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Accompanying document to the

Proposal for a
COUNCIL REGULATION
on the common organisation of the market in wine
and amending certain regulations

Impact assessment

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1. Procedural issues and consultation of interested parties

In June 2006 the Commission adopted the communication "Towards a sustainable European wine sector"[1] and its accompanying impact assessment[2], in which a number of alternative options for the reform of the EU wine regime were described and evaluated. The Commission considered the "profound reform" option to be the most appropriate response to the future challenges of the European wine sector. Two variants of the profound reform option were identified. The first would provide prompt solutions to the present difficulties, but requires a rapid and thoroughgoing adjustment of the sector. The second variant would achieve the same result, but would be phased in over time, allowing the rural economy and the social fabric to adjust more smoothly.

Following the publication of the Commission's communication, the European Parliament[3], the European Economic and Social Committee[4] and the Committee of the Regions[5], expressed their formal opinion on it. The Council carried out an in-depth examination and discussion. Finally, the Wine Advisory Committees, as well as a large number of stakeholders and institutional bodies at European and national level, also had the opportunity to express their view on the communication.

Despite the large variety of opinions, there seemed to be a certain consensus on the Commission's analysis of the difficulties affecting the EU wine sector and on the impracticality of maintaining the status quo. The need for an in-depth reform of the common market organisation (CMO) in order to find solutions to the problems experienced by the sector was generally accepted, as well as the objectives for the reform indicated by the Commission. Furthermore, most interested parties agreed on keeping a specific, although reformed, CMO for wine. On the other hand, regarding the specific measures proposed in the communication, there has been an intense debate. Some important evolution elements of the legal proposal for the reform of the wine CMO have been influenced by this debate: first of all, it was recognised that the equilibrium on the wine market will have to be achieved through a more balanced mix of “positive” measures, aiming at expanding the commercial outlets of EU wine worldwide, and other measures intending to reduce the production potential; secondly, the consideration of environmental matters will be improved with the integration of vine land in the general system of cross-compliance and by allowing flexibility to set limits in the application of the grubbing-up programme, in order to minimise possible negative impacts on environmentally fragile areas.

The present document represents an update of the impact assessment carried out in 2006 by an Inter-Service Steering Group (ISSG) set up for the purpose, and aims to complement the previous analysis based on the new legal proposals for the reform of the wine CMO. As a self-standing

1 COM(2006) 319 final of 22 June 2006 http://ec.europa.eu/agriculture/capreform/wine/com2006_319_en.pdf.

2 SEC(2006) 770 of 22 June 2006, http://ec.europa.eu/agriculture/capreform/wine/fullimpact_en.pdf.

3 T6-0049/2007 of 15 February 2007, http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2007-0049+0+DOC+XML+V0//EN&language=EN

4 CESE 1569/2006 of 14 December 2006, http://eescopinions.eesc.europa.eu/EESCopinionDocument.aspx?identifier=ces\nat\nat321\ces1569-2006_ac.doc&language=EN

5 CdR 257/2006 fin of 6 December 2006, http://coropinions.cor.europa.eu/CORopinionDocument.aspx?identifier=cdr\deve-iv\dossiers\deve-iv-012\cdr257-2006_fin_ac.doc&language=EN

document, however, this report also makes reference to the most relevant findings of the original impact assessment. In the new study, special attention was paid to the evaluation of the social impacts of the reform, which needed to be further developed.

This impact assessment was mainly updated by the Directorate-General for Agriculture and Rural Development (DG AGRI), with the additional involvement of the Directorate-General for Employment, Social Affairs and Equal Opportunities (DG EMPL) of the European Commission. The ISSG was also consulted for advice at a later stage. Finally, the document tried to take into account the recommendations made by the Impact Assessment Board (IAB) of the Commission.

Again, owing to the extreme complexity of the wine sector and to the close interrelationships between individual issues, this analysis was not always able to address all impacts in a quantitative way. Thus, in certain cases, this impact assessment was based on qualitative analyses.

2. PROBLEM DEFINITION

The analysis in the Commission's original impact assessment pointed to the vital importance of the European wine sector, both in terms of its weight on the world wine market and of its primary role within the agricultural and rural activity of wine-producing Member States (MS) and regions. However, in spite of the widespread reputation and the competitiveness of a large part of the EU wine production, the sector is increasingly confronted with a series of shortcomings:

1. **Steady decline in consumption** over decades, resulting from profound lifestyle changes in society as regards nutrition.

   Wine consumption in Europe has shown a significant and continuous decline in the last decades, falling by an average of 750 000 hl (–0.65%) per year, or 15 million hl (–11%), in the last twenty years, although in the most recent years the decline in consumption has been less pronounced. The falling trend in wine consumption only concerns table wine, while the consumption of quality wine psr, on the other hand, is actually growing slightly.
   DG AGRI's new mid-term outlook for EU-27 to the wine year 2011/2012, which basically confirms the assessment made in 2006, forecasts a drop in wine consumption of slightly more than 400 000 hl per year in the near future.

2. **Loss of competitiveness** compared to non-EU wines.

   Imports of wine from non-EU countries have attained a significant level following an extraordinary development during the last decade, during which they have gained considerable market shares at the expense of domestic wines.
   In the same period, the volume of **wine exported** from the EU to third countries has been stagnating. Since many studies at international level indicate that world wine consumption is growing, this shows that EU wines have not been able to exploit the opportunities represented by the new markets and that non-EU wines have been more successful in gaining market share on the international scene.
   The most recent trade data, referring to the years 2005/06, seem to show that the rapid growth in imports has slowed down, while exports are picking up again. This new trend, which had been partly anticipated by DG AGRI's mid-term outlook for 2006 (it was

forecast that the EU would keep its status as a net exporter of wine), was fully taken into account in this year's outlook update. However, due the effects of developments over the last decade, it is a fact that the wine trade balance is now much less favourable than in the past.

3. Unsustainable market imbalance of the EU wine sector

For many decades now, the European wine market has suffered from **recurring overproduction problems**. On the one hand, the surplus generated every year has been partly removed from the market at the Community budget expense via specific distillation measures; on the other hand, it has partly accumulated in private stocks, thus contributing to depress the wine market situation, in particular prices and the incomes of vine growers.

Due to the long-term evolution in consumption and trade with third countries in the last decade, accompanied by a broadly stable production, which does not adapt sufficiently to the movements in demand, the situation is worsening year by year, apart from the annual conjunctural fluctuations in wine production. In recent years, overproduction seems to be affecting the market for quality wines as well.

The new DG AGRI **mid-term outlook for the EU-27 wine sector** to 2011/2012 *(see Annex 1)* clearly shows that the situation concerning the accumulation of wine surplus is unsustainable.

4. Complexity of the legal framework for wine policy

The heavy administrative burden generated by the complex legal framework places constraints on EU producers and further weakens the competitive position of the European wine sector.

5. Insufficient consideration of environmental concerns

Environmental integration is very limited under the existing wine regime, which has remained significantly behind almost all other CMOs that underwent the 2003 reform of the common agricultural policy (CAP) and subsequent reforms. In particular, as areas under vines are not eligible for direct payments, this land is not systematically covered by cross-compliance rules. This means that, for a large proportion of vine-growers, there is currently no environmental baseline, except that provided by environmental directives.

In this respect, many CMO policy tools are probably not effective in achieving their objectives:

- the **ban on new plantings** has not completely managed to control production owing to the granting of new planting rights and the increase in yields in some producing Member States, as well as the existence of **irregular and illegal plantings**;
- the use of the **grubbing-up scheme** has virtually stopped;
- **distillations of wine and other market tools** - normally designed to absorb conjunctural surpluses or to support other market uses - encourage overproduction, thereby preventing market balance;
- some provisions of the CMO have created a **heavy administrative burden** and have not always been correctly implemented (**regularisation of irregular plantings**);

- measures are often **too strict and not flexible enough** to allow efficiency and to adapt rapidly to new production techniques and marketing methods. For example, **the labelling rules**, which are specific to wine, are characterised by the wide diversity of legal instruments and the rigidity of certain rules, which in particular make it difficult to develop so-called “varietal wines” (*vins de cépage*) i.e. wines made from one or more grape varieties and which emphasise the name of the varieties, rather than the geographical origin of the product, for marketing purposes. The rigid rules on wine-making practices also hamper innovation;
- the present **dichotomy between table wines and “quality” wines** produced in specified regions no longer provides the appropriate framework to promote the concept of Geographical Indications for wines;
- several policy tools are currently under pressure within the **WTO**.

As wine is one of the products listed in Annex I, referring to Article 32 of the Treaty establishing the European Community, it is up to the Union to lay down rules for the establishment of the common market organisation, and therefore also to address the abovementioned problems.

3. OBJECTIVES

The communication "Towards a sustainable European wine sector" pointed out that the wine reform should be considered in the context of the ongoing process that began with the 2003 general reform of the CAP, which was continued in 2004 (reform of cotton, hops, olive oil and tobacco) and 2005 (reform of sugar). The recent Commission legislative proposal to amend the remaining main sector not covered by the reform, namely fruit and vegetables[6], is another initiative in this direction.

The new direction taken by the CAP represents a resolute step towards a more forward-looking, market-oriented and sustainable agricultural sector, thereby providing an important contribution to the goals of the Lisbon strategy[7] and the sustainable development policy agreed at the Göteborg European Council[8].

The new wine regime should also align itself with the **fundamental principles of the new CAP** in order to contribute to its accomplishments**;** therefore, the reform of the wine sector should be guided by the objectives of **competitiveness** and of **economic, social and environmental sustainability**.

More specifically, the reformed wine CMO should achieve the following objectives:

- to ensure a better quantitative and qualitative **balance between supply and demand**, by providing for simple and effective rules allowing structural adjustment of the sector, including a reduction of production potential where necessary;

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[6] COM(2007) 17 final
[7] COM(2005) 24 final
[8] Presidency Conclusions, 15-16 June 2001.

