reform of the European market organisation for wine. The Committee particularly welcomes the fact that the Commission proposes in principle the maintenance of a specific wine market organisation, which can be pursued within the 'profound reform' option.

1.2 Given that the market share of European wines in relation to wines from countries outside the European Union, especially 'new world' countries, has declined, both in the internal market and in important export markets, a change in the legal framework conditions is needed to improve the competitiveness of European wines and win back market shares. The Commission should pay greater heed in the reform and the external trade provisions to the position of the European wine sector as global market leader.

1.3 The EESC would draw attention to its opinion of 27/28 January 1999 ⁽¹⁾, in which it took the view that the European Commission's reform proposals at the time were inadequate. Many of its ideas are now more topical than ever, particularly with reference to competitiveness, intervention measures, taking account of regional differences, and information. The Committee underlines that wine and viticulture are an important and integral part of European culture and the European way of life. Viticulture moulds the social and economic environment in many European wine growing regions.

1.4 The Committee therefore attaches importance to account being taken in the reform not only of economic consequences, but also of the effects on employment, the social fabric, the environment (particularly through the programme of grubbing up vines) as well as consumer protection and health.

1.5 The Committee points out that viticulture in the European Union provides a living for 1,5 million predominantly small family enterprises. It provides more than 2,5 million

workers with at least seasonal employment. The Committee therefore thinks it important that preference be given in the reform to measures which have a positive effect on the income of wine-growers and on employment opportunities in European viticulture.

1.6 The EESC regards the European Commission proposal to make a national envelope available to each wine-producing Member State as an important contribution to more subsidiarity and more account being taken of regional differences. In its proposals on the division of promotion instruments between the European Community framework and measures in the context of the national envelope, the EESC holds to these principles and rejects steps towards the renationalisation of wine market policy.

1.7 The calls upon the Commission to propose concrete measures on consumer information and the promotion of wine sales in both the internal market and export markets.

2. Comments and proposals made by the Commission

Reform objectives

2.1 The Commission mentions as objectives of the reform: increasing the competitiveness and strengthening the image of European wines, winning back market shares and gaining new market shares, keeping rules as simple as possible, taking account of the social and political role of wine growing regions.

2.1.1 The Commission gives as a further objective the establishment of a balance on the market and to that end proposes certain measures, such as the need for extensive grubbing-up.

The present CMO for wine

2.2 The Commission document analyses the present market situation, describes problems with the present CMO and proposes appropriate measures.

⁽¹⁾ OJ C 101 of 12.4.99, pp. 60-64.

Four options

2.3 The Commission considered four possible options for the reform of the EU wine market organisation:

- maintenance of the status quo with slight adaptations,
- reform on the lines of the CAP reform,
- deregulation of the wine market,
- profound reform of the CMO.

2.3.1 On the basis of its assessments the Commission comes to the conclusion that of the four options the profound reform offers the most advantages and that the maintenance of a specific wine market organisation is necessary.

Profound reform of the CMO

2.4 The Commission proposes two variants: a one-step reform and a two-step reform. Under variant A the planting regulation would be abolished immediately (or on 1 August 2010) with no transitional regulation. Under variant B an extensive grubbing-up scheme would be carried out before the abolition of the planting regulation, in order to achieve a structural adjustment.

Abolition of market management measures and introducing more forward-looking measures

2.5 The Commission proposes that the following measures be abolished immediately:

- support for by-product distillation,
- potable wine distillation and crisis distillation,
- private storage support,
- must aid in relation to enrichment and for making grape juice.

National envelope

2.6 The Commission proposes that a budget envelope be made available to each wine-producing Member State, calculated according to objective criteria. With this envelope it would finance measures best suited to its situation from a given menu.

Rural development

2.7 The Commission proposes that many of these adjustment and restructuring measures could be carried out in the context of rural development and that funds for this purpose could be transferred from the specific wine budget to Pillar II.

