"THE EU SYSTEM OF PLANTING RIGHTS:
MAIN RULES AND EFFECTIVENESS"

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INTRODUCTION

The main purpose of this working document is to offer a detailed description of the provisions in the European Union (EU) legislation regarding the transitional planting rights regime applied in the wine sector (Part I), as well as factual data on the development of production potential in the last decade and the development of market balance during the last three decades (Part II). It will be used as a supporting document for discussion in the context of the High Level Group (HLG) on wine planting rights, and presented in the first meeting on 19 April 2012.

The information here contained focuses on rules and data at EU and MS level. It does not go into a more detailed description of the implementation of the regime within each MS, including the specific rules and the developments of the wine sector at regional level. It mainly provides a general framework for presentations of Member States, although some general observations could be derived from the information analysed at a more "macro" level. The objective is not to draw firm conclusions but to initiate discussions on its advantages and disadvantages on a solid basis, and provide detailed information to all the members of the HLG – many of which are not familiar with its intricate rules and implementation.


The current rules in force, as well as the decision to end the regime form part of the reform of the wine Common Market Organisation (CMO) agreed at the end of 2007. This reform was the result of a long and difficult political discussion at Council level and at eventually reflects a delicate balance of different Member States positions and interests, the decision on planting rights having been only one of the aspects of this balance. The decision to end the transitional prohibition on planting vines at EU level after 31 December 2015 is included in article 85g, with the possibility to maintain such prohibition in Member States wishing to do so (in the whole territory or parts of the territory) until 31 December 2018.

In the preambles 58 and 59 to Council Regulation (EC) N°479/2008 it is stated that: "While transitional prohibition on new plantings has had some effect on the balance between supply and demand in the wine market, it has at the same time created an obstacle for competitive producers who wish to respond flexibly to increased demand. As a market balance has not yet been found, and as accompanying measures such as the grubbing-up scheme need time to take effect, it is expedient to keep the prohibition on new plantings in place until 31 December 2015, at which juncture, however, it should be definitely lifted in order to permit competitive producers to respond freely to market conditions. (...)."

As decided in 2007/08, the implementation of the reform of the wine CMO consists of a 'two-phase' process: the first phase (2009-2012) aimed both at achieving market balance, as well as

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1 The provisions on the transitional planting rights regime are included in the broader section on "Production potential in the wine sector" in both regulations, which includes also provisions on unlawful plantings and the grubbing-up scheme, in the case of Council Regulation (EC) N°1234/2007 this refers to Section IVa of Chapter III, Title I, Part II (articles 85a to 85x); in the case of Commission Regulation (EC) N° 555/2008 this refers to Chapters I to IV of Title IV of this regulation (articles 55 to 75).
focusing increasingly on competitiveness; and the second phase (2013-2015) aimed at strengthening improved competitiveness, which was the central objective of the whole reform.

The end of 2012 corresponds approximately to the end of the first phase. In this period the most significant aspects had to do with the implementation of the three-year grubbing-up scheme (2009-2011), the beginning of implementation of the national support programmes (NSP – 2009-2013), and of the new policy on wines with protected designation of origin (PDO) and protected geographical indication (PGI), as well as traditional terms (TT) as from 2009.

As originally foreseen, from 2013 most traditional market measures will have been phased-out in NSP, and the focus will be on structural measures and promotion in third countries (second phase). The EU wine sector should be in a position of enhanced competitiveness vis-à-vis third countries, due to the reinforced strong identity of European wines. It should safeguard vineyards in environmentally sensitive areas and provide employment in rural areas across the EU.
PART I – MAIN RULES

1. HISTORICAL PERSPECTIVE

The planting rights regime was introduced at EU level in 1976 with Council Regulation (EEC) No 1162/76 of 17 May 1976. The context in the years before 1976 was of an excessive and growing production (especially of low quality table wines) in relation to the available outlets. Following the Commission's proposal, the Council decided to introduce a ban on any new plantings, in order to limit the production of table wines and prevent structural surpluses. This ban was initially set for the period between 1 December 1976 and 30 November 1978.

In this first regulation three exceptions to the general ban were established:

1. new plantings aimed at the production of quality wines produced in a specified region (gwpsr) in the Member States where the respective production in recent years represented less than 50% of total wine production;
2. new plantings established in the context of the execution of farm development plans (Directive 72/159/CEE);
3. new plantings in Member States with an annual wine production below 5 000 hl.

In the period between 1976 and 2008 the expiring date of the planting rights regime was prolonged ten times on the basis of Council regulations\(^2\). The justifications were most frequently the permanent risk of "structural surpluses affecting the sector", "the situation on the wine sector market" or "tendency in the next few years for production to exceed foreseeable needs".

One of the main reasons for the transitional nature of the regime is the interpretation of production potential provisions in EU legislation provided by the European Court of Justice in the case-law 44/79 "Liselotte Hauer vs Land Rheinland Pfalz". The Court stated that the restrictions of new planting of vines should correspond to objectives of general interest pursued by the Community and they should not constitute a disproportionate and intolerable interference with the rights of the landowner. The prohibition on new planting of vines, laid down for a limited period by the 1976 regulation, was justified by the objectives of general interest pursued by the Community at that moment but should be temporary.

The rules on the planting rights regime in EU legislation have evolved over time. Some of the changes in the regime during this over-30 year period are worth noting:

- The exceptions to the ban were extended to new plantings intended for experimental purposes (1979), for graft nurseries (1979), related to national measures for land consolidation (1979) or compulsory purchases in the public interest (1987), or when plantings were intended for production of wine to be consumed only by the winegrower's household (1999). Since 1999 these exceptions are covered by the attribution of new planting rights.

- The threshold on the exception for quality wines psr (currently classified as wines with a PDO) was modified in 1979, being raised to "less than 60% of Member State's total wine production"; this exception was valid until 31 July 2003, on the basis of the

\(^2\) See Annex I for further information
political agreement reached during the 1999 CMO reform. From 1980 a safeguard clause was associated to this exception, and from 1984 some criteria for the use of this possibility were introduced, such as market demand situation of specific qwpsr and the existence of development plans for farm holdings. Between 1996 and 2003 (and in certain conditions even since 1990) also table wines with a geographical indication (currently classified as wine with a PGI) could be covered by the exception for quality wines, but under a limited quantity of planting rights that were distributed among the 8 wine-producing countries (a total of 10 000 ha was allocated in 1996).

- The de minimis clause for Member States that are not obliged to implement the regime was raised from 5 000 hl to 25 000 hl in 1987, and remained like that until 2008.

- The possibility was open for transfers of replanting rights between farm holdings from 1980, with rules similar to the ones in force in the present (see section 4.1 of part I of this document) including the condition that those rights can only be transferred for the production of qwpsr. However a more demanding rule existed in EU legislation between 1980 and 1999, having been removed after that – Member States had to establish a classification of land with vineyards (or land where applications have been submitted for plantings) in categories according to the suitability for wine production, and transfers of replanting rights between different holdings could only take place between holdings located in lands classified in the same category or that the holding acquiring the right was located in land with a superior category. This rule effectively prevented the transfer of replanting rights between lands of a higher category to lands of a lower category. In each Member State or region therein three categories were defined, although the definition varied according to the country and wine-growing zone as defined in EU legislation (A to CIIIb) – category 1 being always the most suitable, and generally associated to land included in qwpsr areas, located in slopes and having thin and well-drained soils of appropriate composition, and originating wines with a reasonable alcohol content; category 2 being an intermediary one; and category 3 usually including the lands located in recent alluviums, with deep soils or in the bottom of valleys and poor drainage (therefore generally in plane areas with good soils for other agricultural uses, or other conditions considered unsuitable for wine production). The last category comprised also the land located outside defined wine-growing regions.

- The establishment of reserves of planting rights and respective rules was decided during the 1999 CMO reform in order to improve the management of production potential. At that date, 68 000 ha on new planting rights were allocated to the reserves of the 8 wine-producing Member States and to a Community reserve, and were granted to beneficiaries in the following years according to the rules then introduced for the operation of reserves.

- Regarding stricter national rules on new plantings and replanting of vines, this provision exists since 1979 with very similar formulation. In 2008 it was slightly changed introducing the terminology "Member states may adopt stricter national rules in respect of the award of new planting rights or replanting rights".

