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1. **CAP measures applicable to the wine sector**

The various instruments applicable to the wine sector, defined in Regulation (EU) No 1308/2013, are National Support Programmes (NSP), the scheme of authorisations for vine plantings, marketing and labelling rules\(^1\), the system of protected designations of origin (PDOs) and protected geographical indications (PGIs), certification, monitoring and control systems and rules on oenological practises and restrictions. While the previous reforms concerning the wine policy of the European Union (EU) focused mainly on decreasing wine production and managing wine surpluses, these measures introduced in 2008 were more oriented towards the competitiveness and market orientation of the EU wine sector, preservation and promotion of the quality, safety and best traditions of the EU wine production and a balanced wine market.

2. **Objectives and scope of the evaluation**

The evaluation assessed the effectiveness, efficiency, relevance, coherence and the added value of these instruments, towards the objectives of competitiveness, quality and market balance. The evaluation also considered the general objectives of the Common Agricultural Policy (CAP) regarding the sustainable use of natural resources, actions towards climate change mitigation and adaptation and balanced territorial development. It also considered EU objectives regarding public health and economic growth.

The period under study was from 2014 onwards, but the evaluation also considered data from previous periods. The evaluation considered the 28 EU Member States and focused more specifically on ten regions in seven Member States where the wine sector represents a major agricultural activity, i.e. Spain, France, Italy, Germany, Portugal, Hungary and Romania. Conclusions were based on the analysis of implementation data, statistical data, interviews with stakeholders and literature review.

3. **Implementation of the measures**

3.1 National Support Programmes

The National Support Programmes (NSP) are the main financial instruments of the EU wine policy. Sixteen Member States implemented a National Support Programme. For the 2014-2018 programming period, the global financial envelope amounted to 5 507 M€, shared depending of their vineyard area, the main beneficiaries being Italy (1 685 M€), France (1 403 M€) and Spain (1 052 M€).

For the 2014-2017 period, the main measures implemented supported the restructuring and conversion of vineyards (50.2% of the total budget spent), investments in wine production processes (21.6%) and promotion (17.6%). Distinct national choices can be observed. Eight Member States (BG, CZ, EL, HU, PT, RO, SI, SK) chose to focus on a limited number of measures and/or to allocate a very large share (70 to 90%) of their budget to the restructuring and conversion measure, while seven Member States (DE, ES, FR, HR, CY, IT, AT) either shared the budget between the different measures or allocated a large share to promotion and/or investments measures.

3.2 Scheme of authorisations for vine plantings

In order to ensure the orderly growth of vine plantings, a new system for the management of vine plantings was established at the EU level, starting as from 2016. The new scheme of authorisations for vine plantings has been implemented in 13 Member States. Each year, based on objective and non-discriminatory eligibility criteria, they can grant authorisations to plant vines within the maximum limit of 1% of their total area planted in vines. Only Germany and Spain chose to apply a lower percentage than the default rule of 1% of the total area planted in vines. A great variety of procedures was observed according to Member States. While some Member States have set up relatively simple selection procedures (BG, SK, RO CZ, SI, AT) due to the low demand for new plantings, others (EL, FR, HU, IT and PT) developed selection procedures involving up to five priority criteria. Member State administrations as well as wine growers are still in the process of assimilating the new system and of adapting it to local needs, taking advantage of subsidiarity, in particular with regard to eligibility and priority criteria.

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\(^1\) Labelling rules defined under Regulation (EU) No 1169/2011 were not in the scope of the evaluation.
4. Effectiveness of the measures applicable to the wine sector

4.1 Effects on the economic performance along the supply-chain

Effects of the NSP at grower level: The restructuring and conversion measure represented 50.2% of the budget allocated for NSPs at the EU level over the 2014-2018 period and concerned 330 000 ha between 2014 and 2017 (10% of EU vineyards). It accelerated the changes in the production systems and in the management practices in vineyards. Increases in yields are expected in some Member States (e.g. HU, PT, RO).

The quantitative effects of the restructuring and conversion measure on cost-competitiveness was mitigated by the fact that the measure contributed significantly to the switch of vineyards toward PDO/PGI production systems, which have limited yields and higher production costs than standard production systems. Furthermore, the positive effects of the restructuring and conversion measure on yields and production costs might only appear in the longer term.