Quality policy and geographical indications

2.8 The Commission proposes a substantial revision of the current quality regulatory framework with a view to better conformity of EU quality policy with the international rules, particularly the TRIPs Agreement.

Winemaking practices

2.9 The Commission proposes a liberalisation of winemaking practices taking particular account of the standards of the international wine organisation (OIV).

Enrichment

2.10 The Commission proposes a ban on enrichment with saccharose, combined with abolition of the aid for use of must concentrate as well as a considerable reduction in the enrichment level for the northerly wine growing areas.

Labelling

2.11 The Commission proposes to simplify the labelling provisions by setting up a single legal framework applying to all the different categories of wine and particulars relating to them.

Promotion and information

2.12 The Commission intends to pursue a responsible promotion and information policy. All available opportunities in existing Community legislation should be used.

Environment

2.13 The Commission intends to ensure that the reform of the wine regime also contributes to minimising the effects of vine growing and wine making on the environment.

WTO

2.14 The Commission attaches importance to the new CMO being WTO-friendly. It therefore envisages the abolition of current intervention measures and allowing the production of wines in the European Union from imported must as well as the blending of Community wines with wines from outside the EU.

3. General comments*Reform objectives*

3.1 The EESC can to a large extent support the objectives mentioned by the Commission. However, it thinks some adaptations are necessary.

3.1.1 The EESC points out that in its earlier opinion it mentioned the following objectives among others:

- improvement of the long-term competitiveness of the sector,
- abolition of intervention measures used to provide artificial outlets for surplus production,
- account to be taken of regional differences,
- information on the advantages of moderate wine consumption.

3.1.2 The EESC thinks it necessary to investigate thoroughly whether in a globalised wine market and after the removal of effective external protection the objective of market balance is still attainable at all.

3.1.3 Special attention should therefore be given to increasing the competitiveness of domestic producers. It is important to strengthen the European market position, support efforts to improve quality and adjust more to market developments and consumer preferences.

3.1.4 The Committee regards it as necessary for the economic objectives to be given practical expression and supplemented by social and employment policy objectives. In this context, efforts should be made, above all, to improve the income situation of wine-growing enterprises. Special attention should be paid to enhancing the scope for development available to young wine-growers. Employment opportunities for the permanent labour force and for seasonal workers must be taken into account and the conditions for proper payment improved.

3.1.5 The Committee has doubts about a transfer of powers from the Council of Ministers to the Commission, e.g. for the authorisation of innovative wine-making procedures, as the Commission has failed to represent the interests of European wine producers adequately in negotiating bilateral agreements.

3.1.6 The EESC takes the view that the current financial resources must be increased in order to take account of the accession to the EU of two new producer countries.

The current CMO for wine — ex post analysis

3.2 The EESC thinks there is a need to review the Commission's analysis and the resulting measures thoroughly, as the analysis of organisations involved in the market and independent organisations is called into question.

3.2.1 The Committee thinks it necessary to improve and extend market observation in order to obtain better data on production, trade and consumption as a basis for the organisation of the wine market. The general data used so far are important, but inadequate. Also needed is current information on changes in production structures, outlets and consumer behaviour.

3.2.2 The Commission's claim that structural surpluses are increasing should be checked. The Committee points out that the increase in stocks should also be considered in the light of increased production of quality wine.

Four options

3.3 The EESC is in favour of a thorough evaluation of these four options, but after an initial analysis agrees with the option chosen. However, the formulation of the 'profound reform' option needs to be modified.

3.3.1 The Committee particularly welcomes the fact that the Commission proposes the maintenance of a specific wine

market organisation. All aspects of market organisation, from production to consumption, and particularly measures on consumer protection, health care and consumer information, should be taken into account within the wine market organisation.

Profound reform

3.4 The EESC takes the view that the new wine market organisation should come into force in 2008. It does, however, think there is a need for a phasing-out period, to enable enterprises to carry out gradual adjustments, where necessary, in order to comply with the new basic conditions.