The next sections will describe the current rules following the 2008 CMO reform, clarifying also what is and what is not included in them.
2. CURRENT RULES AT EU LEVEL

The basic principles currently in force at EU level are presented below.

**1st principle**

*The planting of vines and the grafting-on of wine grape varieties is prohibited.*

**2nd principle**

*The planting of vines and the grafting-on of wine grape varieties shall only be allowed if the wine grape variety is authorised, and if covered by a new planting right, a replanting right or a planted right granted from a reserve.*

*The planting rights granted are expressed in number of hectares.*

These 2 principles allow establishing a form of supply limitation for the wine sector which is different from the regimes applied to other sectors under the CAP, such as milk and sugar. The regime applied in the wine sector does not impose an explicit limit to the quantity of grapes or volume of wine produced by each producing Member State in a given year - no volume ceilings were established in EU legislation. Volumes are influenced by the predominant vine-planting systems in place (characterized by the varieties used, the average age of the vineyards and planting densities, the conduction systems, the vineyard management techniques, etc.), by the maximum alcohol content and policy on enrichment, by the commercial outlets available, and certainly by soil and climate conditions.

The stated aim is to control "production potential" via a control of the expansion of vineyard surfaces. The limit imposed by the regime is set by the existing vineyard surface and the free planting rights that may be used by current or potential wine-growers. Any vines planted or grafting-on made without a corresponding planting right results in unlawful plantings, which Member States have to remove.

Due to the specificity of defining quantitative limits in terms of hectares (and not hectolitres of wine for example) the regime is rather linked to territorial aspects compared to other systems of supply limitation. However, it can hardly be considered per se as a very effective tool for controlling volumes produced, and therefore to prevent excessive supply of grapes or wine in the EU market.

**3rd principle**

*The regime is not applied in Member States that did not apply it in 2007, therefore those where wine production did not exceed at that time 25 000 hl per wine year.*

This *de minimis* principle acknowledges that in certain Member States wine production is very small and has no impact on the EU market. Therefore it recognizes that it would be disproportionate to establish a heavy administrative system in such cases. In practice 11 northern European Member States are currently exempted from applying the system.
United Kingdom, Ireland, Denmark, Sweden, Finland, Belgium, Netherlands, Estonia, Latvia, Lithuania and Poland. The remaining 16 Member States apply the system.

4th principle

*Planting rights cannot be transferred between Member States implementing the regime.*

5th principle

*Member States shall create a national reserve or regional reserves of planting rights, or decide not to have a reserve provided an alternative system for managing planting rights exists throughout their territory.*

The EU rules foresee the obligation to effectively manage planting rights. The establishment and proper functioning of reserves is the main tool, but alternative systems are possible.

The reserves may have a more or less important role in the management of planting rights, depending on the Member States decisions. They receive planting rights not used in prescribed periods and may grant them to current or potential wine-growers.

The management of production potential can however not involve transfers of planting rights between certain Member States with significant available number of rights, and other Member States with a shortage of those rights – it can only be done only at national or regional level.

6th principle

*Member States may adopt stricter national rules in respect of the award of new planting rights or replanting rights.*

This principle, coupled with the management of reserves, allows for an ample margin of manoeuvre for Member States or regions therein to restrict the access to available planting rights and therefore influence the development of vineyard surfaces in concerned territories.

3. TYPES OF PLANTING RIGHTS AND THEIR SPECIFICITIES

As mentioned above, the planting of vines or grafting-on can only be done through the use of a planting right.
A current or potential wine-grower$^3$ who decides to restructure his existing vineyard, to expand his vineyard surface or to start a vineyard surface in his farm holding, needs to acquire one (or more) of the three types of planting rights illustrated above. The choice will be influenced by the type of project to be implemented, by restrictions of use associated to the different types of planting rights, by the availability of specific types of rights, and by the value/price at which they can be acquired.

The economic decision by a producer to plant a vine or graft-on cannot be seen as dependent only of market signals. The availability of the required quantity of rights or the conditions required for its use may be crucial to determine whether a projected investment can take place or not.

A more detailed description of the EU rules on different types of planting rights is presented in the next sections.

3.1. New planting rights

Member States may grant new planting rights to producers in respect of areas:

- Intended for new plantings carried out under measures for land consolidation or measures concerning compulsory purchases in the public interest adopted under national legislation
- Intended for experimental purposes
- Intended for graft nurseries
- Intended solely for the production of grapevine products destined for the consumption by the wine-grower's household

This type of rights offers therefore very limited possibilities of use. It concerns mostly exceptions to the main rule, and uses which do not affect the wine markets. This type of rights cannot be traded, is strictly linked to specific uses mentioned above, and has a validity of 2 years after which it is re-allocated to the reserve or extinguished. The grubbing-up of vine areas planted with new planting rights cannot generate replanting rights.

3.2. Replanting rights

In many Member States and regions therein, the use of replanting rights is the most common way for a current or potential wine-grower to be able to plant vines or to graft-on in order to produce marketable grapes or wine (see data presented in part II of this document).

**Definition**

*A replanting right is a type of planting right granted to a wine-grower who has grubbed-up (or committed to grub-up) an area with vines (without grubbing-up subsidies). If not used, it expires after a maximum of 8 years since being issued.*

The wine-grower receiving a replanting right has one of two options:

$^3$ That is, a natural or legal person, or a group of natural or legal persons, whose farm holding is situated within EU territory, and who farms an area planted with vines.
1) To activate it in his own farm holding, thereby re-planting a part (or all) of his vineyard, without increasing the total vineyard surface of his holding;

2) To transfer this replanting right to another wine-grower or to a reserve.

If the first option is followed, the wine-grower needs to obtain a replanting right from the relevant administrative body in the Member State, after having grubbed-up a specific area with existing vines in his farm holding (or committed to do so within 3 years). This implies a relatively straightforward procedure and the wine grower has ample possibilities to use the replanting right for setting up a new vineyard with substantially different characteristics of the grubbed-up one. No provision in EU rules prevents the replanting of vineyards with higher yields per hectare, or with the aim of producing wines without geographical indication (GI).

The only rule is quantitative and consists in the following:

| Rule 1 |
| Replanting rights granted shall correspond to the equivalent of the grubbed-up area in terms of pure crop. |

In practical terms, this means that a reduction coefficient should be applied by the administration only when granting the replanting rights in respect of areas of a farm holding where vines are mixed with other crops (e.g. vineyards and olive trees or fruit trees).

Further considerations regarding the second option will be included in section 4.

3.3. Planting rights granted from a Reserve

The main role of reserves is to improve management of production potential. They may have the following functions:

- *Avoid the extinction of planting rights* - in case planting rights are not used in the prescribed period\(^4\) they are allocated to the reserves, thereby avoiding the loss of production potential for a Member State or region therein. However, in case a planting right in the reserve is not granted within 5 years it shall be extinguished.

- *Acquiring re-planting rights from producers* - this may be done against a payment from national funds or without payment, and other conditions for this transfer may also be set by the Member State\(^5\).

- *Granting planting rights to producers*

When granting planting rights from a reserve to producers, the following rules/criteria shall apply:

\(^4\) The validity of different types of planting rights in the hands of producers is the following: i) New planting rights - 2 years; ii) Re-planting rights – 8 years; iii) Planting rights granted from the reserve – 2 years.

\(^5\) The purchase of replanting rights by a reserve may be seen as equivalent to a grubbing-up subsidy.
Rule 1
*The location, the varieties and the cultivation techniques used guarantee that the subsequent production is adapted to market demand.*

These *qualitative* criteria seem to suggest that planting rights granted from the reserve should be used for the production of PDO/PGI wines. Nevertheless this condition is *not* explicitly set, which gives margin for Member States to decide on the exact criteria to implement at national or regional level.

These criteria may also allow taking into account territorial considerations. For example, it may be decided that no planting rights are granted from the reserve to certain regions of a Member State, to certain types of soil-climate conditions or for the establishment of vineyards which do not respect certain technical specifications, as long as this is justified with "*lack of adaptation to market demand*".

Rule 2
*The yields concerned are typical of the average in the region, in particular where planting rights originating in non-irrigated areas are used in irrigated areas*.

This *quantitative* criterion refers explicitly to yields and aim at ensuring that overall production potential is not increased with the re-allocation of planting rights via the operation of reserves. The possibility of applying reduction coefficients is therefore foreseen.

The scheme below illustrates how the transfers of planting rights may take place between different reserves and with the wine-growers at Member State level.

