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Ensuring a competitive EU wine sector

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Agricultural Committee of the European Parliament

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Mr. Chairman, Ladies and Gentlemen,

I greatly appreciate the privilege of having the opportunity to update you on activities since the adoption of the Commission's Communication on wine reform. It is important for me to listen to your comments and questions and to provide as much additional clarification and information as possible.

But first let me thank you, Mr. Chairman, for organising an extremely worthwhile Public Hearing on 12 July 2006. It provided a very important platform for stakeholders to lay before a packed auditorium some considered views on the Commission's analysis and on the ideas of the Commission as to how achieve a sustainable European Union wine sector. The media coverage of this event considerably enhanced public debate and the consultation process on the way forward in this sector.

State of Play

As you know, the Commission organised briefings and meetings when the Communication was launched with the media, stakeholders and administrations.

Since then I have met with a number of Members of Parliament and your Intergroup on Wine.

I have already visited a number of Member States including Italy, Portugal and Spain to listen to the views of stakeholders. I intend to visit France and other Member States in the future.

The Council is intensifying its detailed examination of the Communication. The Economic and Social Committee has examined it as has the Commission's Advisory Group on Wine.

Numerous other discussions on the Communication have taken place at international, Community, national and local levels since

Objectives of the Reform

All these discussions have helped to clarify the problem to the satisfaction of many but have not yet produced a clear consensus on the way forward. My objectives for a new EU wine policy however, remain clear and valid:

firstly, increase the competitiveness of the EU's wine producers; strengthen the reputation of EU quality wine as the best in the world; recover old markets and win new ones in the EU and worldwide;

secondly, create a wine regime that operates through clear, simple rules – effective rules that balance supply and demand;

thirdly, create a wine regime that preserves the best traditions of EU wine production, reinforces the social fabric of many rural areas, and ensures that all production respects the environment.

Internal and external factors have changed since the 1999 reform of the wine sector and have led the Commission to the conclusion that the existing measures are inadequate and new initiatives are now necessary.

The major reforms of the CAP of 2003 to 2005 and especially the introduction of the Single Payment Scheme in 2003 and the decoupling of such payment from production constitute the main internal changes. In addition society's concerns have evolved since notably as regards health and the environment.

Contrary to the assessment of some I consider the Communication positive and proactive. The importance of the sector in the world and in the Community is emphasised as is the superior quality of EU wines and their huge potential. It is necessary to identify the problem, the factors contributing to that situation and to advance ideas on potential sustainable remedies.

Clearly since 1999 wine stocks have continued to increase, consumption has continued to fall and imports have continued to rise much more than exports. Production and exports of competing countries have exploded in a more liberalised world wine market.

The Commission has examined alternatives and put forward the preferred option to achieve a sustainable EU wine market and to make better use of the existing budget. The less radical variant of the profound reform option is advanced by the Commission to enable smooth adjustment of the sector. The role foreseen for certain costly market management measures is no longer fulfilled; they should be abolished. The planting rights system is anti-competitive and adds to production costs; they should be abolished. We have a structural surplus that should be eliminated. The question is when and how. Our ideas are clearly indicated in the Communication.

Grubbing-up

Much has been said about grubbing-up. Allow me to re-iterate the Commission's position. We believe the market should be helped to eliminate the structural surplus by offering an attractive but degressive grubbing-up premium for the removal of about 400.000 ha of vines over a five year period, to bring the supply more into line with demand.

The grubbing-up scheme was successful in reducing supply in the years prior to 1996. When its implementation was made more flexible, its success plummeted.

I want to emphasise that in future:

- the grubbing-up scheme should be seen as a safety net for winegrowers who consider they will not be able to compete in a new more competitive environment.
- wine growers will be free to decide whether to participate in the grubbing-up scheme or not.
- the abandonment of grubbed-up areas should be avoided by setting minimum environmental requirements to the granting of premiums; similarly if soil erosion represents a serious risk.
- the area grubbed-up would qualify as an eligible area under the Single Payment Scheme and be granted the average regional decoupled direct payment.

We consider that 400.000 ha of vines should be taken out of production in order to tackle the estimated surplus of 15 million hl.

The issues of erosion, abandonment, rural landscapes and tourism will be dealt with firstly, by the minimum environmental requirements to be respected to benefit from the grubbing-up premium and secondly, by the increased implementation of rural development policies in wine growing areas.