3.4.1 The EESC is entirely opposed to spending more than a third of the available budget on a grubbing-up programme, which would mean that these funds would not be available for market measures or measures to increase competitiveness. The importance of grubbing-up as an instrument of market organisation, which is to be offered to wine-growing regions for use on a voluntary basis within an overall Community framework, is, however, recognised (see below).

3.4.2 The EESC opposes total liberalisation of the planting rules as this would jeopardise the achievement of the economic and social objectives of the reform of the wine market and its objectives in respect of environmental policy and maintenance of the landscape. Shifting wine production from man-made wine-growing landscapes to areas which are cheaper to cultivate cannot be supported. If the EU planting regulation, together with a ban on new planting, is to be abolished, an enabling framework should be created to make it possible for wine-growing regions to continue to apply their planting rules in accordance with the objectives of the European wine market organisation or to devise planting rules in accordance with these objectives.

3.4.3 The Committee deplores the fact that the Commission does not follow up its words on winning back market shares with any deeds in the planning of the profound reform. There is a lack of instruments and measures to translate these worthwhile objectives into reality.

Abolition of market management measures and introducing more forward-looking measures

3.5 The EESC would draw attention to its earlier call for the abolition of intervention measures, which provide artificial outlets, and it expresses its appreciation of the proposals in the light of this objective.

3.5.1 The Committee recommends that grubbing-up may be offered, as a voluntary measure and as part of a structural programme including social components, by wine-growing regions to enterprises wishing to withdraw, wholly or in part, from wine production.

3.5.2 The Committee does not regard an immediate abolition of intervention measures as feasible. It therefore recommends that within the national envelope in the 2008-2010 phasing-out period:

- distillation to produce potable alcohol (formerly Art. 29), and
- private storage support (formerly Art. 24 ff.)

can be offered.

3.5.3 The EESC believes that the obligation to dispose of by-products should be maintained in order to ensure the quality of wine production and avoid abuse.

3.5.4 The Committee would argue that crisis distillation as a component of crisis management can be offered permanently within the national envelope. The Committee believes that the national financial envelopes should include crisis prevention measures based on shared responsibility among wine-producers.

3.5.5 The Committee thinks it necessary to introduce new forward-looking instruments in order to achieve the objectives listed. These include:

- extensive market observation,
- information programmes for the internal market, to inform consumers of the advantages of moderate consumption and to warn them against abuse,
- creation of an export promotion programme,
- information programmes for consumers in non-EU countries and
- research programmes, including such programmes carried out in cooperation with non-EU countries.

3.5.6 The Committee emphasises that the market organisation instruments must in the first instance benefit those who wish to developing winemaking further in Europe, and not be geared to those who drop out for whatever reason.

National envelopes

3.6 The EESC welcomes this proposal, as it corresponds to its own demands for more account to be taken of regional differences and for subsidiarity to be applied more consistently in the wine sector. A coherent and adequate Community framework must nevertheless be maintained in order to avoid renationalisation and keep the European character of the European wine sector. A similar programme should also address the needs of areas subject to extreme climate conditions.

3.6.1 It had already called in its earlier opinion (CES 68/99) for it to be a matter for the Member States to decide which measures in the reform programme to choose for their wine-producing regions. Producer organisations, together with sectoral associations and bodies pursuing the requisite objectives can have an important role to play in this matter.

3.6.2 The EESC points out that it has called for a special programme to promote disadvantaged wine-growing areas, such as steep and sloping vineyards. A similar programme should also address the needs of areas subject to extreme climate conditions.

3.6.3 The EESC is in favour of an extensive catalogue of measures which in its view should go beyond the examples given by the Commission. It refers to its opinion (CES 68/99) in which it called for a considerable extension of the programme to promote cellaring and marketing.