In what concerns the economic aspect, the granting of planting rights from a reserve (national or regional) may be done without payment or against payment:
• **without payment** – only to young farmers\(^6\), who possess adequate occupational skills and competences, who are setting-up for the first time and who are established as the head of the holding;

• **against payment**\(^7\) - to producers who intend to use the rights to plant vineyards whose production has an assured outlet; in this case Member States shall define the criteria for setting the amounts of the payment, which may vary depending on the final intended product of the vineyards concerned.

The setting of the "selling price" of rights from the reserve(s), as well as the "buying price" in case this is implemented by Member States or regions therein, may have a significant influence for the acquisition of planting rights by current or potential wine growers.

The value by which planting rights can be acquired may constitute a significant barrier for the expansion of the sector. If the value is high in relation to the total investment necessary to establish a vineyard, and the expected return on investment takes too many years, the investment decision may be prevented even if planting rights are available.

The reserve(s) may therefore have an influential role in regulating the market price of planting rights, in particular on the conditions for the transaction of replanting rights between farm holdings (see section 4). If there is a substantial number of planting rights in the reserve(s) and the price set is relatively low, there would be no incentive for a current or potential wine-grower to acquire replanting rights from another wine-grower at a higher price – this can also contribute to keep the market price of replanting rights at a controlled level.

However, if the "selling price" of the reserve(s) is high, or the number of planting rights in the reserve(s) is low in relation to total demand from current or potential wine growers, then the market price of replanting rights may go up even if the price set by the reserve(s) is low. The relative scarcity of replanting rights in the market may then have a strong influence on the price. Speculative phenomena may arise, and aggravated if significant restrictions on the transfer of replanting rights exist within a Member State. In this situation, the most feasible way to enter the sector or expand the farm holding's surface may be to purchase existing land with vineyards from another wine-growing holding. The operation of the planting rights' regime may therefore lead to speculative increases of the patrimonial value of land with vineyards.

### 4. TRANSFERS OF REPLANTING RIGHTS BETWEEN FARM HOLDINGS

The flexibility by which replanting rights can be transferred between farm holdings and within a Member State's territory is an important element in the overall management of production potential.

The EU rules impose certain limitations on such transfers which are presented and discussed below for different types of planting rights. Room is also given to Member States to go further. As an example, the possibility is given for Member States not to authorise transfers of

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\(^6\) Producers who are under 40 years old.

\(^7\) Into national or regional funds.
replanting rights between holdings, or even to stipulate that replanting rights can only be exercised in the area of the holding where the grubbing-up was carried out. In practice most Member States do not implement such strict rules on transfers of replanting rights.

In this case, a wine-grower that obtained a replanting right by grubbing-up part of the vineyard area in his holding can transfer this right to another farm holding, usually in exchange for a monetary value. The acquirer may be a current wine-grower wishing to expand his vine area, but may also be a newcomer to the sector wishing to establish new plantings.

In case it is unfeasible to obtain a replanting right, the alternatives for an acquiree are either to apply to a reserve, to purchase land with vineyards from another holding or to rent it.

The transfer of a replanting right between farm holdings implies the respect of more or less strict quantitative and qualitative rules set in EU legislation.

The quantitative rule is the following:

**Rule 1**

*Member States shall ensure that the transfer of replanting rights between holdings within the same MS does not lead to an overall increase in production potential on their territory, in particular when transfers are made from non-irrigated areas to irrigated areas.*

The practical implementation of this rule implies the application of a reduction coefficient by the administration when granting replanting rights, if an existing vineyard surface is replaced by another one in a different location with the potential to have higher yields per hectare.

On the other hand, no increase coefficient is foreseen in case the vineyard to be planted with a replanting right leads to a reduction of yields per hectare. EU rules therefore aim at ensuring a progressive reduction of the overall production potential, in the case of transfers of replanting rights between different holdings.

A qualitative rule is also foreseen:

**Rule 2**

*The transfer of replanting rights between different farm holdings is only authorized if the vineyard surface to be planted on the holding acquiring the rights is intended for the production of wines with a protected designation of origin (PDO) or a protected geographical indication (PGI).*

The two following consequences can be derived from this EU-wide rule, which is of major relevance for the discussion on the effects of the end of the transitional planting rights regime:

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8 Be it a potential wine-grower that wants to establish a new vineyard in his holding, or a current wine-grower that wants to increase his vineyard surface.

9 In this case, no quantitative/qualitative rules or restrictions are foreseen in EU legislation. In case of purchase of another farm holding (or part of it), the replanting rights in the hands of the seller may be acquired by the buyer.
• **1st consequence** - It is not possible for a potential wine-grower to activate replanting rights acquired from an existing wine-growing holding, if his farm holding is located in an area of the respective Member State's territory which is not eligible for the production of PDO or PGI wines.

In Member States where the entire territory is covered by areas eligible for the production of PDO or PGI, the first restriction does not apply (mostly located in the south of Europe). On the other hand in Member States where wine growing is traditionally located in specific regions (as mostly the case in Central and Eastern Europe), which nowadays correspond to PDO/PGI regions, the use of replanting rights acquired from other wine-growing holdings is limited to those regions only.

• **2nd consequence** - The rule also excludes the possibility for a potential wine-grower to activate replanting rights acquired from an existing wine-growing holding, if the declared purpose is the production of wines without GI. The planting of vines or grafting-on in farm holdings located within PDO/PGI areas with the explicit purpose of producing wines without GI is therefore prohibited.

This rule effectively restricts the development of vineyard surfaces for the production of wines without GI (including **varietal** wines), both within and outside areas eligible for the production of wines with PDO/PGI, even in the case of wide availability of unused replanting rights in a Member State or region therein.

5. **STRICTER NATIONAL RULES**

The rules presented above on new planting rights and replanting rights are common to all Member States applying the regime. However, under the principle of "**stricter national rules**", Member States may go beyond these and impose rules at national or regional level on the award of replanting rights (or new planting rights) that are not explicit in EU legislation currently in force. Examples of restrictions associated to those rules include:

- Quantitative restrictions on the maximum number of replanting rights that may be acquired by a single farm holding in a single year;

- Quantitative restrictions on the number of replanting rights that may be acquired annually for the production of a wine with PDO or PGI in respective production areas;

- Quantitative restrictions defined at regional level for total use of replanting rights, or related to transfers between regions within a Member State's territory;

- Qualitative restrictions on transfers of replanting rights according to features of the territorial location of vineyard, such as the slope gradient, exposition to the sun, soil type, potential for wines with minimum alcohol content, etc.

- Qualitative restrictions on the technical aspects of planting and management of vineyards (varieties used, conduction methods, etc.), including for example reduction coefficients associated to the transfer of replanting rights depending on the classification of a variety;

- Restrictions on the type of applicant that may be authorised to use a transferred replanting right (family farmer vs. large economic groups).
6. UNLAWFUL PLANTINGS

The current EU rules establish that producers shall grub up at their own cost areas planted with vines without a corresponding planting right – these areas are considered as unlawful plantings. Member States must impose penalties on producers who have not complied with this obligation, the basic financial penalty being 12 000 EUR/ha/year until the grubbing-up is done.\(^\text{10}\)

Furthermore, the grapevine products originating in such areas have to be distilled at the expense of the producer, and the resulting products can only be used in the preparation of alcohol having an actual alcoholic strength by volume of more than 80%. The non-compliance with these rules also leads to the imposition of penalties.

The CMO reform of 2008 opened the possibility for regularisation of unlawful plantings planted before 1 September 1998. In this case producers could do this regularisation against the payment of a fee between 1 January and 31 December 2009.

In order to ensure the enforcement of these rules, Member States must put in place appropriate control systems and procedures. Administrative capacity must therefore be in place to manage the vineyard register, the planting rights register, and all associated controls on the ground. The non-compliance with EU rules may lead to important financial corrections in the framework of controls by the Commission.

7. CONCLUDING OBSERVATIONS (Part I)

The previous sections of this document provide a historical perspective and factual description of the principles/rules and functioning of the different types of planting rights, as established in EU rules. They provide the legal and economic framework under which a current or potential wine-grower needs to take his investment decisions to plant vines.

Apart from the market signals (prices of grapes or wine, setting-up and running costs, expectations of profitability, etc.), the availability of planting rights, the restrictions associated to its use (either qualitative or quantitative) and the market price of those rights - all have an influence in the decision of a holding to invest and on the type of production strategy it will follow. The more barriers are established by the implementation of this regime, the more likely it is that investments that would otherwise take place will be prevented. On the other hand, such barriers may also slow down the exit of less competitive wine-growers from the sector and the associated structural changes.

The EU legislation however only foresees some principles and rules. Significant latitude is given to Member States and regions therein to adapt the implementation of the regime and influence the development of the respective wine sector. A distinction should therefore be made between rules at EU level and at national/regional levels in specific Member States.

As defined in EU rules, the transitional planting rights regime has some of the following characteristics/functions:

\(^{10}\) Contrary to other supply limitation regimes at EU level, in the case of planting rights the financial amounts collected from penalties are retained at Member State level – no transfers to EU budget.
What it DOES

✓ It limits the growth of the total wine-growing areas. The growth limit in total areas is represented by the total amount of planting rights available in a Member State.

✓ It slows down and creates effective barriers for adjustments in the sector. The planting rights have most of the times a cost to be acquired, which may influence the decision to invest in the sector. The regime therefore keeps the existing wine-growers more shielded from competitive pressures than it would be the case without, thereby decreasing the pace of structural change and innovation.

✓ In case of transfers of replanting rights between different farm holdings it prevents an increase in average yields.

✓ In case of transfers of replanting rights between different farm holdings it avoids the development of vineyards for the production of wines without PDO/PGI.

What it DOESN' T do

✓ It does not allow controlling total quantity of wine production effectively, although by imposing a limit on the total area it indirectly sets a maximum limit on wine production – this limit is related to the maximum yield that may be physically obtained from the total existing/potential wine-growing areas of a Member State.

✓ It does not avoid the increase of yields or a change to the production of wine without GI in the case of restructuring of own-farm vineyards. It therefore gives margin for current wine-growers to change the production strategy of their farm holding as long as not increasing total wine-growing area.

✓ It does not foresee a limitation in the total number of planting rights that a beneficiary can acquire yearly. Therefore it doesn't set specific limits on the growth of the wine-growing area per holding, or on the installation of large new plantings in a short time period.

✓ It does not foresee a limitation in the number of planting rights that can be acquired in a certain period for the production of specific wines with PDO or PGI. Therefore, there are no explicit rules at EU level linked to supply management of PDO/PGI in what concerns plantings.

✓ It does not include effective rules to discipline location of vineyards within the Member State's territory. Apart from the rule not allowing for transfers of replanting rights to farm holdings outside areas covered by a PDO or a PGI, there is no explicit rule related suitability of land for wine-growing – thereby limiting transfers of vineyard surfaces between locations with different relief characteristics (slopes to plains) or different types of soils (thin and calcareous/schistic to deep and badly drained alluvial plains) and climate.

✓ It does not set explicitly a limitation on entering and exit of planting rights between different regions within a Member State's territory.
PART II – INDICATORS

8. PRODUCTION POTENTIAL INDICATORS

The tables included in annex II present information on the development of different indicators related to the total production potential of the 16 Member States (MS) implementing the transitional planting rights regime. The total production potential can be represented by the formula below:\(^1\):

\[
\text{PrdPot} = \text{WnGrAr} + (\text{RepRts} + \text{ResRts} + \text{RtsAlt})
\]

The presentation of this information is relevant for discussions on the functioning of the transitional planting rights regime in different MS in the past decade, as well as on its effectiveness in constraining the growth of production potential at MS level.

8.1. Evolution of wine-growing areas

MS submit annually to the Commission updated information on the inventory of wine-growing areas\(^2\).

Table II.1 below (and Table 1 of Annex II) presents data for four years of the last decade, allowing to observe the evolution in the total wine-growing areas: 2000/01 represents the first year after the CMO reform of 1999; 2004/05 includes for the first time the new MS that acceded to the EU in 2004; 2007/2008 includes for the first time Bulgaria and Romania, but also represents the year before the CMO reform of 2008; and, finally, 2010/11 concerns the latest year with available information, and also allows to take into account the end of the implementation of the three-year grubbing-up scheme that was one of the key measures of the 2008 CMO reform.

In 2000/01, the eight wine-producing MS that were already members of the EU at the time had a total of over 3.2 Mio ha of wine-growing areas. In 2010/11 the same countries had less than 2.9 Mio ha, that is a reduction of around 380 000 ha in ten years (12% decrease). Most of this reduction took place after 2007/08 (7%, or around 220 000 ha), but the decrease developed progressively over the whole period.

However, differences can be noted among MS. In Spain (ES) and Italy (IT) the decrease reached 14% over the ten-year period (more than 150 000 ha lost in ES, and 110 000 ha in IT), while on the other hand in Portugal (PT) and Germany (DE) it remained almost constant (-1% decrease). In the last three years the largest decreases took place in ES and Austria (AT) (12% and 8%, respectively), while in France (FR), IT and Greece (EL) a reduction of around 5% could be observed.

---

\(^1\) PrdPot = Total production Potential; WnGrAr = Total wine-growing areas; RepRts = Replanting rights held by producers; ResRts = Planting rights in the reserve; RtsAlt = Planting rights allocated but not yet used.

\(^2\) Article 185a of Council Regulation (EC) N°1234/07 of 22 October 2007; the information sent by Member States on the 1 March of each year corresponds to observations registered on the 31 July of the previous year (e.g. the wine-growing areas declared on 1 March 2012 correspond to the area in the respective vineyard register on 31 July 2011).
Table II.1 – Wine-growing areas per Member State in 4 wine years of the last decade (ha)

<table>
<thead>
<tr>
<th>Member State</th>
<th>2000/01</th>
<th>2004/05</th>
<th>2007/08</th>
<th>2010/11</th>
<th>% MS in 2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1,124,433</td>
<td>1,104,512</td>
<td>1,098,453</td>
<td>968,208</td>
<td>29,6%</td>
</tr>
<tr>
<td>France</td>
<td>902,908</td>
<td>897,066</td>
<td>848,428</td>
<td>805,241</td>
<td>24,6%</td>
</tr>
<tr>
<td>Italy</td>
<td>772,513</td>
<td>726,955</td>
<td>700,076</td>
<td>663,905</td>
<td>20,2%</td>
</tr>
<tr>
<td>Portugal</td>
<td>238,073</td>
<td>236,704</td>
<td>240,051</td>
<td>236,817</td>
<td>7,2%</td>
</tr>
<tr>
<td>Germany</td>
<td>104,211</td>
<td>102,463</td>
<td>102,531</td>
<td>102,671</td>
<td>3,1%</td>
</tr>
<tr>
<td>Greece</td>
<td>77,589</td>
<td>66,662</td>
<td>71,010</td>
<td>67,333</td>
<td>2,1%</td>
</tr>
<tr>
<td>Austria</td>
<td>50,456</td>
<td>50,968</td>
<td>50,013</td>
<td>48,092</td>
<td>1,4%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1,342</td>
<td>1,300</td>
<td>1,269</td>
<td>1,274</td>
<td>0,0%</td>
</tr>
<tr>
<td><strong>8 Old MS (EU-8)</strong></td>
<td><strong>3,271,526</strong></td>
<td><strong>3,186,720</strong></td>
<td><strong>3,111,051</strong></td>
<td><strong>2,892,630</strong></td>
<td><strong>88,3%</strong></td>
</tr>
<tr>
<td>Hungary</td>
<td>86,400</td>
<td>81,852</td>
<td>71,702</td>
<td>71,702</td>
<td>2,2%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>21,531</td>
<td>20,777</td>
<td>18,971</td>
<td>18,971</td>
<td>0,6%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>19,107</td>
<td>17,419</td>
<td>17,370</td>
<td>17,370</td>
<td>0,5%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>16,597</td>
<td>17,364</td>
<td>16,041</td>
<td>16,041</td>
<td>0,5%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>15,047</td>
<td>13,593</td>
<td>9,066</td>
<td>9,066</td>
<td>0,3%</td>
</tr>
<tr>
<td>Malta</td>
<td>849</td>
<td>910</td>
<td>692</td>
<td>692</td>
<td>0,0%</td>
</tr>
<tr>
<td><strong>6 New MS (EU-6)</strong></td>
<td><strong>159,522</strong></td>
<td><strong>151,916</strong></td>
<td><strong>133,932</strong></td>
<td><strong>133,932</strong></td>
<td><strong>4,1%</strong></td>
</tr>
<tr>
<td>Romania</td>
<td>161,005</td>
<td>161,770</td>
<td>161,770</td>
<td>161,770</td>
<td>5,5%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>104,335</td>
<td>68,447</td>
<td>68,447</td>
<td>68,447</td>
<td>2,1%</td>
</tr>
<tr>
<td><strong>2 New MS (EU-2)</strong></td>
<td><strong>285,940</strong></td>
<td><strong>260,617</strong></td>
<td><strong>260,617</strong></td>
<td><strong>260,617</strong></td>
<td><strong>7,6%</strong></td>
</tr>
<tr>
<td><strong>EU-Total</strong></td>
<td><strong>3,271,526</strong></td>
<td><strong>3,346,242</strong></td>
<td><strong>3,549,707</strong></td>
<td><strong>3,277,179</strong></td>
<td><strong>100,0%</strong></td>
</tr>
</tbody>
</table>