There was an overall increase in the productivity and income of winegrowers over 2009-2016 period. Even though the resurgence of market demand after the 2008 financial crisis had a significant influence, the support provided by the NSPs contributed to this general positive effect on the productivity of winegrowers. Significant differences can be observed in winegrower income across the Member States and regions. Furthermore, winegrowers who also process their production were found to have significantly higher but less stable income than those who only sell their grapes.

Effects of the NSP at wine producer level: The NSPs contributed to improving the key factors of competitiveness of EU wine producers. The investments measure was largely used by the operators to gain in efficiency in wine processing, bottling and marketing. The acquisition of modern equipment adapted to the production of new wine products (e.g. white and rosé wines) contributed to expand the range of wine products.

The investment measure also fostered vertical downstream integration. It supported the setting up of processing facilities on farms, leading to an increase in the number of independent wine producers, and made possible the development of on-farm sales, through the construction of tasting cellars.

In addition, the promotion measure supported the access of EU wines to foreign markets. It also enhanced the horizontal cooperation between producers, as well as between producers and their organisations, for the promotion of their wines, leading to better market strategies and more integration of individual producers in collective promotion actions.

Effects of EU rules: EU labelling rules generally favour a level playing field and fair competition on the EU’s internal market. EU rules on oenological practices had limited effects on competitiveness, compared to PDO specifications concerning PDO high-end products and, for mid-range and entry level products, to other factors. Moreover, EU rules offer some flexibility in adapting practices to the specificities of the wine-growing zones.

At the international level, EU rules on oenological practices provide a guarantee in terms of quality and safety and the prompt adaptation of EU rules to changes in the standards of the International Organisation of Vine and Wine (OIV) also helps improve the marketing conditions. However, the slight differences in wine standards and oenological practices regulation between countries result in technical entry barriers. Furthermore, the restriction on low-cost solutions to reduce alcohol strength, such as the addition of water, in southern EU winegrowing regions, could lead to a competitive disadvantage as compared to certain foreign countries allowing it.

4.2 Effects on adaptation to the market demand

Wine consumption within the EU has recorded an almost continuous decline since 2008, notably in traditional wine-consuming countries, even though it is tending to stabilise there. Nevertheless, consumption has increased strongly in the USA, China, the United Kingdom, the Russian Federation, Australia and Canada. These markets represent new development potential for EU wine producers.

The consumption trends are characterized by a growing demand for specific wine products such as rosé wines (notably in France and the United States) and sparkling wines. Consumers also look for quality wines with geographical indications or wines produced from environmentally-friendly practices, and they are attracted by features such as authenticity and identity. However, the key purchasing criteria differ according to consumer country and retailers have adapted their product range: wines with geographical indications constitute the
predominant category of wine products offered by EU retailers, although retailers offer a larger proportion of varietal wine products in the United Kingdom and third-countries.

**Effects of the scheme of authorisations for vine plantings at grower level:** as concerns quantitative market adaptation, the scheme of authorisations for vine plantings has been implemented since 2016, and most of its effects are only expected so far. The scheme could potentially have a significant effect on the current evolution of the vineyard area, although authorised new plantings will not offset the overall decrease in vineyard area in most of the Member States. Up to now, the scheme of authorisations has brought a degree of uncertainty and has given less flexibility to producers to adapt quickly to market demand. Furthermore, the transitional possibility of converting old planting rights into authorisations may result in an increase in the production potential or else, if the conversion is not carried out, in a loss of production potential.

**Effects of the NSP at grower level:** varietal conversion of vineyards, as well as other operations supported, have contributed to a general upgrade in the quality of the grapes and derived products, and to a significant increase of the production under the PDO/PGI system, hence supporting growers in meeting current market trends.

**Effects of the NSP at producer level:** the NSP measures enabled the adaptation of EU wine producers to the market demand. Member States, notably France and Italy, combined the restructuring and conversion and the investments measures to foster the modernisation of their production and processing facilities, with a view to produce new products (e.g. rosé in Languedoc-Roussillon and Prosecco in Veneto) suited to market demands. The promotion measure also helped the producers to better identify consumers’ tastes and expectations on foreign markets.