3.6.4 The EESC further believes that the national budget envelopes should finance measures that are consistent and integrated with each other in order to maximise their impact. Such measures should be integrated in chain projects from the vineyard, to the processing and marketing of the product. In addition, funding is needed for measures permitting producers to co-manage the potential and scope of alternative outlets. The EESC believes that the central players in the management of these projects are the wine-producer organisations.

3.6.5 The budget for the financial envelopes should be divided up according to the vineyard area key, as already occurred with the restructuring. In the phasing-out period adequate funding should be earmarked for the market mechanisms which are to be discontinued in order to enable enterprises which hitherto availed themselves of such mechanisms to adjust gradually to meet the new basic conditions.

3.6.6 The instruments of the national envelope should be defined in the EU wine market organisation. It is incumbent on the Member States, in the context of their proportion of the budget (vineyard area key) to make a choice with a view to making their viticulture more competitive. The programmes must be communicated to Brussels. Responsibility for proper implementation lies with the Member States.

3.6.7 The Committee proposes the following division of promotion instruments between European Community measures and measures in the context of the national envelope:

3.6.7.1 European Community measures:

- European market observation,
- information programmes for consumers at European level and on export markets,
- export programmes for third countries,
- research programmes.

3.6.7.2 National envelope:

- aid for the use of must in enrichment,
- Article 29 distillation (2008-2010),
- aid for distillation of by-products (2008-2010),

- definitive and temporary grubbing-up measures (2008-2010),
- area-linked direct aid,
- fodder crops,
- aid for grape juice production,
- restructuring of vineyards and measures,
- measures to improve registration and marketing structures (e.g. integrated network of enterprises and combinations of enterprises),
- information programmes for consumers,
- measures to improve quality,
- programme for disadvantaged wine-growing areas, such as steep and sloping vineyards, and areas subject to extreme climate conditions,
- crisis management (prevention and control of crises, insurance fund).

Rural development

3.7 In many of its opinions the Committee has emphasised the importance of the second pillar for the future development of the countryside, to which the European wine producing areas also belong.

3.7.1 Whilst taking account of this fundamental broad objective, the EESC considers that, with a view to resolving the special problems of the wine sector, all the measures discussed in connection with the reform of the wine market should be financed from the wine budget. This budget must therefore not be reduced, either by means of cuts or transfers of funding.

Quality policy/geographical indications

3.8 In view of the fact that the Commission's proposals are of very wide-ranging importance and are designed, ultimately, to do away with the current system for ensuring wine quality, the EESC expects the European Commission to draw up simulation models for determining the effect which the proposals would have on the objectives of the reform of the wine market, as regards both improvement in competitiveness and measures to promote enhanced quality and also the impact of these proposals from consumer standpoints.

3.8.1 The EESC urges that the current provisions of the TRIPs Agreement should first be implemented, in particular the introduction of a register for protecting designations of origin, before discussing any amendment of the current European quality system.

Wine making practices (WMPs)

3.9 In the EESC's view, the Commission's proposals contain a number of inconsistencies which will have to be resolved.

3.9.1 The EESC believes that it is absolutely essential to establish an internationally recognised definition of 'wine'. This

would also make it necessary to lay down recognised production methods.

3.9.2 The authorisation of any WMPs approved anywhere in the world would conflict with the proposed closer alignment on OIV standards.

3.9.3 The EESC calls for the drive to bring WMPs into line with OIV standards to be incorporated more consistently into the strategic thrust of bilateral or international trade agreements.

3.9.4 The EESC opposes the proposal to authorise the production in Europe of wine made from imported grape must or must concentrate and the proposal to authorise the blending of EU products with products from other countries.

Enrichment

3.10 In its 1999 opinion on this subject, the EESC had called for account to be taken of the varying conditions in respect of location, climate and weather in the European Union. This is a very sensitive issue and one which must not bring about a split in the European wine industry or even result in the blocking of the proposals for reform.