Source: MS annual communications to the Commission - compilation DG AGRI

In 2004/05 the accession of six new wine-producing countries brought around 160 000 ha of new wine-growing areas, which did not represent a very substantial increase of total existing area (around 5%). In 2010/11 the total of wine-growing areas in these countries, as communicated to the Commission, had decreased to 134 000 ha - a reduction of 16%, larger than for the eight older Member States in the same period. The accession into the EU was followed by a decrease in wine-growing areas in the six countries, having most of the decrease taken place after 2007 (12% or 8 000 ha). The most dramatic decrease took place in the case of Cyprus (CY), where it reached 40% in six years. The decrease was more moderate in the Czech Republic (CZ) and in Slovenia (SL) (9% and 3%, respectively), and closer to the average for these six countries in Hungary (HU) and Slovakia (SK) (17% and 12%, respectively).

The enlargement to Romania (RO) and Bulgaria (BG) in 2007 represented a larger increase in total wine-growing areas than the one of 2004. Over 285 000 ha were added, representing an increase of 8% of the total EU areas. Since 2007 a 12% decrease could be observed, representing a loss of approximately 35 000 ha. However, all this decrease took place in BG, while in RO a very slight increase could be observed in the same period.

Graph II.1 below presents the variations in the wine-growing areas corresponding to the periods 2001/01-2010/11 (for the eight Old MS), 2004-05-2010/11 (for the six New MS acceding in 2004) and 2007/08-2010/11 (for RO and BG). The EU-Total compares the area of the eight wine-producing MS in 2000/01 with the one for the sixteen current wine-producing MS in 2010/11.
Overall, the total extension of wine-growing areas in 2010/11 for the 16 reporting MS reached **3,277,179 hectares**. This is only slightly larger than the total for 2000/01, despite the enlargement of the EU to eight new wine-producing countries. There was therefore a substantial overall reduction verified in the large majority of Member States (the exceptions being DE, PT and RO), but more important in the new Member States in relative terms. For this last year the three largest wine-producing MS represented 74.4% of the total EU areas, ES continuing to have the largest area (29.5% of EU total). The eight New MS represented around 12% of total areas.

**8.2. Impact of the grubbing-up scheme on the evolution of wine-growing areas**

The three-year grubbing-up scheme implemented at EU level\(^{13}\) was a key measure of the 2008 Wine CMO Reform aiming at reducing the overall production potential and contributing to a better quantitative and qualitative balance between supply and demand in the EU market.

As indicated in Table 2 of Annex II\(^{14}\), over the recently concluded three-year period of implementation a total of **161,164 ha** were grubbed-up with a premium across the EU – this represents **5%** of the total EU wine growing-areas existing in 2007/08.

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\(^{13}\) As established in Subsection III (Articles 85o to 85x), Section IVa of Chapter III, Title I, Part II of Council Regulation (EC) N° 1234/2007.

\(^{14}\) Presenting data received by the Commission via MS communications on the three years of implementation of the grubbing-up scheme (as foreseen in Article 73 of Commission Regulation No 555/2008 of 27/06/08).
The comparison between this information and the data received from MS on the inventory of wine-growing areas allows to estimate not only the share of total existing areas in 2007/08 (year zero of reform implementation) that were subject to the scheme, but also on the importance the areas grubbed-up with premium had in the overall variation of wine-growing areas per MS. The latter comparison will allow to verify if the overall decrease in wine-growing areas was mostly due to the implementation of the scheme or to other factors. Graph II.2 below and Table 2 of Annex II present the data analysed.

Graph II.2: Evolution of wine-growing areas and impact of grubbing-up in the period 2007/08 – 2010/11 (%)

Globally for the EU, the area grubbed-up with premium in the period of implementation of the scheme (2007/08 to 2010/11) represented 59% of the total decrease of wine-growing areas in the same period - 272,528 ha. Therefore, on the basis of this data, over 41% of the reduction of wine-growing areas in this period took place without a financial incentive from EU funds. The trend since 2007, and more broadly in the last decade, is of a pronounced decrease of areas in the period following the 2008 CMO reform, going significantly beyond the impact of the grubbing-up scheme.

Nevertheless significant differences can be observed among wine-producing countries. In FR and EL the subsidised grubbing-up represented 3% of the area existing in 2007/08 and 54% of total reduction in wine-growing areas. In IT it represented 4% of the total area and 79% of area reduction, while in ES 9% of total area and 72% of the reduction. In AT and Luxembourg (LU) on the other hand the total area reduction was much stronger than the subsidized grubbing up (21% and 13%, respectively), although while in AT the surface grubbed-up with premium reached 2% of total existing areas in 2007/08, in LU the scheme was practically not implemented (2 ha only).

The cases of DE and PT are more particular: in the case of DE the subsidized grubbing-up was very low (100 ha) and the country's total area increased slightly by 140 ha; in the case of
PT the reduction in the country's wine-growing areas was smaller than the total area grubbed-up with premium (3 922 ha, or 2% of total area in 2007/08).

In what concerns the newer MS, the grubbing-up scheme was not implemented in Malta (MT) and had a very limited implementation in CZ and BG. For RO, despite the 800 ha grubbed-up with premium (less than 0.5% of existing area in 2007/08), the total wine-growing areas increased – similar situation to the one for DE.

For the remaining new wine-producing MS, the importance of the subsidized grubbing-up in total area reduction varied from 14% in SL until 57% in HU and approximately 35% for SK and CY. Furthermore, the areas grubbed-up with premium represented 13% of total existing areas in 2007/08 for CY, 7% for HU, 3% for SK and 1% for SL. Except for RO, the reduction in the total wine-growing areas was considerably larger than the subsidized grubbing-up, but only in CY, HU and SK the total of grubbed-up areas with premium represented a significant share of the total existing surface in 2007/08.

8.3. Planting rights and structure of production potential in 2010/11

The latest information available on the total production potential\(^{15}\) relates to the end of the 2010/11 and beginning of the 2011/12 wine years (31 July 2011). A total of 296 141 ha were available at this date in the form of non-used planting rights (against a total wine-growing area of 3.3 Mio ha), which represents \textbf{8.3\% of the total production potential} (3 573 370 ha).

In 2000/01 the total number of non-used planting rights was 218 026 ha, representing around 6\% of total production potential (against a total area of 3.27 Mio ha) – this for the eight wine-producing countries at the time. Over the last decade the trend was of an increase in the proportion of non-used planting rights in total production potential (both for old and new MS), consistent with a regression in wine-growing areas (which normally generate planting rights). The total number of planting rights available to be used has therefore increased. The growth in wine-growing areas became less and less constrained by the total availability of planting rights at EU level and in most MS over the last decade.

As shown in graph II.3 below (and Table 3 of Annex II), there are nevertheless important differences between MS:

- The three largest wine-producing Member States (ES, FR and IT), as well as RO, do not seem to be significantly constrained by the availability of planting rights – these represent 7.4\% of total production potential in IT, 7.7\% in FR, 7.9\% in RO and 9.1\% in ES\(^{16}\).

- EL seems to be the country most limited by the regime, with only 1\% of the total production potential in the form of planting rights. In total only 675 ha of planting rights can be used against a total existing area of 68 005 ha.

\(^{15}\) The Commission receives annually on 1 March communications from MS with updated information on the inventory of planting rights, as foreseen in article 185a of Council Regulation (EC) No 1234/07 of 22 October 2007.

\(^{16}\) In absolute values this adds to a total of 233 435 ha for the 3 largest MS, or 79\% of total number of non-used planting rights in the EU.
- DE, CY, LU and PT also seem considerably limited by the regime, with less than 5% of total production potential in the form of planting rights (in particular the first three with less than 3%). In practice it may be difficult for current or potential wine growers to obtain planting rights from reserves or from other producers. In these MS (as well as in EL), the regime may constitute therefore an important barrier to the entry of new producers or expansion of existing ones (thus for the sector as a whole) and the expansion of wine growing areas at national level on the basis of new plantings.

- In contrast, in AT and MT the planting rights represent over 20% of total production potential. The number of available rights can hardly pose any restriction to the expansion of the sector in the short to medium-term.

- In BG, HU, CZ, SK, and SL the planting rights represent between 10% and 20% of total production potential, therefore no significant barrier also.

Graph II.3: Share of planting rights in total production potential in 2010/11 (%)

Source: MS communications - compilation DG AGRI

Graph II.4 below allows to visualize the relative position of each MS in relation to the way wine-growing areas developed in the past decade\(^{17}\) (illustrated in section 1.2) and the share of planting rights available to be used in 2010/11. MS are divided in 4 quadrants with comparable characteristics on the basis of selected thresholds\(^{18}\). The ones on the lower quadrants are the ones for which the regime is most limiting for the expansion of the sector as a whole, especially the three MS on the lower right quadrant that show a relatively stable total area; conversely EL and CY show a high decreasing trend in areas, therefore little tendency

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\(^{18}\) The 8 older MS represented in green, and the 8 newer MS in orange.
for expansion. The MS on the higher quadrants are less limited by the regime, and in the extreme case of BG not only there is a high share of non-used planting rights relative to total area, but the tendency for area decrease is quite strong in recent years.

Graph II.4 : Position of each MS in relation to indicators of production potential (%)

![Production Potential indicators - position per MS](image)

In what concerns the type of planting rights\(^\text{19}\), out of the total number available in 2010/11:

- 76% are replanting rights held by producers (225,986 ha),
- 20% are planting rights in reserves (59,388 ha), and
- 4% are planting rights allocated to producers but not yet used\(^\text{20}\) (10,817 ha).

This shows that over three quarters of available planting rights are not in reserves, but in the hands of wine growers who may use them in their own farm holdings or transfer them to other producers if MS so authorise and subject to the EU rules and the stricter national or regional rules applicable. Graph II.5 below (and Table 3 of Annex II) provides a comparison between MS on the share of planting rights per type.

The importance of the different types of planting rights can also vary widely between countries. In the eight older MS an average of 82% of the total number are replanting rights held by producers, while for the eight newer MS only 44% are in the same category (the remainder being rights in the reserves) - the EU average is of 76%.

\(^{19}\) Part I of this document explains the specificities of each type of rights.

\(^{20}\) That is, planting rights granted by the reserve(s) to producers but still not activated; if not used in 2 years they are re-allocated back to the reserve.
Concerning the larger wine-producing countries, ES and FR have a larger share of planting rights in reserves (16% and 19% respectively) than IT, DE or PT where the planting rights in reserves represent less than 10% of total. This is also linked to the importance of reserves in the management of production potential - it is relatively more important in FR than in PT or IT, for example. However, for these MS the rules associated to use and transfers of replanting rights have in principle a more important role than the reserves' in the management of production potential.

On the contrary, in SL and BG the planting rights in the reserve represent around 80% of total. In HU, CZ and SK over 40% of planting rights are in reserves. In these MS the national or regional rules associated to the functioning of reserves (and respective priorities) are therefore of significant importance for the development of the respective wine sectors.

9. MARKET BALANCE INDICATORS

The information included in this section (and in related annexes) provides an overview of developments in some key economic indicators for the EU wine sector in the past thirty years (1980/81 until 2010/11).

The purpose is to relate developments in the main indicator of production potential (wine-growing areas) with the developments in the production of wine and respective yields over time, as well as the use of CMO market measures financed by the EU budget. This will allow drawing some observations on the effectiveness of the transitional planting rights regime in regulating the supply of wines in the EU over the last three decades.
9.1. Yields

Graph II.6 presents the development of yields in the main wine-producing Member States: Italy (IT), France (FR), Spain (ES), Germany (DE) and Portugal (PT).

Graph II.6: Evolution of yields (hl/ha) in the wine sector (1980/81 – 2010/11)

Wine sector Yields (hl/ha)

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications - compilation DG AGRI

The data presented allow drawing two main observations regarding the effects of the implementation of the planting rights regime across the EU:

i. Average yields\(^{21}\) are very different between MS (and also regions therein). A planting right corresponding to 1 ha gives origin on average in 2010/11 to 90 hl of wine in DE, 70 hl in IT, less than 60 in FR, 40 hl in ES and 30 hl in PT, for an EU average of less than 50 hl;

ii. These average yields have evolved over time going beyond developments caused by climatic events. In DE the respective value decreased from over 100 hl/ha in the early 1980’s to approximately 90 hl/ha in 2010/11. On the other hand, ES saw an average increase from around 20 hl/ha at the time of its accession in 1986 to almost 40 hl/ha in the same period. FR saw decreases from around 65 hl/ha to less than 60 hl/ha and PT from approximately 40 hl/ha to less than 30 hl/ha, while IT showed more stability with only a very slight increase to close to 70 hl/ha. The EU average\(^{22}\) has shown a decrease from close to 60 hl/ha in 1980/81 to approximately 45 hl/ha in 2010/11; the main moment for this decrease coincided with the accession of ES and PT in 1986,

\(^{21}\) As measured by the linear trend lines associated to each of the MS curves.

\(^{22}\) Including all MS and taking into account all the enlargements since 1980/81.
due to the integration of a very large area of vineyards with lower yields than the original MS - thereby bringing the EU average down.

The developments that take place in yields (and therefore total supply) for each MS depend mostly on the climatic conditions of each wine year. However, other factors of a more structural nature can influence a change in yields and production over time. These factors include the restructuring of vineyards (with possible change in varieties and/or vineyard management techniques); the change in relative importance of wine regions; the development of irrigation infrastructures; or climate change.

It is interesting to note in the data presented above the divergent developments between DE/FR and ES. On the one hand, in ES the increase of average yields may have to do with the grubbing-up of large extensions of very low-yield vineyards in the past decades, but also with large investments in the modernisation of vineyards and cultivation techniques aiming at better economic performance but also better quality. On the other hand, the decrease of yields in FR and DE may have to do with grubbing-up of high productivity areas, but also with restructuring in pursuit of higher quality standards, which can be hardly achieved with very high yields. It is relevant to note that the drive towards quality, adaptation to the market and higher economic efficiency seems to have resulted in inverse trends of development of yields in different main wine-producing Member States over the past thirty years.

9.2. Wine production, growing-areas and distillations

Graph II.7 below offers another perspective on the development of the EU wine sector in the last thirty years, presenting a comparison between different economic indicators. It provides further basis for discussion on the effectiveness of the planting rights regime as a supply control mechanism.

Graph II.7: Evolution of EU wine production, distillations and wine-growing areas (1980/81-2010/11)

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications - compilation DG AGRI
It presents the evolution of wine production, surplus production distilled\textsuperscript{23} and wine-growing areas for the EU in the period 1980/8 to 2010/11 - this data takes into account the successive enlargements of the EU that took place in this period.

The development of wine-growing areas in the EU over the past thirty years has been very much influenced by the successive accessions of new wine-producing countries. The largest increase took place in 1986 with the addition of around 1.8 Mio ha of new wine-growing areas due to the accession of ES and PT. The increases that took place in 1995 (AT), 2004 (HU, SK, CZ, SL, CY, MT) and 2007 (BG, RO) were of a much more limited scale. It can be noted however that apart from these accessions, the overall trend is of constant decrease of the total areas under production and therefore of the total production potential.

When looking at the development of wine production, it is evident (as noted above) that the annual variability is much higher than that of the area – this is typical of a permanent crop. The total wine production seems to be showing a slight decreasing trend over the period despite all the successive accessions of new wine-producing countries, this trend being sharper in the case of total distillations subsidized by the EU budget. These distillations represented on average around 14% of total wine production over the last thirty years.

The graph also shows that the development in the total volume of wine distilled with EU budgetary support follows a similar annual variability pattern as the total EU wine production – in the years of higher wine production the distillation of surpluses with the activation of CMO measures also increases.

The development of these indicators in the five main wine-producing Member States\textsuperscript{24} is illustrated in five graphs that can be found in annex III to this paper. The following observations can be made:

- In FR both the total wine production and the wine-growing areas have been showing a decreasing trend, sharper in the case of production – this is consistent with the progressive decrease in yields indicated above;

- In IT both indicators show a decreasing trend, while in ES the production trend is increasing while the growing-areas decrease – this is consistent with a progressive increase in yields;

- In DE there is a relative stability, but with a slight decrease in total production, consistent with a decreasing trend in average yields

- In PT there seems to be a larger decreasing trend in total production, compared to the one for total wine-growing areas – this is also consistent with an average decrease of yields over the past thirty years.

\textsuperscript{23} Including only the quantities of wine and must subject to distillation measures paid by the EU budget under the wine CMO.

\textsuperscript{24} The information for the remaining eleven wine-producing MS is not included individually in this section, since the purpose is not to make an exhaustive assessment but to provide a long-term perspective on the developments of the wine sector in the older and larger MS - with stronger impact on EU wine market as a whole.
10. CONCLUDING OBSERVATIONS (Part II)

The information presented in the previous two sections allows deriving the following observations:

- The trend across the EU in the past decade (and more broadly in the last thirty years) has been for a significant decrease in wine-growing areas, both in older MS and in the newer ones that entered in 2004 and 2007. In the three largest producing MS (IT, FR and ES) this decrease was larger than 10% in the period 2000/01 – 2010/11.

- The grubbing-up scheme implemented following the 2008 CMO reform had an important impact in the reduction of wine-growing areas but it only represented 59% of that reduction at EU level – the remaining reduction took place without financial support from the EU budget. There is therefore a more general reduction trend associated to other factors.

- The latest information available (2010/11) shows that the number of non-used planting rights is of around 300 000 ha at EU level representing over 8% of total production potential, comparing to approximately 220 000 ha in 2000/01 - this includes already the new planting rights granted to MS in the context of the 1999 CMO reform. This significant availability did not lead to an increase in total areas, and on the contrary the total wine-growing areas in the eight older wine-producing MS decreased by 380 000 ha (or 12%) in the past ten years. Given this wide availability of planting rights, mostly in the form of replanting rights held by producers who grubbed-up but did not replant, when looked from the perspective of EU rules and at MS level the regime leaves a considerable margin for growth of areas and does not effectively limit the sector's expansion.

- Given the overall trend described, the perspective of increase in areas across the EU and in the majority of MS does not appear likely in the short to medium-term – from the point of view of areas, the sector has been more in regression than in expansion in the last decades. A more detailed assessment needs to be conducted at regional level.

- The control of wine-growing areas via the transitional planting rights regime can only have a partial effect on the control of wine production and total surpluses, which is subject to high inter-annual variability. Furthermore yields are very different between MS and saw progressive average increases or decreases depending on the MS. Yields are increasing in certain areas through restructuring and/or the development of irrigation infrastructures.

- After the introduction of the planting rights regime at EU level the market has never been balanced: since 1980/81 important volumes of excess production were distilled. The market has come to a balance in 2010/11 after reducing the distillation outlets and implementing the 3-year grubbing-up scheme, in conjugation with other factors such as improvement of trade balance. Therefore market balance seems to be more dependent on reduction of area, production fluctuations and a number of other factors than on the existence of a planting rights regime. The fact that there are around 300 000 ha of non-used planting rights is an important indicator.

\[25\text{ Except for some MS that are more limited, such as EL or DE.}\]
ANNEX I

The table below presents in the first row the piece of legislation that introduced the planting rights regime in the EU legislation in 1976.

Each of the following ten pieces of legislation (and rows) extended the date foreseen for the end of the regime's validity, while some of them also introduced changes to the rules in force.

The dates of publication of each of the pieces of legislation in the second column can be compared with the dates by which the regime was extended in the second column.

<table>
<thead>
<tr>
<th>No</th>
<th>Piece of legislation</th>
<th>Deadline extended to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Council Regulation (EEC) N° 1162/76 of 17 May 1976</td>
<td>1 December 1975 (start date)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30 November 1978</td>
</tr>
<tr>
<td>11</td>
<td>Council Regulation (EC) N° 479/08 of 29 April 2008</td>
<td>31 December 2015/2018</td>
</tr>
</tbody>
</table>
### ANNEX II

Table 1 – Wine growing-areas in four wine years of the last decade and inter-year variations per MS

<table>
<thead>
<tr>
<th>Hectares (ha)</th>
<th>2000/01</th>
<th>2004/05</th>
<th>2007/08</th>
<th>2010/11</th>
<th>% var 00/01-10/11</th>
<th>% var 04/05-10/11</th>
<th>% var 07/08-10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1,124,433</td>
<td>1,104,512</td>
<td>1,056,453</td>
<td>968,298</td>
<td>-14%</td>
<td>-12%</td>
<td>-12%</td>
</tr>
<tr>
<td>France</td>
<td>902,938</td>
<td>897,066</td>
<td>848,428</td>
<td>806,241</td>
<td>-11%</td>
<td>-10%</td>
<td>-5%</td>
</tr>
<tr>
<td>Italy</td>
<td>772,513</td>
<td>726,985</td>
<td>720,076</td>
<td>663,905</td>
<td>-14%</td>
<td>-9%</td>
<td>-9%</td>
</tr>
<tr>
<td>Portugal</td>
<td>238,073</td>
<td>236,704</td>
<td>240,051</td>
<td>236,817</td>
<td>-1%</td>
<td>0%</td>
<td>-1%</td>
</tr>
<tr>
<td>Germany</td>
<td>104,211</td>
<td>102,483</td>
<td>102,531</td>
<td>102,671</td>
<td>-1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Greece</td>
<td>77,589</td>
<td>66,682</td>
<td>71,010</td>
<td>67,333</td>
<td>-13%</td>
<td>1%</td>
<td>-9%</td>
</tr>
<tr>
<td>Austria</td>
<td>50,456</td>
<td>50,598</td>
<td>50,013</td>
<td>46,092</td>
<td>-9%</td>
<td>-10%</td>
<td>-6%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1,342</td>
<td>1,303</td>
<td>1,289</td>
<td>1,274</td>
<td>-5%</td>
<td>-2%</td>
<td>-1%</td>
</tr>
<tr>
<td>8 Old MS (EU-8)</td>
<td>3,271,526</td>
<td>3,186,720</td>
<td>3,111,951</td>
<td>2,892,830</td>
<td>-12%</td>
<td>-9%</td>
<td>-7%</td>
</tr>
<tr>
<td>Hungary</td>
<td>86,400</td>
<td>81,852</td>
<td>71,972</td>
<td>-17%</td>
<td>-12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>21,531</td>
<td>20,777</td>
<td>18,971</td>
<td>-12%</td>
<td>-9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>19,107</td>
<td>17,419</td>
<td>17,370</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>16,597</td>
<td>17,304</td>
<td>16,041</td>
<td>-3%</td>
<td>-6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyprus</td>
<td>15,047</td>
<td>15,503</td>
<td>9,065</td>
<td>-40%</td>
<td>-33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>840</td>
<td>910</td>
<td>692</td>
<td>-18%</td>
<td>-24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 New MS (EU-6)</td>
<td>159,522</td>
<td>151,916</td>
<td>153,932</td>
<td>-16%</td>
<td>-12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>181,005</td>
<td>181,770</td>
<td></td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>104,335</td>
<td>68,847</td>
<td></td>
<td>-34%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 New MS (EU-2)</td>
<td>285,940</td>
<td>250,617</td>
<td></td>
<td></td>
<td></td>
<td>-12%</td>
<td></td>
</tr>
<tr>
<td>EU-Total</td>
<td>3,271,526</td>
<td>3,346,242</td>
<td>3,549,707</td>
<td>3,277,179</td>
<td>0%</td>
<td>-2%</td>
<td>-8%</td>
</tr>
</tbody>
</table>
Table 2 – Impact of grubbing-up scheme in the evolution of wine-growing areas in the period 2007/08 – 2010/11 per MS

<table>
<thead>
<tr>
<th>Country</th>
<th>Area in 2007/08 (ha)</th>
<th>Area in 2010/11 (ha)</th>
<th>Area variation 07/08-10/11 (ha)</th>
<th>Area grubbed-up with premium (3 years) 09/09 – 10/11 (ha)</th>
<th>% area grubbed-up with premium in total area in 2007/08</th>
<th>% area grubbed-up area with premium in total area variation in 2007/08 – 2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1,098,453</td>
<td>998,228</td>
<td>-100,225</td>
<td>94,182</td>
<td>9%</td>
<td>72%</td>
</tr>
<tr>
<td>France</td>
<td>848,428</td>
<td>806,241</td>
<td>-42,187</td>
<td>22,639</td>
<td>3%</td>
<td>54%</td>
</tr>
<tr>
<td>Italy</td>
<td>700,076</td>
<td>663,955</td>
<td>-36,121</td>
<td>23,452</td>
<td>4%</td>
<td>79%</td>
</tr>
<tr>
<td>Portugal</td>
<td>240,051</td>
<td>236,817</td>
<td>-3,234</td>
<td>3,932</td>
<td>2%</td>
<td>121%</td>
</tr>
<tr>
<td>Germany</td>
<td>102,531</td>
<td>102,571</td>
<td>40</td>
<td>100</td>
<td>0%</td>
<td>-71%</td>
</tr>
<tr>
<td>Greece</td>
<td>71,010</td>
<td>67,333</td>
<td>-3,677</td>
<td>1,982</td>
<td>3%</td>
<td>54%</td>
</tr>
<tr>
<td>Austria</td>
<td>50,013</td>
<td>46,092</td>
<td>-3,921</td>
<td>825</td>
<td>2%</td>
<td>21%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1,289</td>
<td>1,274</td>
<td>-15</td>
<td>2</td>
<td>0%</td>
<td>13%</td>
</tr>
<tr>
<td>Old MS (EU-8)</td>
<td>3,111,851</td>
<td>2,892,630</td>
<td>-219,221</td>
<td>152,110</td>
<td>5%</td>
<td>69%</td>
</tr>
<tr>
<td>Hungary</td>
<td>51,852</td>
<td>71,792</td>
<td>-19,941</td>
<td>5,703</td>
<td>7%</td>
<td>57%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>20,777</td>
<td>16,971</td>
<td>-3,806</td>
<td>577</td>
<td>3%</td>
<td>32%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>17,419</td>
<td>17,370</td>
<td>-49</td>
<td>13</td>
<td>0%</td>
<td>27%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>17,364</td>
<td>16,041</td>
<td>-1,323</td>
<td>181</td>
<td>1%</td>
<td>14%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>13,593</td>
<td>9,066</td>
<td>-4,527</td>
<td>1,716</td>
<td>13%</td>
<td>38%</td>
</tr>
<tr>
<td>Malta</td>
<td>910</td>
<td>692</td>
<td>-218</td>
<td>0</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>New MS (EU-6)</td>
<td>151,816</td>
<td>133,532</td>
<td>-17,284</td>
<td>8,100</td>
<td>5%</td>
<td>48%</td>
</tr>
<tr>
<td>Romania</td>
<td>181,605</td>
<td>181,770</td>
<td>153</td>
<td>800</td>
<td>0%</td>
<td>-48%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>104,335</td>
<td>68,847</td>
<td>-35,488</td>
<td>63</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>New MS (EU-2)</td>
<td>285,940</td>
<td>250,617</td>
<td>-35,323</td>
<td>864</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>EU-Total</td>
<td>3,549,707</td>
<td>3,277,179</td>
<td>-272,528</td>
<td>161,164</td>
<td>5%</td>
<td>59%</td>
</tr>
</tbody>
</table>
Table 3 – Structure of production potential in 2010/11 per MS

<table>
<thead>
<tr>
<th>Hectares (ha)</th>
<th>Replanting rights held by the producers</th>
<th>Existing planting rights in the reserve</th>
<th>Planting rights allocated to producers but not yet used</th>
<th>Total planting rights available</th>
<th>Area in 2010/11 (ha)</th>
<th>Total production potential</th>
<th>% planting rights in total production potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>81,691</td>
<td>15,629</td>
<td>150</td>
<td>97,470</td>
<td>968,298</td>
<td>1,065,767</td>
<td>9.1%</td>
</tr>
<tr>
<td>France</td>
<td>54,356</td>
<td>12,751</td>
<td>241</td>
<td>67,348</td>
<td>806,241</td>
<td>873,589</td>
<td>7.7%</td>
</tr>
<tr>
<td>Italy</td>
<td>43,077</td>
<td>1,645</td>
<td>3,325</td>
<td>53,040</td>
<td>563,905</td>
<td>716,951</td>
<td>7.4%</td>
</tr>
<tr>
<td>Portugal</td>
<td>12,162</td>
<td>125</td>
<td>0</td>
<td>12,287</td>
<td>238,817</td>
<td>249,104</td>
<td>4.9%</td>
</tr>
<tr>
<td>Germany</td>
<td>3,399</td>
<td>343</td>
<td>23</td>
<td>3,795</td>
<td>102,971</td>
<td>106,437</td>
<td>3.5%</td>
</tr>
<tr>
<td>Greece</td>
<td>231</td>
<td>185</td>
<td>259</td>
<td>675</td>
<td>67,323</td>
<td>68,008</td>
<td>1.0%</td>
</tr>
<tr>
<td>Austria</td>
<td>4,971</td>
<td>8,853</td>
<td>14</td>
<td>13,830</td>
<td>46,092</td>
<td>59,930</td>
<td>23.1%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>1,274</td>
<td>1,324</td>
<td>3.8%</td>
</tr>
<tr>
<td>8 Old MS (EU-8)</td>
<td>204,937</td>
<td>30,531</td>
<td>4,012</td>
<td>248,481</td>
<td>2,992,030</td>
<td>3,141,111</td>
<td>7.0%</td>
</tr>
<tr>
<td>Hungary</td>
<td>9,977</td>
<td>2,950</td>
<td>0</td>
<td>9,927</td>
<td>71,762</td>
<td>81,719</td>
<td>12.1%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1,286</td>
<td>827</td>
<td>16</td>
<td>2,120</td>
<td>18,971</td>
<td>21,109</td>
<td>10.1%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1,123</td>
<td>986</td>
<td>154</td>
<td>2,253</td>
<td>17,370</td>
<td>19,633</td>
<td>11.5%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>348</td>
<td>2,440</td>
<td>256</td>
<td>3,044</td>
<td>16,041</td>
<td>19,085</td>
<td>16.0%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>286</td>
<td>63</td>
<td>6</td>
<td>355</td>
<td>3,066</td>
<td>9,421</td>
<td>3.6%</td>
</tr>
<tr>
<td>Malta</td>
<td>0</td>
<td>308</td>
<td>0</td>
<td>308</td>
<td>862</td>
<td>1,000</td>
<td>30.8%</td>
</tr>
<tr>
<td>6 New MS (EU-6)</td>
<td>10,021</td>
<td>7,574</td>
<td>432</td>
<td>18,027</td>
<td>133,332</td>
<td>151,959</td>
<td>11.9%</td>
</tr>
<tr>
<td>Romania</td>
<td>8,583</td>
<td>970</td>
<td>6,018</td>
<td>15,571</td>
<td>181,770</td>
<td>197,341</td>
<td>7.9%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2,445</td>
<td>11,313</td>
<td>354</td>
<td>14,112</td>
<td>68,847</td>
<td>82,589</td>
<td>17.0%</td>
</tr>
<tr>
<td>2 New MS (EU-2)</td>
<td>11,028</td>
<td>12,283</td>
<td>6,372</td>
<td>29,683</td>
<td>250,617</td>
<td>260,350</td>
<td>10.6%</td>
</tr>
<tr>
<td>EU-Total</td>
<td>225,986</td>
<td>59,388</td>
<td>10,817</td>
<td>286,191</td>
<td>3,277,179</td>
<td>3,573,370</td>
<td>8.3%</td>
</tr>
</tbody>
</table>
ANNEX III

Graph 1 - France

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications -compilation DG AGRI

Graph 2 - Italy

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications -compilation DG AGRI
Graph 3 - Germany

Evolution of DE wine production, distillations and surface

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications - compilation DG AGRI

Graph 4 - Spain

Evolution of ES wine production, distillations and surface

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications - compilation DG AGRI
Graph 5 - Portugal

Evolution of PT wine production, distillations and surface

Source: EUROSTAT Wine balance sheets, Areas under production, MS communications - compilation DG AGRI