- to enhance the **competitiveness** of European wine, by allowing the development of a modern and dynamic wine industry, capable of efficiently producing wine and marketing it on the internal and the world market, thus consolidating EU leadership in the sector;
- to take into account the accomplishments of the CAP reform initiated in 2003, in particular its market orientation, its horizontal approach and cross-compliance;
- to safeguard **producers' incomes**,
- to take into consideration wider **society concerns**, such as **health and consumer protection** and **environmental matters**;
- within the general objective of competitiveness, to preserve the **authenticity** and the traditional character of the **product,** and to safeguard vineyards in sensitive areas, where vine-growing plays an important role in protecting the environment/landscapes and providing employment in rural areas;
- to fully respect international obligations with respect to WTO obligations;
- to **simplify the legislation**, by allowing a more effective and flexible framework of rules for production and labelling;
- to **attain a higher degree of subsidiarity**, by adapting the measures to specific conditions and needs, but under certain common rules in order to avoid distortion of competition,
- to provide for the **smooth integration of Bulgaria and Romania** into the EU wine market organisation, enhancing the process of modernisation and restructuring of their wine industries.

4. POLICY OPTIONS

4.1. Options analysed in the original impact assessment and discarded in the communication

In the original impact assessment, the Commission identified four possible policy options for the EU's CMO in wine.

Three of them were discarded in the communication, since the results of the impact assessment showed that they would not provide an adequate solution to the problems of the wine sector and would not allow the objectives of the reform to be met.

4.1.1. Option 1 (Status quo, with possibly some limited adjustments)

This option would consist in **maintaining most of the tools of the existing CMO**, with just a few specific provisions to overcome the most important problems.

The status quo appears unsustainable in the long term, because it neither tackles the problem of the structural imbalance of the wine market, nor enhances the competitiveness of European wine nor improves the consistency with other Community policies.

4.1.2. Option 3 (Reform along CAP reform lines)

This reform option would provide for the **full integration of the wine sector into the mainstream CAP**, as reformed since 2003. **Land under vines** would be made **eligible** for the activation of **Single Payment Scheme (SPS) entitlements** and the **entire budget for the wine sector would be converted into SPS reference amounts** to be distributed on a hectare basis. At the same time, land under vines would be subject to the general system of **cross-compliance**, **modulation** and **financial discipline**.

This option would allow some policy objectives to be achieved in the long term, in particular market equilibrium in the wine sector. Moreover, it would address environmental concerns, since it allows direct application of cross-compliance to the whole area under vines. However, in the short term, the sector would have to undergo quite a tough adjustment process. Public intervention would mainly focus on supporting farm incomes as opposed to rapidly improving the market balance by providing help with structural adjustment. Furthermore, the support given to farm income by the potential amount of decoupled payments, on the basis of the available budget, would be too little to compensate for the loss of market support for many growers.

4.1.3. Option 4 (Complete deregulation)

The option of complete deregulation would involve the **abolition of all policy instruments** for the management of the production potential and of the market. The budget would be either cancelled or transferred to the second pillar for Rural Development (RD) policy in general.

Although this orientation would make it possible to achieve a number of policy objectives in the long term, in particular wine market equilibrium and increased competitiveness of wine production, the very harsh adjustment required by the immediate implementation of this policy and the lack of accompanying structural measures would, in the short term, generate serious negative economic and social impacts on the regions concerned.

4.2. Option chosen by the Commission

4.2.1. June 2006 communication: Option 2 (Profound reform of the wine CMO)

In its communication of June 2006, the Commission clearly expressed a preference for the policy scenario entitled "**profound reform of the wine CMO**". This reform option would provide for **in-depth revision of all the policy tools of the CMO**, which nevertheless would still **preserve its specific character**.

This option would optimally address the problems of the wine sector by concentrating budgetary resources on measures to achieve **stabilisation of the market** and the **structural adjustment of the sector**. Member States and wine regions would be given the scope to adapt the measures available at Community level to their specific conditions and needs, thus allowing greater subsidiarity.

Two variants for the "profound reform" option were identified:

Variant A: "One-step"

The main feature of this variant is the **immediate abolition** (or abolition by 1 August 2010 at the latest) **of the planting rights system** and of the grubbing-up scheme.

Variant B: "Two-steps"

In this variant, the **first phase aims to restore market balance** and **the second phase to build improved competitiveness**. The main feature of this variant would be EU support for structural adjustment via the **temporary revitalisation of the grubbing-up scheme**, which would thus provide a strong incentive for uncompetitive producers to stop producing by means of attractive premia. The system of **restrictions on planting rights would be extended until 31 December 2013**, when it would expire.

Variants A and B would, however, share a large number of common features:

- **abolition of all market measures;**
- **creation of a national envelope** enabling Member States to choose, according to their preference, from a given menu of measures (various crisis management measures, green harvest and the vineyard restructuring/conversion scheme);
- **transfer of funds from the wine CMO to the European Agricultural Fund for Rural Development** (EAFRD) in order to finance structural measures;
- **rationalisation and simplification of so-called regulatory measures** (quality policy & geographical indications (GIs), labelling and wine-making practices (WMPs));
- **new approach to wine enrichment** (banning of sucrose, abolition of aid for concentrated must, reduction of the maximum level of enrichment);
- strengthening of **wine promotion** and **information policy;**
- enforcement of **minimum environmental requirements** for the wine sector

Table 1 summarises the various impacts of the different policy options analysed in the 2006 communication.

Table 1: Summary table comparing the impacts of the options

SUMMARY IMPACTS	Option 1: Improved status quo	Option 2: Profound reform of the CMO	Option 3: Reform along CAP reform lines	Option 4: Deregulation
Market balance	Increasing surplus	Smoothest achievement of balance	Increasing surplus in the short and mid term Market equilibrium in the long term	Increasing surplus in the short and mid term Market equilibrium in the long term
Prices	Sharp decrease due to unsustainability of the system	Decrease in the short term Recovery after achievement of balance	Sharp decrease in the short and mid term Recovery after achievement of balance	Very sharp decrease in the short and mid term Recovery after achievement of balance
Agricultural incomes	Progressive decrease due to unsustainability of the system	Decrease in the short term Recovery after achievement of balance	Decrease in the mid term Recovery after achievement of balance No safety net mechanism	Very sharp decrease in the short and mid term Recovery after achievement of balance No safety net mechanism
Competitiveness	No improvement	Rapid improvement through economic sustainability and improved regulatory measures allowing flexibility and innovation	Improvement in the long run through economic sustainability and improved regulatory measures allowing flexibility and innovation	Strong improvement in the long run through economic sustainability, freedom to farm and improved regulatory measures allowing flexibility and innovation
Economic and social impacts on rural areas	Progressive deterioration due to unsustainability of the system	Improvement due to smooth achievement of economic sustainability	Risks due to heavy restructuring needs	Important risks due to heavy restructuring needs and possible production shifts between regions
Environment	No improvement	No easy solution to apply cross-compliance on all vine area Shifts to RD can be used to encourage more environmentally-friendly measures	Direct applicability of general cross compliance	Very difficult to apply cross-compliance No available funds to encourage more environmentally-friendly measures
Trade WTO compatible	Different measures potentially under attack	Most problems solved	Most problems solved	Most problems solved
Wine quality	Neutral	Increase through better market orientation	Increase through better market orientation	Increase through better market orientation
Health / consumer	No improvement	Stop to unacceptable support to distillation into potable alcohol Labelling rules more transparent and consumer oriented	Stop to unacceptable support to distillation into potable alcohol Labelling rules more transparent and consumer oriented	Stop to unacceptable support to distillation into potable alcohol Labelling rules more transparent and consumer oriented
Budget	Increasing pressure	Neutral	Neutral	Possibility of savings
Subsidiarity	No improvement	Much more flexibility with national envelope and increased RD funds	Flexibility in the implementation of the SPS	Possibly more flexibility via shift to RD
Simplification, applicability controllability	No improvement	Moderate simplification	Strong simplification, but specific operational difficulties in implementing SPS in wine sector	Most problem solved

4.2.2. Legislative proposal

The legislative proposal is broadly based on the "profound reform" option, and more precisely on its Variant B examined in the communication of June 2006, which it has taken a stage further. The "two-steps" variant was preferred to the "one-step" variant for the following reasons:

- the immediate abolition of the planting rights system would present short-term risks of market disruption, since some producers would be able to expand their production before the market surplus is absorbed, thus slowing down the adjustment of the sector. In this sense, variant B provides for a transitional period before the full application of the reform, which allows to restore market balance via a softer adjustment of the sector to a more competitive regime; uncompetitive producers would be offered a way out to leave their activity in socially honourable conditions, thereby making room on the market for competitive operators;
- variant B ensures a longer time frame for the depreciation of planting rights detained by vine-growers, whose acquisition might have represented a costly investment.

The main new elements of the current proposals compared to the "profound reform" option of the 2006 communication are:

- **reduction of scope of the grubbing-up scheme** (from 400 000 to 200 000 ha) and possibility for Member States to **exempt a part of the territory** from the application of the scheme, based on environmental considerations.
  The reduction of scope is partly justified by the slight improvement of the wine market outlook (see section 5.1), but is mainly due to an evolution of the proposal, which now decidedly aims at expanding the commercial outlets of EU wine, rather than only shrinking the wine supply;
- **making the vine area eligible for the Single Payment Scheme (SPS)** (even though this does not involve the creation of new SPS entitlements attached to it).
  This measure would allow producers to activate, on vine land, SPS entitlements that they have at their disposal or they may acquire. It would introduce an important element of the CAP reform option into the proposal (option 3 of the communication);
- special emphasis on measures for the **promotion** of European wine on non-EU markets via the national envelope and on **information** campaigns on responsible and moderate wine consumption on the EU market.

5. ANALYSIS OF IMPACTS (STATUS QUO VS. LEGISLATIVE PROPOSAL)

The following analysis will summarise, adapt and, if necessary, deepen the analysis of the original impact assessment, by focusing in particular on the new aspects introduced by the legislative proposal. The overall impacts will be compared with those of the reference scenario, i.e. the "no reform" option.

5.1. Economic impact

The starting point for the assessment of the economic impact of the legislative proposal is the most recent DG AGRI mid-term outlook for the EU-27 wine sector to 2011/2012 (*see Annex 1)*. This forecast updates the results of a similar exercise conducted as part of the previous impact assessment.

According to this revised outlook, assuming an unchanged CMO, the **wine surplus** in an "average" year will reach, in the status quo scenario, 24.8 million hl (13.9% of production), or **12.8 million hl (7.2% of production)** excluding wine destined to the potable alcohol sector and distilled with the Community aid. Compared to the outlook exercise conducted in 2006, the forecast is slightly less pessimistic, thanks to the recent improvement in the outlook for the wine trade balance.

5.1.1. Market balance

No reform

Given the results of the DG AGRI mid-term outlook, **the no-reform scenario is clearly not sustainable** from an economic point of view, despite the slight downward revision of the forecast market surplus.

Commission proposal

Compared to the status quo, the following proposed measures have a positive effect on the market balance of the wine sector:

- **Abolition of market measures** (distillations, must aids and private storage)
  This is a fundamental measure to achieve **equilibrium in the wine market,** after a period of structural adjustment, since it removes all the economic incentives for producers that led to the current situation of overproduction.
  However, **in the short term**, the abolition of some market tools supporting the use of wine production, such as potable alcohol distillation, could cause **a greater imbalance in the wine market**. In particular, ending support for distillation into potable alcohol would make EU wine alcohol less competitive in the alcoholic beverages market, leading to an overall reduction in the production of domestic wine-based spirits. As a result, less EU table wine would be withdrawn to supply this outlet, thereby creating an additional surplus on the wine market. This additional annual surplus is quantified at about **4 million hl** (see section 5.1.4). Lastly, abolishing Community aid for the distillation of wine by-products, while maintaining the ban on over-pressing grapes, would have no impact on overall wine production.

- **New provisions on wine enrichment** (abolition of must aid and ban on the use of sucrose)
  Ending the aid for must would certainly stop the recent trend towards the artificial expansion of enrichment in countries or regions, mainly in Southern Europe, where enrichment has not been traditionally practised. Furthermore, **the ban on the use of sucrose** in central and northern European countries would entail replacing beet sugar with concentrated grape must. This could contribute to a significant improvement in the market balance. According to a rough estimate based on available data[9], **the replacement of sucrose with concentrated grape must could immediately increase the outlets for grape must by 3.7 million hl** every year.

- Revitalisation of the policy of **permanent abandonment**
  This measure has an **immediate and durable positive effect on the wine market balance**,

9 According to internal estimates, almost 80 000 tonnes of sucrose are used in the EU-27 to enrich 25 million hl wine.

because it directly reduces production potential and, therefore, wine production. However, the decrease in production is probably less than proportional to the area abandoned, since it is primarily vineyards with low yields that are expected to be grubbed-up. Under the same yield assumption as that used in the original impact assessment, the grubbing-up of 200 000 ha of vineyard could reduce the annual wine surplus by approximately **7.5 million hl** over five years.

- Increased funds for **rural development** policy
  Some of the measures eligible for the RD programmes could play an important role in enhancing the restructuring of the sector and promoting better market orientation of production (e.g. early retirement of vine-growers, agri-environmental measures). As indicated in the previous impact assessment, these measures could contribute to reducing the surplus by about **1 million hl** per year in the initial years of the reform.

- Innovative labelling provisions, support for the **promotion** of EU wines on non-EU markets and **internal information scheme**
  Unlike the foregoing instruments, the aim of which is to contain wine production, these measures act on the demand side, helping to **expand the commercial outlets for EU wine** by improving its image, and therefore its competitiveness (*see section 5.1.3*). First of all, the reformed labelling framework will enhance new outlets for EU wines, for example by allowing the large-scale production and marketing of the so-called “vins de cépage”. In addition, external promotion is expected to be the key measure that will enable the wine sector to **recover lost markets and win new ones worldwide**. On top of that, the internal information scheme could contribute to informing EU consumers about the domestic wine quality policy, which might reasonably persuade them to turn their preferences increasingly to European wines rather than to competing wines. The recent boom of new world wines has shown the importance of the promotion policy as the key for a successful marketing of wines worldwide. Given the wide scope of these measures and the considerable resources invested, we can expect them to gradually increase the outlets for EU wine by at least **3 million hl** within two years.

- Financial support for **green harvesting**
  In the **short-term**, this measure, which is included in the national envelopes, generates a **positive effect on the wine market balance** by removing part of the grape production before this comes to maturation. The quantity of potential wine production taken off the market depends on the scale of the action, which in turn depends on the size of the likely surplus. This instrument is therefore very flexible and could be modulated year by year according to the needs of the situation. On the basis of the financial resources allocated via the national envelopes, it is reasonable to believe that in a single year potentially at least **2-3 million hl** of wine production could be removed through this instrument.

In conclusion, the introduction of policy instruments aimed, on the one hand, at reducing production potential and encouraging restructuring and, on the other hand, at boosting the demand for EU wine will ensure a smooth transition in the short term. They will **accompany the process of structural adjustment** of the sector, thus alleviating the adverse short-term effects linked to the abolition of market measures.

In any event, the abolition of the market measures represents in economic terms the guarantee for the wine sector to reach **structural market equilibrium in the long term**.

At the end of the first phase of the reform, the market balance is expected to be virtually restored; therefore, the ban on new plantings could be lifted without the risk of this affecting the equilibrium.

5.1.2. Prices

No reform

The forecast of rising surpluses in the mid-term outlook for the wine sector will generate increasing pressure on Community intervention measures and on the corresponding budget. **In the long run**, it will therefore be increasingly difficult to clear the growing wine stocks rapidly and effectively using market tools. Recurrent crises would lead to a **progressive decline in prices and, consequently, in farm incomes**.

The **short-term** impact of the status quo scenario on wine prices can be simulated using the same methodology as the original impact assessment, in particular by linking price trends to the forecast development of wine stocks, but based on the updated figures from the mid-term outlook. Any conjunctural effect will again be left aside, as "average" conditions are assumed for each year.

In short, on the basis of the new mid-term outlook, the structural surplus generated by the wine market in a "normal" year would be **12.8 million hl** (excluding the volume of wine distilled under the potable alcohol distillation scheme). In a "status quo" scenario, this surplus could be partly removed by a combination of dual-purpose grape distillation (**2 million hl**) and crisis distillation (**4 million hl on average**); the remaining volume would accumulate in the form of additional wine stocks.

Hence, **the surplus generated by the wine market** would lead on average to an annual increase in stocks of **6.8 million hl** (12.8 – 2 – 4 million hl).

Subject to those assumptions, it is possible to give a rough idea of the scale of the impact on table wine prices through simple regression analysis, in which the average annual prices of table wine in the EU are related to the level of wine stocks over the period 2000–2006 (more details on regression analysis can be found in Annex 2).

The annual price data for the EU are calculated as the weighted average of the annual table wine price in France, Italy and Spain, where those annual prices are calculated respectively as the average of the weekly quoted price.

On the basis of the statistical relationship between table wine prices and total wine stocks, and assuming the level of stocks in "year 0" of the reform to be equal to the average for the period 2000–2006, **the decrease in average wine prices** resulting from an **increase in stocks of 6.8 million hl** is estimated to be about **5%**.

After a further increase of 6.8 million hl in wine stocks the following year, the price decrease, compared to the initial value at the beginning of the "year 0", would be around **11%.**

In the context of a general fall in prices, table wines would probably be the most affected, since they are the main beneficiaries of distillation measures, but it seems unlikely that the quality wines sector could be spared from the downward trend in prices.

Commission proposal

Long-term impacts

The long-term wine market equilibrium achieved by the reformed wine CMO can be expected to be mainly accomplished by production falling into line with demand, rather than through a downwards adjustment of wine market prices. For those reasons, **prices** (and therefore agricultural incomes) **would reach satisfactory levels** and could be comparable to those in the best years under the existing CMO, when the surplus recorded (excluding wine distilled under the potable alcohol distillation scheme) was close to zero. In this situation of market balance, the conditions for abolishing the ban on new plantings would finally be met.

Conjunctural problems linked to occasional surpluses generated by exceptionally abundant harvests could be tackled through crisis management measures within the national envelope.

Short-term impacts

The ending of all market measures would mean that the **production surplus** of a "normal" year**, i.e. 12.8 million hl**, could not be physically removed from the market through specific distillation measures, but **would invariably accumulate as additional stocks**, which would have the effect of depressing prices. Besides, as indicated in 5.1.4, abolishing potable alcohol distillation could further worsen the wine market balance by **4 million hl** in the short term.

On the other hand, the various policy tools described in section 5.1.1 would accelerate the adjustment of production and the reduction of surpluses, thereby diminishing the accumulation of wine stocks. The effect of these tools according to the assumptions made under 5.1.1 is the following:

- the **ban on chaptalisation**, entailing the replacement of beet sugar by concentrated grape musts, would lead to a reduction of **3.7 million hl** in total wine production;
- the revitalisation of the **policy of permanent abandonment** would allow the abandonment of 60 000 ha of vineyards in the first year of the reform and of 50 000 ha in the second year, which would correspond to reducing the wine surplus by **2.3 million hl** and **1.9 million hl** respectively;
- the **other structural measures** under the second pillar reduce this surplus by a further **1 million hl** per year;
- the opportunities created by the **new GIs and labelling framework** and the new **promotion and information policy** are expected to increase the outlets for EU wine by **1.5 million hl** per year in the first two years;
- green harvesting would be likely to be applied in years with large surpluses and could thus remove **2 million hl** of wine from the market in the first year and **1 million hl** in the second year.

Under these assumptions, **the surplus generated by the wine** market in the first year after reform would lead on average to an increase in stocks of **6.3 million hl** (12.8 + 4 – 3.7 – 2.3 – 1 – 1.5 – 2 million). In the second year of the reform, wine stocks would continue to increase, but "only" by **2.9 million hl** (12.8 + 4 –3.7 – (2.3 + 1.9) – (1+1) – (1.5+1.5) –1 million).

On the basis of the same regression analysis conducted for the no-reform scenario, i.e. relating table wine prices to total wine stocks, **the decrease in the average table wine prices resulting from the trend in stocks is estimated at 5% in the first year and at 7% after two years.**

Therefore, prices would be roughly equal to those of the status quo scenario **in the first year**, but would already be more favourable starting from **the second year**, with **prospects of a rapid and full recovery** afterwards, given the favourable trend in stocks.

Again, **table wines would probably be the most affected by the drop in prices**, but **quality wines would probably be affected by the general downward trend too**.

5.1.3. Competitiveness

No reform

As the impact assessment annexed to the June 2006 communication showed, the increasing erosion of the market share of EU wines relative to competing wines, both on the domestic and on the export markets, indicates a **worrying loss of competitiveness** of our industry, particularly in the low and medium-quality segment. The CMO has not helped to improve this situation, which would probably become even worse without a resolute change of policy.

Commission proposal

The following measures, contained in the proposed legislation, would contribute significantly to improving the competitiveness of the EU wine sector:

- ending market measures would encourage **structural adjustment** in the wine sector, prompting uncompetitive holdings - whose production is currently mostly intended for distillation - to abandon the activity. The overall competitiveness of the sector would thereby increase;
- the revitalised grubbing-up programme and the strengthened rural development dimension would facilitate structural adjustment and help to **increase the average size of wine holdings** in the EU;
- confirming the restructuring programme and strengthening rural development measures would permit **continued modernisation** of vineyards, thus contributing to **greater cost-effectiveness and better market orientation** of EU wine production;
- the **vigorous information and promotion policy** proposed by the Commission would underpin ambitious marketing strategies, which should enable the EU wine sector to regain its lead position on the world stage, and eventually exploit the new opportunities provided by the emerging markets. Besides, increased funds for the internal information campaigns could contribute to better informing consumers about EU quality policy, thus improving the image of EU wines, and about the beneficial effects on health of responsible and moderate wine consumption;
- more flexibility in the procedure for approving new wine-making practices (WMPs) would increase the **scope for innovative techniques**. The possibility of authorising specific WMPs for export only would allow EU producers to operate on the world market under conditions of equal opportunity with non-EU competitors;

- simplifying the GI system and the labelling provisions would **increase transparency for the consumer**. Moreover, greater flexibility in the regulatory framework would provide **new marketing opportunities** for EU wines: for example, allowing the wine variety and vintage year to be indicated for wine without GI would enhance the expansion of the "vins de cépage" segment, which has been one of the key factors in the recent overwhelming success of some non-EU wines;
- the **abolition of the planting rights system,** from 2014 onwards, would provide for the possibility to expand the vine area without restrictions, thus allowing to the most efficient producers to **optimise the size of their holdings and operate at the most convenient production scale**; however, the rules regulating the access to GIs and protected denominations would de facto partly restrict the area eligible for protected designations.

As to the proposals on **enrichment**, although **this practice is nearly always economically profitable for producers** (even with unsubsidised concentrated musts) the **abolition of the aid to concentrated musts** and the ban on the use of sucrose would lead to an **increase in production costs** compared to the current situation. The cost increase would depend on the price category of the enriched wine and it would be highest for low-priced table wines. For this category of wines, it is estimated that **production costs** may grow by about **10%** in the case of **producers currently enriching wine with sucrose** and by **20%** for those currently **enriching with subsidised concentrated must**.

5.1.4. Economic impact on the potable alcohol sector

No reform

Under the existing CMO, the distillation scheme for potable alcohol allows distillers to purchase wine alcohol at below the market price, thus allowing their production costs to be comparable to those of other spirit drinks. The net price paid by distillers to purchase their wine is €0.737/%vol/hl, which is equal to the difference between the distillation aid (€1.751/%vol/hl) and the minimum price to be paid to the producer (€2.488/%vol/hl).

Commission proposal

The abolition of subsidies on potable alcohol distillation would oblige distillers to **purchase table wine at market prices**, which currently stand at about €2/%vol/hl. Given the short-term price reduction (see section 5.1.2) and taking into account that wines with the lowest quality are used, ultimately distillers will probably have to pay approximately **€1/%vol/hl more** for their raw material than they do at present.

This corresponds to an increase in production costs of **€0.4 per litre of brandy (40 %vol.)** and of the order of **€0.15 per litre of fortified wines**, depending on the method of production, which is based on the addition of wine alcohol.

Theoretically, this cost increase could either be transferred to consumers via an increase in the price of the final product, or lead distillers and the other actors in the market chain to accept a reduction of their margins.

In this respect, it is important to mention that the retail price of brandy also reflects the level of **taxes and excise duties**. Excise duties on alcohol vary considerably from one MS to the other, but are generally quite high on spirits. In the case of brandies, for example, excise duties range from €6.45/%vol/hl in Italy (corresponding to €2.58/litre) to €55.19/%vol/hl in Sweden (or €22.08/litre). Finally, the industrial price of brandy is very small compared to the retail price.

Therefore, the adjustment occurring after the increase in wine alcohol costs will most probably consist in a corresponding price increase of the final products.

Finally, given that the retail price of a one-litre bottle of brandy, even in countries with a low level of excise duties, is usually about €10, **the impact of the production cost increase on the price of brandy will be relatively limited** (normally less than 5%). For fortified wines, the corresponding percentage increase in the retail price will also depend on the price segment of the wine, but it would normally be even lower than for brandy, because their alcoholic strength is lower.

While it is likely that, for a part of the market, in particular high-quality products, demand will not be significantly reduced by a small price increase, this may be different for lower-quality products, since EU wine alcohol loses competitiveness in the alcoholic beverages market (compared with both alcohol produced from other raw materials and wine alcohol that could potentially be produced in non-EU countries). Studies analysing the response of brandy consumption to the increase of excises suggest that the demand for this spirit drink might have quite a high price elasticity. Therefore, a non negligible **drop in the consumption of wine alcohol** may happen, despite the small size of the cost increase. On the basis of a qualitative judgement, the additional surplus on the wine market is put, as in the original impact assessment, at about **4 million hl**.

5.2. Social impact

5.2.1. Agricultural incomes

No reform

As mentioned in section 5.1.2, the **long-term** deterioration of prices, due to the gradual accumulation of wine surpluses, will lead to a significant worsening of farm incomes in the wine sector.

In the **short term,** the impact of the status quo scenario on incomes can be simulated applying the same method as that used in the original impact assessment, based on information from the Farm Accountancy Data Network (FADN). In particular, seven "model farms" were built to represent the most typical wine producers in five of the largest wine-producing EU regions (Poitou-Charentes and Languedoc-Roussillon in France, Puglia and Sicily in Italy and Castilla-La Mancha in Spain). The possibility to enlarge the scope of the analysis to more regions is limited by the small size of FADN sample of wine holdings. The analysis focuses mainly on table wine producers, since they are the main beneficiaries of the market measures and therefore most affected by an unfavourable market situation.

For each of these “model farms”, the farm income was simulated for three consecutive years, by applying the drop in wine price calculated under 5.1.2. The **income indicator** used for the analysis, which is the most common for agricultural activity, is the **Farm Net Value Added per Annual Work Unit (FNVA[10]/AWU)**.

The FNVA/AWU of the table wine model farms in "year 0" is quite low (less than €10 000) in all the regions considered, except in the Poitou-Charentes region, where the income of wine farmers is boosted by the production of Cognac.

The results of this simulation exercise indicate that the **price decrease would have a significant impact on agricultural incomes** which, after one year, would fall by between **5% for non-specialised table wine producers in Sicily and 17% for specialist table wine producers in Languedoc-Roussillon. After two years, agricultural incomes in those two regions would decline by 10% and 38% respectively.**

Due to its static nature (unchanged farm features and constant cost structure), this method tends to overestimate the fall in income, because it does not consider any economic adjustments by the farms.

The sharper fall in income in Languedoc-Roussillon is due to the higher degree of specialisation of farms, which makes them completely dependent on the wine market situation. Moreover, despite being currently more profitable than their Italian and Spanish counterparts, French producers have higher production costs and a higher ratio of costs to revenue, so that even a small decrease in price could lead to negative margins.

By contrast, farmers in Southern Italy and in Castilla-La Mancha, despite the loss of income, manage to maintain a certain profitability thanks to their low-input production system.

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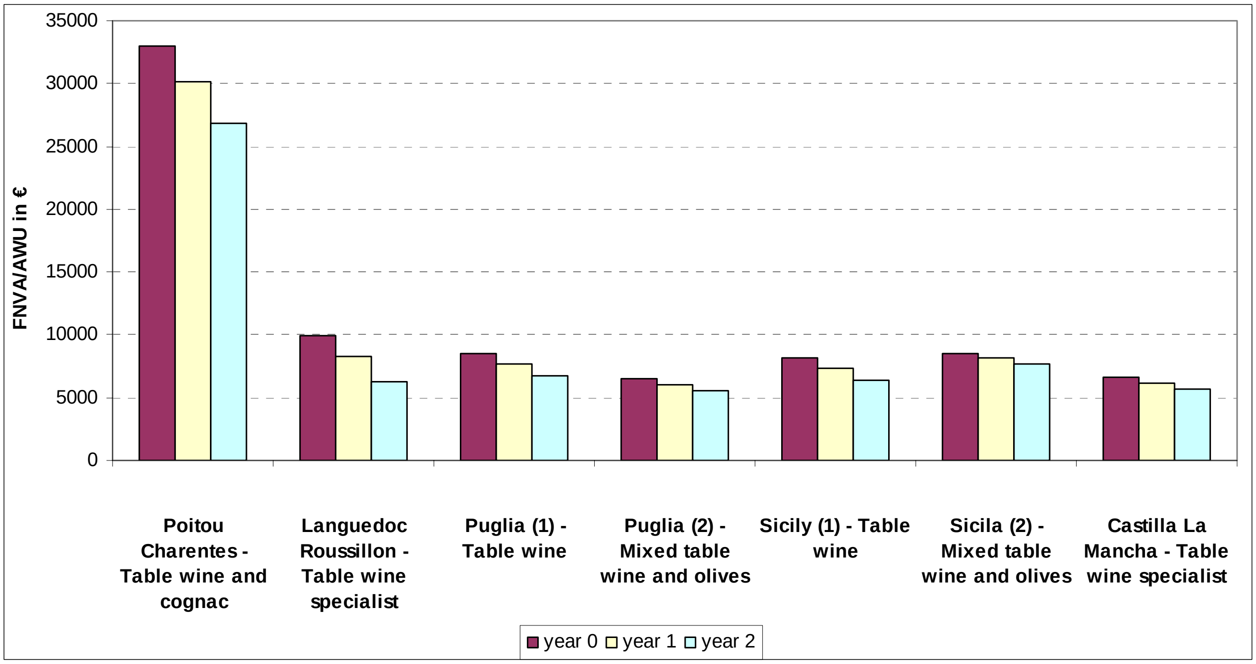
[10] **Farm net value added** = Total farm output + Balance current subsidies and taxes – Intermediate consumption – Depreciation.

Graph 1: Trend in FNVA/AWU of seven typical wine farms in five EU regions in the no reform scenario



Source: DG AGRI – FADN (and DG AGRI projections)

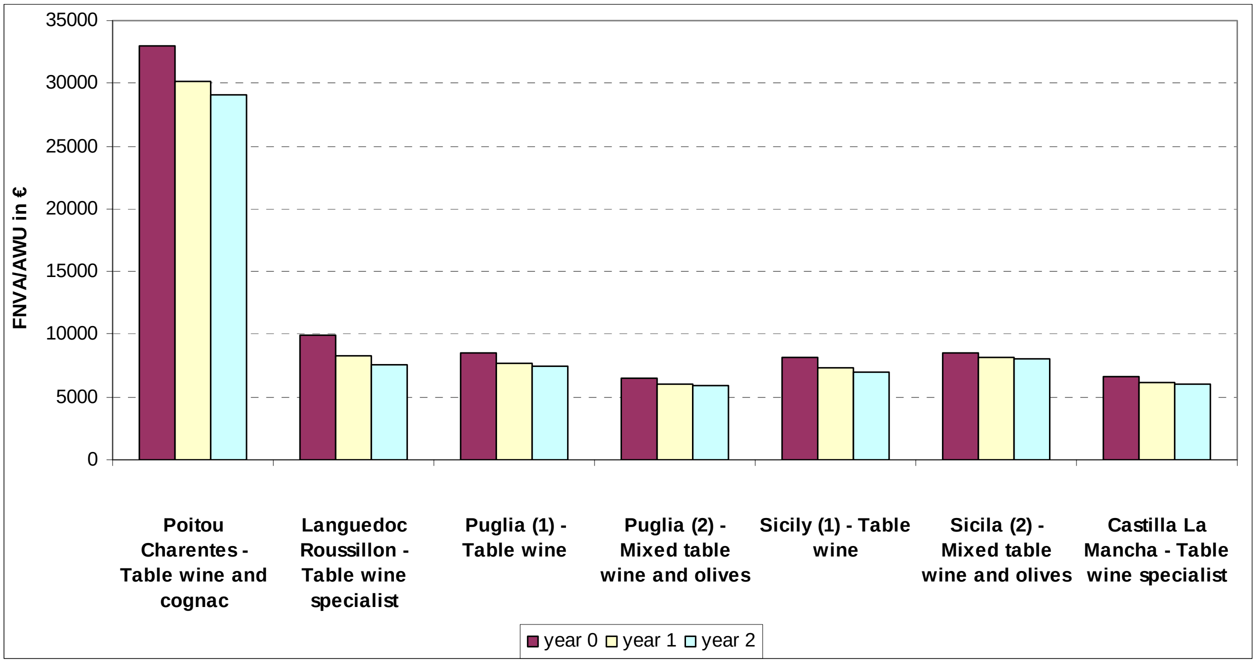
Commission proposal

As mentioned under 5.1.2, wine market equilibrium achieved by the reformed wine CMO **in the long term** will contribute to the stabilisation of prices, and consequently to a **considerable improvement of agricultural incomes**.

The **short-term** impact of the Commission proposal on farm incomes is estimated using the same method as that used in the no reform scenario.

Following the same static approach, which assumes unchanged farm features, and in particular a constant cost structure, the results of this simulation exercise indicate that the price decrease would have a **quite significant impact on agricultural incomes**, which would fall, after the first year, by between **5% for non-specialised table wine producers in Sicily and 17% for table wine specialists in Languedoc-Roussillon**. **After two years, agricultural incomes in those two regions would decline by 6% and 24% respectively.**

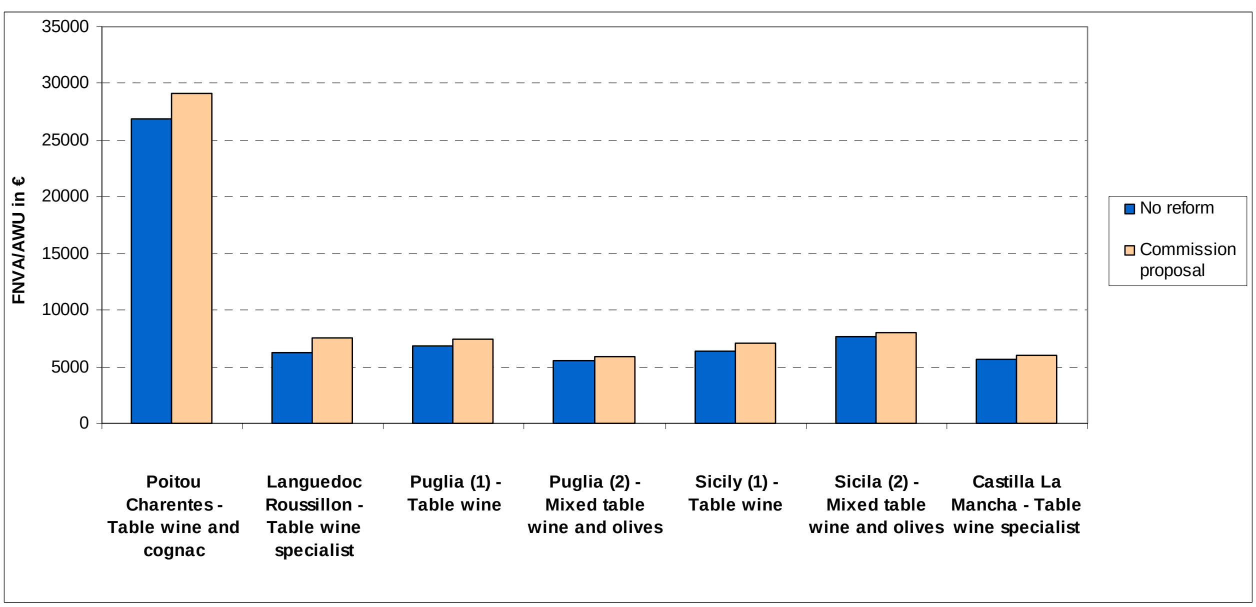
Graph 2: Trend in FNVA/AWU of seven typical wine farms in five EU regions before and after the implementation of the reform



Source: DG AGRI – FADN (and DG AGRI projections)

Like in the case of the impact on prices (section 5.1.2), the level of income **in the first year** would be equal to that in the status quo scenario, but would be higher from **the second year onwards**.

Graph 3: FNVA/AWU of seven typical wine farms in five EU regions in the second year after the reform – comparison between status quo and the reform scenarios



Source: DG AGRI – FADN (and DG AGRI projections)

Therefore, the merit of the reform proposed by the Commission is that it **reduces, even in the short term, the level of the income loss** compared to the no reform option.

Apart from the analysis of vine-growers' income, the impact on the **income of agricultural holdings leaving the wine sector** should also be mentioned. In this respect, the grubbing-up scheme and, eventually as a last option, increased funds for early retirement measures under rural development could provide **adequate support for non-competitive or older vine-growers**, thus enabling them to **leave the activity honourably**. This is particularly important given that, after the reform, wine producers will be confronted with **much more demanding conditions in terms of market competition**, and at the same time the sector is characterised by a **high proportion of older farmers** (according to the Eurostat Farm Structure Survey, 62% of them are aged 55 and over).

On the basis of the level of the premium proposed in the first year of the reform, the grubbing-up scheme would provide uncompetitive producers with a sum of money per hectare that is equivalent to the margin from several years of vine-growing. Naturally, the exact number of years depends on the individual profitability of producers and, on average, this differs considerably from one wine region to the other, **varying between 1.3 and 6 years of the margin** derived from the corresponding number of abandoned hectares.

On the other hand, linking the grubbing-up of vineyards with the granting of SPS entitlements could provide **viable alternatives to farmers intending to convert their production** to other agricultural activities, by **avoiding them being penalised** in relation to other producers who enjoy historical payment rights.

5.2.2. Agricultural employment

Introduction: analysis and trends of agricultural employment in the wine sector

Vine-growing and wine production play an important role in the level of activity and employment in rural areas of many Member States and their regions.

In 2005 there were about **1.3 million holdings with vineyards** for wine production[11] in the EU-25, representing more than **20% of all EU farms**.

Those farms absorbed about **1.4 million Annual Work Units (AWU)**, which corresponds to more than **20% of the total AWU employed in EU agriculture**. The family labour force is still very prevalent, but there is also considerable employment of regular non-family labour in some regions. Alongside the permanent jobs, there is also seasonal employment in the harvest. Italy employed the highest number, with 455 000 AWU (33% of the EU-25 total), followed by Portugal with 227 000 units (17%). Together, these two countries account for half of the total labour force employed in vineyards. Employment is also significant in France (13%), Spain (11%) and Greece (10%). Hence, the Mediterranean countries employ 84% of the total labour force used on holdings with vineyards.

[11] Eurostat, Farm Structure Survey 2005.

However, it is not easy to determine the exact number of working units actually given over to the vine-growing activity, since holdings with vineyards might have mixed production, with the alternative crops being possibly even more important economically than wine. Therefore, the abovementioned data overestimate the employment related to pure vine-growing.

In 2005 **specialised wine farms**[12], for which vine-growing is the most important agricultural activity, numbered only about **500 000** and employed less than **500 000 AWU**. They represent roughly one third of all wine holdings and of the total labour force respectively, but account for 70% of the area under vines. These holdings and the workers on them are the most dependent on vine-growing, although this activity is not necessarily the sole activity in their case either. On the other hand, focusing only on this category of holdings would be to completely neglect the importance of vine-growing as a complementary economic activity in non-specialised wine farms.

Another (more theoretical) approach to the determination of total employment involved in vine-growing is to calculate it using a technical coefficient of labour input per hectare of vine area. According to some Eurostat estimates[13], based on a sample of purely vine-growing holdings, the labour force necessary to cultivate 1 ha of vineyards is 0.19 AWU. By this calculation method, the working units corresponding to the 3.4 million hectares of vineyards in the EU-25 would be about 640 000 AWU.

Although in 2005 **Romania and Bulgaria** were yet not members of the EU, Eurostat data from the 2005 Farm Structure Survey show that the wine sector of these two countries has very particular characteristics, which make them very different even by comparison with the other wine-producing Member States that joined the EU in 2004. Bulgaria and especially Romania have an **extremely large number of holdings with vineyards** (about 1.1 million, of which almost 90% are in Romania), employing a **huge agricultural labour force** (about 150 000 AWU in Bulgaria and 700 000 in Romania). These figures are remarkable, particularly in relation to the **relatively limited extent of the area under vines** in the two new Member States, and can be explained by the particularly **small and fragmented structure of vine-growing holdings** (0.36 ha vineyards per farm in Bulgaria and 0.17 ha in Romania) and the **highly inefficient use of labour** (3 and 4 AWU per hectare vineyard respectively). Furthermore, less than 10% of Bulgarian and Romanian holdings with vineyards are specialised in vine-growing, whereas the figure for the rest of the EU is 35%. Finally, Eurostat data indicate that a large part of the wine production is intended for **family consumption only**. All these elements demonstrate that a large part of the Bulgarian and Romanian wine sector is far from competitive.

Looking at the evolution of agricultural holdings with vineyards over time, the time series of the results from the Farm Structure Survey for the EU[14] since 1990 shows a **dramatic drop in the number of holdings with vineyards** (from 2.1 million in 1990 to 1.1 million in 2005, corresponding to a fall of 48% over the whole period or to -4.3% on average per year) **and in the corresponding level of employment** (from 2.1 to 1.2 million AWU, that is -45% or -3.9% per

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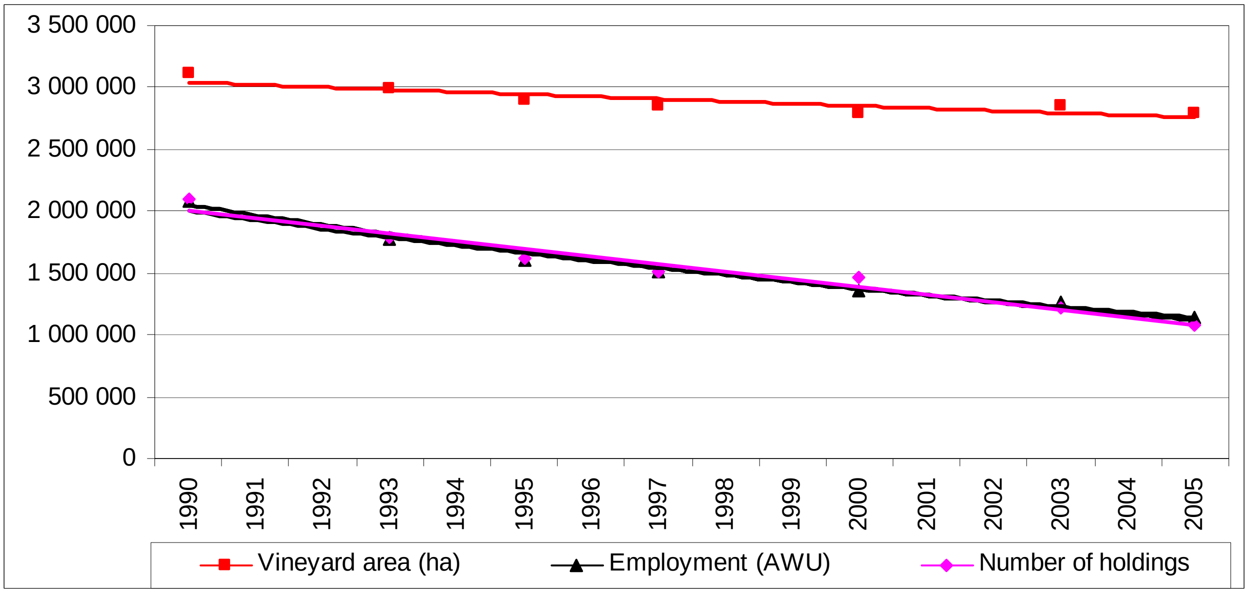
12 Specialised wine farms are holdings which derive more than two-thirds of their total Standard Gross Margin (SGM) from vines. The SGM of a plant crop is defined as the value of one hectare's production minus the cost of the variable inputs needed to obtain that production and is calculated as an average at regional level.

13 Eurostat, Agricultural statistics – Quarterly bulletin (Special issue: Farm Structure Survey 2003), May 2005.

14 The EU total is calculated only on wine-producing Member States of the EU-12 for which complete information from Farm Structure Survey is available over the period 1990-2005, that is France, Italy, Spain, Portugal, Greece, Luxembourg, United Kingdom. Germany is therefore excluded.

year). On the other hand, **the decline in the vineyard area** between 1990 and 2005 **was more modest** and amounted to 10%, or 0.7% per year.

Graph 4: Trend in the number of holdings, vineyard area and agricultural employment in holdings with vineyards in the EU[14] in the period 1990 to 2005



Source: Eurostat, Farm Structure Survey

On the basis of these trends, it can be concluded that holdings with vineyards have been systematically employing, on average, about 1 AWU since 1990, regardless of their average vine area. On the other hand, the **average vine area per farm has been continuously increasing** over time (from 1.49 in 1990 to 2.57 ha in 2005) and the **labour force per hectare of vineyard has been constantly falling** (from 0.67 AWU/ha to 0.41 over the same period).

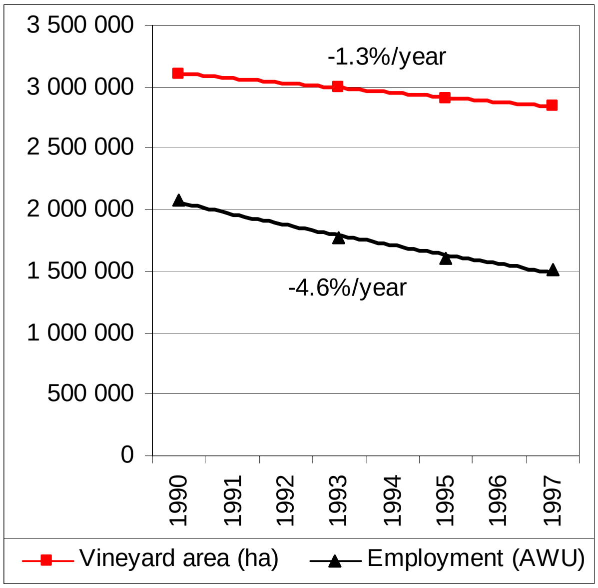
These results are a clear indication of a **longstanding and profound restructuring process** that is taking place in the European wine sector, leading to an **expansion of the average farm size** and a **rationalisation of the labour input**, within the context of a **slight reduction of vine areas**.

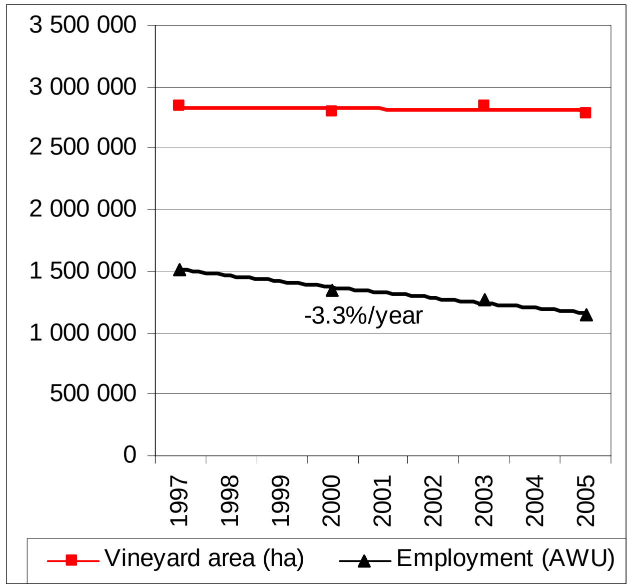
Against this general background, it is useful to compare the trend of employment in holdings with vineyards during two different periods:

- the first period, from 1990 to 1997, during which the Community applied a vigorous approach to tackling the problem of wine overproduction by means of a policy creating incentives for the permanent abandonment of vine area. In that period, an average of around 53 000 ha of vineyards were grubbed-up yearly with a Community premium;
- the second period, between 1997 and 2005, during which, partly also because of an initial temporary improvement of the wine balance, the grubbing-up scheme was virtually stopped and, on the contrary, new planting rights were introduced following the most recent reform of the wine CMO in 1999.

In both periods, the long-term farm restructuring process mentioned above entailed a reduction of agricultural employment in the wine sector. However, between 1990 and 1997, the substantial drop in vine area (-1.3% per year), initiated by the grubbing-up policy in those years, added to the effect of the restructuring, thus resulting in a sharper loss of jobs compared to the period post-1997, which was characterised by a substantially stable vine area.

Graph 5: Trend in vineyard area and agricultural employment in holdings with vineyards in the periods 1990 to 1997 and 1997 to 2005





Source: Eurostat, Farm Structure Survey

In short, while the yearly reduction of agricultural employment averaged about 4.6% in the period 1990-97, it amounted to only about 3.3% between 1997 and 2005.

Therefore, we can assume that a basic **3.3% yearly reduction** of agricultural employment in the wine sector is the consequence of the **general process of rationalisation** in farm structures, increasing labour efficiency and adaptation to declining wine consumption, leading to a lower need for labour input per hectare. On the other hand, the **additional drop** recorded in the years 1990-97 can be attributed for the most part to the **policy incentives to abandon part of the vine area** (grubbing-up premium). In particular, data seem to show that a 1.3% decrease in the area under vines in the period 1990-97 caused an additional drop of 1.3% in the employment level, as compared to the trend when there was no reduction in area.

Impacts: No reform

In the status quo scenario, in the absence of policy tools encouraging the reduction of the production potential the **evolution of agricultural employment** in the wine sector would probably **continue to follow the historical downwards trend** (-3.3% per year). At the same time, the most important structural problems of the sector, namely the uncompetitive nature of a large part of the production and the high average age of vine growers, would remain unsolved.

Impacts: Commission proposal

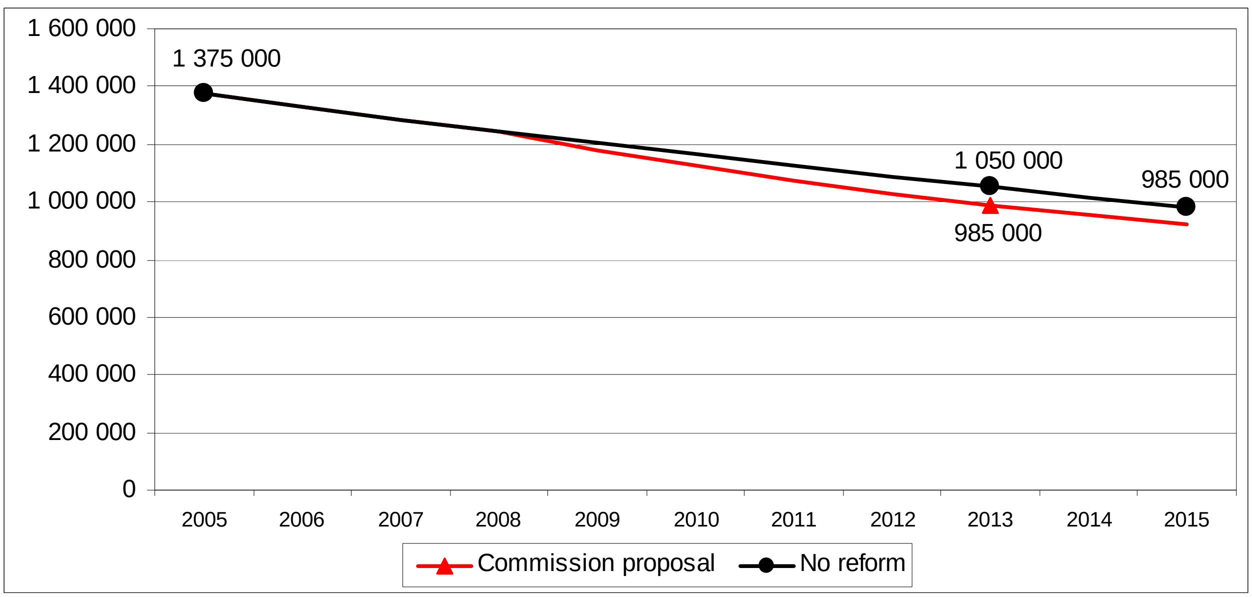
The revitalisation of the grubbing-up scheme in the first five years of application of the wine reform will bring about, along with the reduction of the cultivated vine area, a **more significant reduction of agricultural employment** in the wine sector compared to the no-reform scenario.

The corresponding percentage reduction of the total vine area is calculated on the basis of the vine area eligible for the grubbing-up premium, year on year (from 60 000 ha in 2008 to 20 000 ha in 2012). Thereafter, based on the observed relationship between the trend in vine area and the trend in employment, the percentage fall in the level of occupation in wine holdings is estimated (a 1% decline in area denotes a further 1% reduction in occupation, in addition to the normal downward trend).

In short, it is expected that in the year following the most intense grubbing-up of vineyards (2009) agricultural employment in wine farms will fall by 5.1%; this percentage will gradually decrease over the following years and go back to 3.3% after the abolition of the grubbing-up scheme.

In the following graph, the complete long-term forecast of the agricultural employment under the Commission proposal is compared with the corresponding projection for the status quo.

Graph 6: Forecast of agricultural employment (AWU) in holdings with vineyards for the EU-25 under the reform scenario compared to the status quo – 2005/2015



Source: Eurostat, Farm Structure Survey 2005 and DG AGRI projection

The graph shows that, in 2013, i.e. at the end of the 5-year grubbing-up programme, **the difference in overall employment according to the two policy scenarios is about 65 000 AWU (or 6.2%)** for the whole EU-25.

In other words, **the impact of the Commission reform proposal will be to slightly accelerate the normal long-term trend towards rationalisation in the use of the labour input and**

reduction of agricultural employment. In particular, it is interesting to observe that **the overall level of employment at the end of the transitional period of the reform (2013) equals that which would be attained two years later (2015) under the status quo scenario**.

Actions financed via the Rural Development and/or the Structural Funds (in particular the European Social Fund) should be put in place to accompany the loss of employment in the sector.

On the other hand, if we considered only the **specialised wine holdings** rather than all holdings with vineyards, the number of working units forecast for 2013, calculated according to the same methodology, would be about 355 000 in the status quo scenario and around 333 000 with the reform, giving a difference of approximately **22 000 AWU** for the EU-25.

Finally, the incentives to abandon vine area are not the only instrument determining the pace of restructuring of the wine sector, and thus the rate of the reduction in agricultural employment. On the contrary, **the speed of this development also depends on all the policy tools having an impact on the profitability** of wine farms: the less profitable the sector, the harsher the restructuring and therefore the more acute the probability of job losses.

In this sense, given that the reform proposed by the Commission increases the level of farm income in the long term and limits its reduction in the short term, compared to the status quo (see section 5.2.1), its **impact on employment would probably be further mitigated**, although it is not possible to quantify precisely this effect.

In the end, by encouraging the soft exit of farms with low profitability, the reform will generally enhance labour efficiency. This will contribute to improving **the quality and the sustainability of employment** in the sector in a context of a more balanced market situation, and will thus lay the foundations to **stabilise its overall level** in the coming years.

Given the special features of the wine sector in Bulgaria and Romania, the two new Member States were not considered in the previous analysis, as it would probably not have been appropriate to describe the likely evolution of their wine sector. On the basis of the data on farm structures it is clear that, irrespective of the reform of the wine CMO, **the wine industry in Bulgaria and Romania still has to undergo a long and deep restructuring process** before attaining a level of efficiency and competitiveness comparable to that of other EU Member States. **The EU policies all together (e.g. wine CMO, rural development, regional policy) should operate in synergy to accompany this process**, which will inevitably lead to a steady contraction of agricultural employment.

5.2.3. Employment in the wine market chain and related sectors

Introduction

The **socioeconomic dimension of vine cultivation** extends beyond the agricultural activity in the vineyards and should also take into account:

- the **production of wine** not taking place directly on the farm, i.e. in **cooperative cellars** or in **private wineries**;

- **indirect economic activities linked to wine production**: trade and marketing of wine, production of oak casks, bottles, labels, capsules, corks etc., development of wine tourism (hotels, bars, restaurants, etc.), production of spirits, distillation of wine and wine by-products.

Wine production carried out by cooperative and private wineries contributes to the economy and employment in the wine regions, since wine production generally takes place close to the area where the grape is produced, for reasons that are both technical and legal.

The other **indirect economic activities** also contribute to the rural development of wine regions, to the extent to which they are carried out within the production areas. This will mainly depend on the characteristics of each individual industry in the different wine regions. Given the wide range of situations, it is almost impossible to assess the socioeconomic relevance of these specific activities. However, their looser link to vine-growing suggests that the contribution of these activities in terms of the value added and employment of wine regions is more modest than the purely wine producing activity.

According to the most recent results available from the Structural Business Statistics, in 2004 there were about **76 000 persons** employed in the activity of wine production in the EU-25[15], corresponding to approximately **8 600 cooperative cellars or private wineries**. The highest number of employed persons was registered in Spain, with 23 400 units (31% of the total), followed by Italy with 16 400 units (22%) and France with 13 100 (17%). Together, these three countries represent 70% of the total labour force employed in wine-making activities outside farms. The employment level in Portugal (10%), Hungary (7%) and Germany (5%) is also significant. As for the two newest Member States, Romania employed 4 300 persons, which represents a level comparable to that of Germany and Hungary, while data for Bulgaria are not available.

As expected, employment in wine-making structures is related to the overall level of wine production in the different countries, but it also reflects the organisation of their wine market chain and their production structures.

Looking at the trend in the number of persons employed in cooperatives or wineries in the three most important wine countries (France, Italy and Spain)[16], the time series of the results from the Structural Business Statistics since 1995 shows a **substantial degree of stability in the number of workers**, or even an increase in Spain. This trend visibly contrasts with the clear declining trend registered in agricultural employment linked to vine-growing.

