What is the eventual future of the EU wine CMO policy?
Lessons from the past

Abstract

The European Union (EU) is the world's biggest wine producer region. With 3,5 million ha of vineyard, the EU accounts for around 60 % of the world's wine production. In addition, the EU wine production represents about 5 % of the EU agricultural output. Since the introduction of the common market organisation (CMO), the wine market has developed considerably in the EU (EC 2018a). Three main reforms can be mentioned in the history of EU wine CMO: the first reform was accepted in 1999, the second reform in 2008 and the most recent reform was adopted in 2013. The aim of the paper is to analyse the past effects of the wine CMO reforms and depicts the possible future perspectives for EU wine industry. *The 1999 reform of the CMO* for wine strengthened the goal of achieving a better balance between *supply and demand* on the Community market, giving producers the chance to bring production into line with a market demanding *higher quality* and to allow the sector to become *competitive in the long term* by financing the *restructuring* of a large part of *vineyards*. On the other hand, this reform proved insufficient to reduce *wine surpluses* and considerable amounts still had to be spent on disposing of them. After the first reform, a new reform of the wine market was still needed (EC 2018b). In 2008, the European Council introduced the *second reform of the common market organisation* for wine in order to improve the *competitiveness of EU wine producers* as well as *balance the supply and demand* in the wine sector, this in a context of a long persisting structural surplus of supply and falling demand. The main financial instruments of the reform included a *temporary grubbing-up scheme* and the *setting up of national support programmes.* A specific budget made available for each EU Member State, which can choose the *measures (among 11 measures were available)* best adapted to its particular situation (European Court of Auditors, 2012). Regarding the new CMO, the particularly *attractive vineyard grubbing-up prime* inspired many wine producers in the EU member states to reduce their vineyards; this was especially true for *Spain, Italy, France, Portugal, and Hungary* (OIV, 2013, p. 10). In consequence, the total EU demand for grubbing-up was equal to 351,223 hectares of vineyard, close to the European Commission 2006 initial proposal of 400,000 hectares, between 2008 and 2010 (European Court of Auditors, 2012). Concerning the CMO impact on wine trade, *additional new measures were introduced after 2009.* First, in the *national envelopes*, new measures were launched, such as "*promotion in third countries*" or "*restructuring and conversion*" that accounted for large shares of the budget. For instance, the "*promotion in third countries*" measure doubled its share in three years: from 10 to 20 per cent of the budget in the 2013-2016 period (European Commission, 2017). Second, new "*regulatory measures*" were also introduced, such as the *adoption of a new classification* ("*wines with a geographical indication*", "*wines without a geographical indication*") and *new labelling* (wines without a geographical indication wines can be labelled with grape variety and vintage). These measures could act as *non-tariff barriers to trade* (especially for third countries) and might contribute to explain why the Member States were able to raise their wine exports (Chambolle and Giraud-Héraud, 2005). In addition to new CMO regulations, wine export was negatively influenced by the global economic crisis, that slowed the international market and negatively affected global wine consumption (OIV, 2012). The *reform approved in 2013* aimed at harmonising, streamlining and simplifying the provisions of the CAP adopted in the course of the previous reforms. The *CAP reform adopted in December 2013* mostly renewed the measures and approaches initiated during the 2008 wine reform which reorganised the way the EU wine market was managed, in order to ensure EU wine production matches demand, *eliminated the wasteful public intervention* in EU wine markets, and redirected *spending to make European*

wine more competitive. The main issues addressed *under the 2013 CMO reform* were (national support programmes)[1]: *promotion in third countries, restructuring, and conversion of vineyards, green harvesting, mutual funds, harvest insurance, investments, by-product distillation. The 2013 CMO reforms* introduced as a *new measure innovation in the wine sector* aiming at the *development of new products, processes, and technologies* concerning the wine products. Furthermore, it opened *promotion measures* to information in the Member States, with a view to informing consumers about the responsible consumption of wine and about the EU systems covering *designations of origin* (DI) and *geographical indications* (GI). It also extended the *restructuring and conversion of vineyards* to *the replanting of vineyards* where that is necessary following mandatory grubbing up for health or phytosanitary reasons. The *planting rights* regime ended in December 2015. In order to ensure an orderly growth of vine plantings during the period between 2016 and 2030, a new system for the *management of vine plantings* was established at Union level, in the form of a scheme of authorisations for vine plantings. The scheme of Authorisations for Vine plantings is based on the outcome of the High-Level Group on Vine Planting Rights organised in 2012 (EP, 2018). The rules in relation to *wine-making practices and labelling* introduced during the 2008 Wine CMO reform are still present in the new CMO (called *Other regulatory measures*). As regards the *restructuring and conversion measure*, a significant impact has been achieved for large areas of vineyards across Europe. The measure facilitates and therefore accelerates the process of *qualitative adaptation of supply to demand* and the modernisation and rationalisation of vineyards. However, the Member States have used the flexibility accorded to them in implementing the measure to select a wide range of operations to be covered as well as very different aid rates. In addition, *increases in yields which result from restructuring without any discernible impact on overall consumption partially offset the effects of grubbing-up in Spain and Italy* (European Court of Auditors, 2012)**.** Despite the Commission’s preparatory work being, for the most part, *some of its initial proposals failed to materialise, whilst the planned liberalisation of planting rights lacked sufficient research* (European Court of Auditors, 2012). Regarding the funding of wine CMO, between 2009-2013, the most popular measure was restructuring and conversion (40%), followed by promotion (12%) and Single Payment Scheme (12%). By contrast, between 2014-2018 restructuring and conversion measures reached 42%, promotion increased to 18% and SPS remanded at the same level (10%). The highest amount of funding was revived by Spain (1750 million euro), Italy (1700 million euro), and France (1400 million euro) between 2014-2018 EC (2018c). In sum, the wine CMO reform attempt to handle the wine production surplus, it balanced the EU wine market, and enhanced modernisation and rationalisation of vineyards. Furthermore, it tried to improve the quality and the competitiveness of EU wine industry. However, the new reforms were able to reduce the quantity of wine, and increased the wine quality by grubbing up prime, new wine-making practices along with labelling, the international competitiveness of the European wine sector haves lost a significant amount of their market share at the global level. While, the two largest wine consumption markets of the EU, France consumed 56.8 litres of wine per person in 2010, and Italy is slated to fall below 40 litres by 2015. It is dues to the fact that the newer generations of consumers were drinking wine at far more moderate levels than preceding generations. In contrast, across the Atlantic Ocean, the American, Canadian, Japanese, and Chinese wine markets were beginning to boom. Therefore, it is still an open question how can the EU answer for the increasing competition in world wine market and face the big amount of low-price high-quality wine coming from New World producers.

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[1] The approach of the National support programmes derived from the one adopted in the context of the 2008 Wine CMO reform.

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