The relatively recent development of non-EU countries expanding production and exports and increasing their share of the EU market can not be tackled by suggesting that "they should not increase while we have to decrease". On the contrary, we have to reduce surpluses, decrease stocks and then reduce production costs by abolishing planting rights.

We have to increase our competitiveness, improve our marketing and thereby recover lost ground. It is most likely that vine growers who have restructured and managed quality vineyards will benefit substantially from a market environment free of surpluses and stocks rather than the contrary as suggested by some.

The overriding factor is that a surplus has to be eliminated either abruptly as in Variant A of the profound reform option or in a more phased fashion as in Variant B as suggested by the Commission.

Contradiction grubbing-up – abolishing planting rights

Some consider there is a contradiction between the policy of grubbing-up and the abolition of planting rights. This is not true. The purpose of the grubbing-up scheme is to enable the vine grower to choose to leave the sector for lack of competitiveness or other reasons and to rebalance the sector. A phased adjustment of the sector in the absence of market measures would avoid excessively abrupt changes for stakeholders.

There is an urgent need to improve competitiveness firstly, by improving the structures in the sector upstream and downstream using restructuring and rural development funds. Then, at the end of the grubbing-up scheme planting rights would be abolished thereby removing a significant cost element.

To avoid that a grubbing-up premium would be paid in one year and the system of planting rights would be abolished the next, the grubbing-up premium would be significantly more attractive at the beginning of the period and less so at the end. This will not only have an urgent impact on the oversupply situation but also avoid the possible contradiction between the two policies.

However, as is clear from the present process, final conclusions on these points have not yet been drawn and I would welcome your views.

Crisis Distillation

I have been particularly impressed by the amount of money we spend on the distillation of wine sometimes to use it in the fuel sector but also to provide a suitable even essential raw material for some spirit drinks.

I welcome the general support of MEPs for our suggestion to remove crisis distillation because it has been used regularly for both table and quality wine in recent years, contrary to the original intention to use it as a conjunctural tool. It is difficult to defend the high level of spending on it to taxpayers. Besides in the context of increased subsidiarity Member States would be authorised to use funds from the national envelope for more efficient and less distortive crisis measures than those abolished.

Transfer to 2nd Pillar

Along the same subsidiarity lines additional funds will be transferred to the European Agricultural Fund for Rural Development (EAFRD) Pillar II from the European Agricultural Guarantee Fund (EAGF) Pillar I.

The 1st pillar will continue to be an important vehicle of funds to this sector in particular for grubbing-up and national envelopes including restructuring. The money switched to the Rural Development fund will be earmarked for use in vine growing regions. These funds may be used for a wide range of measures provided for in the Rural Development Regulation and in the strategic guidelines for its implementation, including early retirement, environmental, quality improvement, and marketing, measures, etc.

Quality and wine making practices

The improvement of wine quality is a constant priority for the Community. The attention to aspects of soil, grape vine varieties, wine-making practices in the Community and national rules is evidence of that.

Nevertheless, there has to be room for innovation and responsiveness to market conditions and market demand. The Commission therefore while maintaining the label "best in the world" has to examine critically all new developments in the wine area whether at the production, marketing or consumer level.

There is no intention to dispense with valuable traditional practices but we do need within certain limits, to use new techniques to make our wines more competitive particularly those without a geographic indication. The Communication indicates that wine-making practices approved by the International Organisation for Vine and Wine, the OIV, will be filtered for their suitability before incorporation in Community legislation. The main change suggested as regards wine-making practices is – to simplify the adoption procedure at Community level. They are after all the result of technical discussions in the OIV where Community wine-making interests are well represented.

Promotion

Much emphasis in many quarters has been placed on the need for increased investment in the provision of information and promotion of wine as a means of narrowing the gap between production and consumption.

The legal framework for such measures already exists:

- to provide information on and to promote, agricultural products in third countries
- on information and promotion actions for agricultural products on the internal market

These opportunities have been and are available to the participants in the wine sector. Information and promotion campaigns are best organised and executed by the sector and the professionals engaged by the sector. I would welcome your views and those of the sector as to how substantial improvements could be embarked on in these areas.

I have dealt with a number of the important issues raised in the various fora following the adoption of the Communication. However, I would like to point out that some additional work on the social implications is being carried out which I will share with you as soon as it is available.

Thank you Mr. Chairman, Ladies and Gentlemen, for your attention and I look forward to your comments and questions.