Between 2010 and 2016, total EU wine stocks decreased by 5.9%, which tends to prove that the production is coherent with the consumers’ expectations and that there are outlets for the different colours/types of EU wine produced. PDO wines are often those produced in the largest quantities, except in Spain. Their sales prices increased in France, Hungary and Italy over the 2014-2016 period; this was not the case for other types of wine. Varietal wines are still produced in small volumes in the EU, but their production has increased in Italy and Spain.

**Effects of EU rules:** EU labelling rules accompanied the market adaptation of EU production to a variety of market segments (varietal wines as well as more typical and authentic wines). Labelling restrictions for non-PDO/PGI wines, as applied in very specific situations, appear to be a good compromise for maximising market shares in each segment. However, on every market, there are increasing concerns for more transparency on the environmental impact of wine products and this aspect could be better framed by EU legislation. Finally, the fact that products with less than 8.5° alcohol are not considered to be wine products in the regulatory classification of grapevine products is a potential limit to the adaptation to market demand.

### 4.3 Effects on quality and tradition preservation

The restructuring of vineyards also had positive repercussions on the availability of quality grapes. Together with changes provided thanks to the investments measure, the NSP measures contributed to increase in wine quality and improved the stability of the products (DE, IT, FR, ES, HU, RO).

EU rules on oenological practices also provide guarantees in terms of quality and safety to some extent. Their effectiveness is closely linked to the effectiveness of the control of certification systems (compliance with rules regarding crop management, yields, oenological practices, aging operations, marketing and exports). Certification systems have been implemented for decades and the competent authorities are used to implementing and controlling them. Certification systems thus fostered the production of quality wine. Moreover, computerised systems have facilitated the certification procedures.

### 4.4 Effects of the measures on the overall competitiveness of EU wine products

The EU remains the largest wine producer, with 56% of the world production. Spain, Italy and France are the main wine exporters. Between 2000 and 2017, EU wine exports towards extra EU markets increased significantly. However, non-EU countries also registered a strong growth in their production. In 2016, the share of EU wine was predominant (> 50%) in the imports of the main wine-importing countries. On the other hand, EU producers lost market shares in countries that are of secondary importance in terms of their level of wine consumption.

The competitiveness of EU wine producers and products is due to a multitude of social, economic, climate and political factors. The NSPs have accompanied the competitiveness improvement of EU wine
producers/products in the context of very positive market developments. In particular, the promotion measure was truly appreciated in a context of intense competitive pressure from third countries. Promotion operations allowed to improve the reputation of EU wines, especially when significant efforts have been made to increase their quality, with the help of other NSP measures.

5. Efficiency

5.1 Efficiency of NSP management

A major factor of the high financial execution rate is the certainty of the availability of the budget over a 5-year period, which provided visibility and security. The absence of national co-financing also influenced efficiency. In the framework of the yearly management of funds, some countries adopted a multi-annual approach which allowed a maximum execution of the funds, but the yearly budgetary limit acted as a significant constraint and was a source of additional workload for the managing authority. Where funds were managed on a strictly annual basis, fund management was perceived as easy but the execution of the budget was generally lower, leading to the perception of limited resources. In general, yearly budgetary limits, while causing significant work, fostered responsiveness both from the administration and the beneficiaries. The possibility of transferring funds between measures was a key source of flexibility and enabled the execution of the yearly budgets to be optimized.

In the absence of detailed data, it was not possible to conclude on the cost-benefit ratio of the measures. However, the workload related to controls was very high, especially for the investments and restructuring measures, which required on-the-spot checks of 100% of the operations: in Member States where data could be collected for the purpose of the evaluation, the administrative burden incurred with the checks was higher than for the implementation of the measures. In addition, a high level of administrative burden was highlighted concerning the promotion measure, in particular at the level of beneficiaries.

5.2 Efficiency of EU rules

EU labelling rules are generally considered to be simple to implement. Labelling restrictions for non-PDO/PGI wines do not produce additional workload for the control administrations. The potential economic impact of restricting labelling for non-PDO/PGI wines is limited since it concerns specific varieties on specific markets.

The systems of monitoring and checks are considered to be highly reliable. Their efficiency was considerably improved by the digitalisation of the information and the introduction of control plans based on risk analysis.

6. Coherence of NSP measures

6.1 Coherence with objectives of the CAP and EU policies

The NSPs are generally coherent with the EU environmental objectives. However, except for the by-products distillation support, they were not designed to foster directly environmental sustainability and climate action. The restructuring and conversion measure has a potential to play a very significant role in the adaptation of the EU vineyards to climate change and in biodiversity protection. But its contribution depends on how the measure is implemented in Member States. In the case of the investments measure, the use of priority criteria was not sufficient to provide a real opportunity to foster overall energy efficiency and environmentally sustainable processes, since only the wealthiest producers made such expensive environmentally friendly investments.

There is no major inconsistency between NSP measures and EU health objectives. Supported campaigns on EU quality schemes put to the fore the quality of the EU wine products and their compliance with EU standards meant to ensure the safety of consumers. As concerns campaigns on health protection, there was a limited interest among wine stakeholders and some Member States chose not to finance information on responsible consumption under the NSP because of possible conflict of interests. In any case, more coherence between the EU wine policy and the EU public health objective could be sought after. It should rely on a concerted vision between health and sectoral stakeholders of health objectives, i.e. based on SMART indicators, as well as of the strategy to reach these goals.

The NSPs are overall fully coherent with economic and social EU and CAP objectives. NSP measures acted in synergy to contribute to economic growth of the regions concerned and to maintenance of agricultural and downstream activities in remote rural areas.
6.2 Coherence with other EU measures

An overall complementarity exists between the Rural Development Programmes (RDP) and NSP measures, notably the investments and restructuring and conversion measures. They were well designed so as to complement each other. In the case of operations eligible under both schemes, demarcation criteria inserted in the NSP and controls ensure that double-financing is avoided.

No overlapping issue arose from the articulation between the NSP and the horizontal regulation on promotion measures of agricultural products. NSP measures are also coherent with other policies such as the EU Research and Innovation programme Horizon 2020 and the European Regional Development Fund (ERDF), which, for example, have been used by Portuguese wine companies as a source of funding for innovation and research projects and promotion actions on EU markets.

7. Relevance and EU added value

7.1 Relevance and EU added value of NSP measures

NSP measures are generally relevant to the needs of the sector, especially because they offer a range of tools that can be adapted to the various levels of development of EU local supply-chains. The measures addressing risks (support for setting up of mutual funds in case of market fluctuations and for harvest insurance for protection against natural disasters) appear to be relevant, although the support to mutual funds has never been implemented, most probably thanks to positive market trends over the studied period. By-product distillation measure is relevant as an incentive for producers to choose the most environment-friendly elimination process and which also fosters innovative uses of wine by-products for energy or industrial purposes. Finally, it was relevant to include a measure aimed to restore internal market equilibrium in case of overproduction (green harvesting), even though, in the context of relative market equilibrium, this has been implemented only to a very limited extent.

However, some needs are not or not sufficiently addressed by the NSP measures: maintenance or adaptation of the smallest operators, needs for a better trained workforce, generation renewal issues and environmental issues (adaptation to climate change, biodiversity and pesticide use). Indeed, although NSPs measures have a high potential to contribute to environmental and climate objective, their effective contribution is limited and there are significant margins for improvement to increase their contribution to environmental and climate objectives.

In terms of the relevance of the budget allocated per Member State, the budget absorption capacity was good in most cases. There were a few exceptions and also cases where the demand for support was higher than the available budget.

The EU framework provided added value. In particular, the adaptation of the sector to market demand would have been slower without EU funding and might have further left small players behind. The EU framework was a key instrument in creating a level playing field among Member States. In some Member States, the EU framework also brought a strategic approach and long-term planning in the management of the sector. Nevertheless, conclusions on relevance show that such strategic approach was difficult to implement in some Member States.

7.2 Relevance and added value of EU rules

The definition of rules at the EU level for oenological practices and wine grape varieties is a real added value. The EU rules on oenological practices are relevant for the competitiveness of EU wine producers. Furthermore, the quality and safety of the EU wine products risk to decrease without specific EU rules.

Some EU rules on wine grape varieties seem to be no longer relevant: restrictions on the use of six wine grape varieties and of crosses between vine varieties belonging to Vitis vinifera and other species of the genus Vitis for PDO wines result in a disadvantage compared to third countries and are not coherent with environmental objectives. In any case, EU rules on wine grape varieties are needed, since no international standards have been defined regarding grapevine varieties suitable for wine production.

Uniform EU labelling rules provide overall added value at the EU level in terms of ensuring a level playing field and fair competition for economic operators, facilitating trade and the functioning of the single market, as well as providing clear information to consumers. However, in the specific case of wine products, the added valued of the PDO/PGI scheme at the EU level is not well recognised by consumers.
8. **Recommendations**

8.1 On the implementation of NSPs

- In order to ensure a higher accountability, the European Commission (EC) should require Member States to provide a better justification of the strategic choices as regards the measures implemented and a better monitoring of the effects achieved by the different measures.
- The EC could also provide methodological support to Member States’ administrations which need it to elaborate sectoral strategies in line with the specific needs of their wine supply-chain.
- Allowing Member States more flexibility to adapt the frequency of NSP related controls to the risk of frauds from beneficiaries, based on a risk analysis, might prove to be more efficient.
- NSP legislation should remain stable over a programming period to ease the management of programmes.

8.2 On existing NSP measures

- Given the environmental and climatic challenges (at global and supply-chain levels) as well as European commitments, the NSPs should make a greater use of the measures’ potential to contribute to changes of practices in winemaking and winemaking. To that respect, the use of differentiated rates of support depending on the environmental impact of the investments (including in the vineyards) would provide stronger incentive.
- As regards the restructuring and conversion measure, the relevance of the choices of planted varieties should be better justified, on the one hand at the level of varieties made eligible by Member States and collective plans, on the other at the level of beneficiaries.
- The rules of the innovation measure, which was implemented to a very limited extent, should be revised to allow financing the dissemination of innovations, in coherence with other existing innovation supports.
- Technical advice should be provided to the potential beneficiaries in order to ensure equal access to the promotion measure in the EU, while ensuring the traceability of expenses.
- Information campaigns on supported by the NSPs should comply with the Wine Communication Standards developed in the framework of the EU alcohol strategy. Moreover, the relevance of NSP support for information operations done by the wine sector on responsible wine consumption and the risk associated with harmful alcohol consumption should be further assessed in reason of possible conflict of interest.

8.3 On the next generation of NSPs

- The financial needs of the various Member States should be reassessed based on a precise diagnosis of the needs of the supply-chain for the years to come. In particular, allowing the possibility for Member States to use a share of the budget for ad-hoc measures could be considered after an analysis of their specific needs.
- Specific measures should be designed to address the issue of pesticide use and/or more generally to improve the environmental performance of wine production as well as to address generation renewal more directly.

8.4 On EU rules on oenological practices

- Removing restrictions applied to PDO wines on the use of six wine grape varieties and of crosses between grape varieties belonging to *Vitis vinifera* and other species of the genus *Vitis* is recommended to allow the development of vines resistant to diseases or droughts.
- To address changes in consumers expectations, the inclusion of products with less than 8.5° of alcohol in the regulatory definition of wine products is also recommended.
- Furthermore, allowing low-cost solutions like adding water to reduce alcohol strength for EU southern wine-growing zones would help wine producers to compete in foreign markets, to meet consumer expectations concerning low alcohol wine products and to face climate change, which induces high alcohol level in grapes.
- Finally, at the international level, more homogeneity between all standards and rules at the international level would help improve marketing conditions. The negotiation of more mutual agreements should be considered and/or more systematically include wine products.
8.5 On EU rules on labelling

- More homogeneity should be sought after between health and agriculture authorities, both at the Member State and at the EU level, with a view to achieving better coherence among the wine policy, public health and consumer information objectives.
- Finally, labelling practices answering to the increasing concern of consumers for transparency on the environmental impact of the wine products could be better framed by the EU legislation.