3.10.1 In making its appraisal of the Commission's proposals, the EESC has therefore taken account of the following elements: the earlier EESC opinion on the subject; the analyses carried out by the Commission; the proposed liberalisation of the WMPs; recognition of wine making procedures under bilateral agreements; and the objectives of the reform of this sector, in particular the need to increase competitiveness and reduce production costs. After weighing up the pros and cons of the Commission's proposals, the EESC advocates a general continuation of the existing provisions governing the use of sucrose and the aid for must concentrate.

Labelling

3.11 The EESC regards the Commission's proposals in respect of labelling as highly complex and it expects the Commission to carry out an accurate simulation of the impact of the proposed changes.

3.11.1 The EESC draws attention to the fact that, following a debate lasting a number of years, labelling law has been amended only very recently. It therefore calls upon the Commission to explain what new factors now come into play which were not assessed in the debate which has just come to an end.

3.11.2 The EESC welcomes moves to simplify labelling provisions, provided that they promote improved consumer information. Such changes must not, however, lead to an increased risk of distortion of competition or misleading of consumers, resulting in a flood of legal disputes. The proposal by the European Commission for the grape variety and vintage year to be optionally indicated in the case of simple table wines should also be scrutinised from this standpoint since such wines have to comply with a lower level of requirements than do regional wines and quality wine produced in a specific region (quality wine psr).

3.11.3 The EESC draws attention to the growing linguistic diversity in an ever larger European Union. This linguistic diversity may give rise to trade barriers, as is currently the case with regard to the indication of the use of sulphite. With regard to the indication of mandatory information on labelling, such as the description of ingredients, provision should therefore be made for this information to be indicated by making use of readily comprehensible symbols.

Promotion and information

3.12 In its opinion number CES 68/99, the EESC had already called for steps to be taken to make the provision of information on the health benefits of a moderate level of wine consumption and the dangers of the abuse of wine to be made one of the key pillars of the wine CMO.

3.12.1 As the proposals put forward by the Commission are very vague, the EESC calls upon the Commission to propose concrete measures in respect of consumer information and the promotion of wine sales in both the internal market and export markets; such measures should go beyond the current unsatisfactory framework and be conducive to winning back or extending market share.

3.12.2 With this aim in view, particular attention must be paid to the provision of comprehensive information on the benefits of moderate wine consumption as an integral part of a healthy diet and a modern lifestyle.

3.12.3 The deterioration in the external trade balance, a phenomenon which has been ongoing for a number of years, has to be halted and the situation needs to be considerably improved by introducing export promotion programmes.

Environment

3.13 In its opinion of 1999 (CES 68/99), the EESC had already called for a more wide-ranging consideration of the environmental aspect.

3.13.1 Wine-growing areas usually represent unique man-made landscapes which have to be cared for by wine-growers through the use of environmentally friendly methods of cultivation. Wine-growing represents an integral part of the life and culture of whole regions, the economic, social and cultural existence of which is dependent upon this sector.

3.13.2 Any reform must therefore fully take account of the environment, the social fabric, infrastructure, the economy and quality of life.

WTO

3.14 In its abovementioned opinion of 1999 (CES 68/99), the EESC had already rejected any move to authorise the blending of Community wines with non-EU wines and the production of wine in the EU using non-EU products, on the grounds that these measures would give rise to disadvantages for EU producers and entail risks of abuse incurred by consumers. In this earlier opinion the EESC had deplored the lack of Commission proposals for making EU wine more competitive in international trade, particularly in export markets. The EESC reiterates this criticism in respect of the forthcoming reform of the wine market.

3.14.1 In the light of its earlier analyses, the EESC calls upon the Commission to pay greater heed, in the reform of the organisation of the wine market and, in particular, in the context of external trade provisions, to the position of the EU wine sector as the global market leader.

Brussels, 14 December 2006.

The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS