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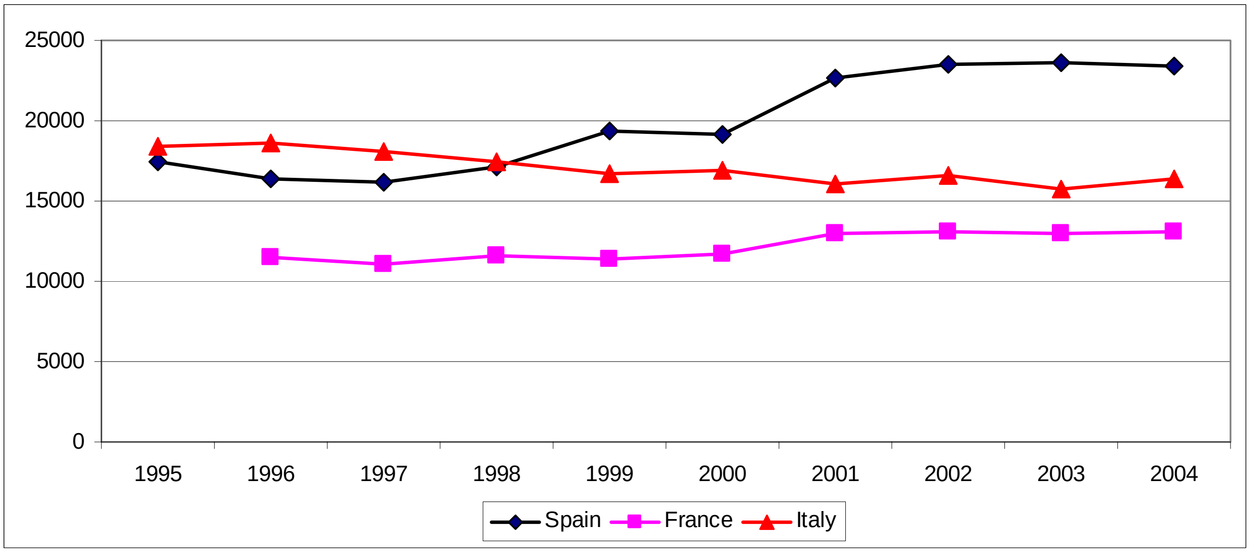
15 The total excludes Greece, due to complete data unavailability; for Luxembourg, Malta, Slovenia and the United Kingdom, data refer to years before 2004, since the most recent value is missing.

16 The analysis focused on the most representative wine-producing countries due to the incompleteness of the statistical series for other Member States.

Graph 7: Trend in the number of persons employed in the wine-making sector– 1995/2004



Source: Eurostat, Structural Business Statistics

This graph shows that the profound restructuring process affecting agricultural holdings with vineyards over recent years has concerned wine processing structures to a lesser extent. The average size of the processing units in each of the three main wine countries has varied between 6 and 9 persons during the period under review.

In fact, despite a certain tendency towards the regrouping and the merging of wine cooperatives, the overall level of employment has remained relatively stable thanks to the greater added value generated by wine processors through modernisation and extending the scope of their activities, by gradually incorporating additional tasks, e.g. wine bottling or marketing of the product.

Impacts: No reform

In the status quo scenario, **employment in the wine processing sector** and in the rest of the market chain, as well as in the wine-related sectors, is **not expected to change markedly** in the future. Nevertheless, employment may well be adversely affected if the deteriorating income situation of individual wine producers (see section 5.2.1) is passed on to cooperatives and thus forces them to restructure.

Impacts: Commission proposal

The new approach proposed by the Commission, namely to prevent the production of wine surpluses (by means of instruments like the grubbing-up programme or support for green harvesting) rather than in the ex-post clearing of the market through distillation measures, could bring about a **reduction in EU wine production**. More precisely, the departure of some vine-growers, who had been used to sending their production to wineries, and were encouraged to grub-up their vineyards, could entail a **sudden loss of wine production for the wineries concerned**.

As a consequence of the overall reduction in wine production, a significant structural adjustment of the wine processing sector could take place; this would push wine cooperatives to increase in size or to merge, in order to achieve an optimum size. On the one hand, **this process could lead to a possible loss of jobs**, but on the other hand it could **enhance the rationalisation of the wine processing industry**, which has shown certain problems of inefficiency due to its small size, in particular with respect to marketing activities. At the same time, the increase in resources intended for rural development measures in the wine regions could boost the existing tendency among wine processors to increase the value added of their production, by extending the scope of their activity within the wine market chain.

The **impact of the Commission proposal on the wine distilleries sector** is a different matter. In nearly all important wine-producing countries (i.e. France, Italy, Spain, Portugal and Greece), the activity of this industry is currently **determined by the distillation schemes of the wine CMO**.

According to national sources, the wine distilleries sector in Italy, France and Spain is made up of **256 distilleries**, employing a total of **6 800 workers**. Data about other Member States are not available, but they should be less important than in the three main wine-producing countries.

Apart from those deriving their profit mainly from the production of wine spirits or grape marc spirits (brandies, grappa, etc.), and some others producing alcohol from raw materials other than wine, **the economic existence of the majority of wine distilleries is largely guaranteed by Community support for the distillation of by-products,** which represents a large share of their business.

If wine by-products distillation ceases to be obligatory and subsidised, wine producers and distillers will have to redefine their mutual relations on the basis of the new situation. On the one hand, it is absolutely vital for distillers to compress their costs, rationalise their structure and increase the scope and the value of their output, so as to make their activity economically profitable even in the absence of Community distillation aid. On the other hand, wine producers will also face a new challenge in order to comply with sound environmental management of the residues of wine-making (see section 5.3); in particular, if they do not manage to reutilise their marcs and lees on the farm, they might be interested in continuing to deliver their by-products to the distilleries, if necessary for free, or perhaps even paying for it themselves, as is already the case for the disposal of waste in other agricultural sectors.

The following scheme represents, in a simplified form, the possible impact of the abolition of the compulsory by-products distillation scheme on the profitability of distilleries in the production of raw wine alcohol currently going to intervention. The calculation is made under the assumption that wine producers deliver for free their products to distilleries and that the market price for the raw wine alcohol (to be used in the fuel sector) is about €55/hl of pure alcohol[17].

[17] In current wine alcohol tenders, the sale price of wine alcohol is about €45/hl of pure alcohol; however, that price is lower than real market price, since the costs for the removal of the alcohol are at charge of the buyers.

(values in €//hl of pure alcohol)	**Currently**	**Reform**
Revenues: – sale of alcohol	€165.4	€55
Costs: – payment to producer	€99.5	€0
Margin:	€65.9	€55

According to this static scheme, distillers' margins on the production of raw wine alcohol would decrease by €10.9/hl of pure alcohol. Under these conditions, some distilleries would have a **chance to adapt to the new situation**, even because another part of their production, namely alcoholic beverages, has a significant market demand. Increased Rural Development funds are available to finance investments aiming e.g. at developing new technologies, in order to reduce costs or find new outlets for the production.

Nevertheless, **some of the distilleries would probably close down**. According to the opinion of an Italian professional organisation, big distilleries, mainly producing raw alcohol for intervention would be more at risk than small ones, which are rather oriented to the production of grape marc spirits. In total, the Italian distillery sector could lose 75% of its jobs.

This assessment is difficult to be verified: although the distillery industry will be undoubtedly put under strong pressure by the abolition of subsidised distillations, the judgment is based on a fully static view, i.e. it does not consider any adaptation capacity of the sector.

In any event, the Community can hardly continue to support a business which is not economically profitable and largely relies on public support. Wine-producing regions could again make use of the increased funds transferred to the Rural Development pillar to undertake restructuring actions aimed at finding conversion possibilities for the distilleries that are closing down.

5.3. Impact on the environment

No reform

Even if wine production has beneficial effects for the environment, it also exerts a considerable number of environmental pressures, notably in terms of soil degradation, intensive use of plant production products and disposal of waste/by-products from vine-growing and wine-making. Increasing use of irrigation and the effects of excessive specialisation might also result in risks for the environment in certain regions.

Despite all the environmental implications, the existing **wine CMO contains few explicit references to environmental concerns** and **the degree of environmental integration is very low** compared to other market organisations which went through the 2003 CAP reform. In particular, vineyards are not systematically covered by the cross-compliance system, although some wine producers and vine areas are *de facto* already affected, due to the direct payments received for other types of area cropped on the farm, which could be cut in the event of non-compliance with the rules. According to FADN estimates, **74% of professional wine producers in the "old" EU-15 Member States and 57% of the corresponding total vine area are**

already subject to cross-compliance obligations, but with considerable variations at Member State level, the biggest coverage being in Greece and the smallest in France and Germany.

The status quo would therefore leave the wine regime lagging significantly behind almost all other CMOs in terms of environmental integration.

Commission proposal

Many new measures introduced by the reform proposal would create beneficial effects for the environment:

– **making vine land eligible for the SPS** will extend the scope of "cross compliance" in the wine sector. More and more wine producers will be covered by the general scheme through the gradual acquisition (via the free market or occasionally via the reserve) of SPS entitlements;

– **adapting** one standard of the good agricultural and environmental condition under Annex IV of Regulation (EC) No 1782/2003 will guarantee the maintenance of vineyards in good vegetative conditions;

– **systematically linking support measures granted under the wine CMO to cross-compliance rules** (e.g. the premium for permanent abandonment and some of the measures eligible for the national envelope, i.e. restructuring and green harvest) will enforce **compliance with the environmental baseline,** including for wine producers not receiving direct payments;

– **transferring new funds to the second pillar,** as an additional envelope earmarked for wine-producing regions, would strengthen the possibility of introducing financial incentives, e.g. in the form of agri-environmental measures for environmentally-friendly production (such as organic farming) which go beyond the environmental baseline;

– strengthening **permanent abandonment** would have a positive impact overall on the environment, since it generally reduces monoculture and the associated environmental pressure. At the same time, the cross-compliance rules associated with the premium for permanent abandonment and the SPS entitlement granted on the grubbed-up area would help to prevent the adverse impact of land abandonment. Furthermore, the possibility granted to MS to exclude from the permanent abandonment scheme vines in areas with a specific and recognised environmental value, which could otherwise be endangered, would also considerably reduce the environmental risks.
  Regarding the use of vine land after grubbing-up, historical records show that the situation is quite different from one MS to another[18]: in Portugal, vines were mainly replaced by maize and then sugar beet; in France by arable land and fallow land; in Spain by cereals, olive trees (particularly in Castilla-La Mancha), vines to produce table grape and orchards; in Germany, by fallow land and in some cases by forest land; in Italy, in the Po Valley by arable land, in the hilly regions of Trentino and Romagna by orchards and in Southern Italy by olive trees; in Greece, finally, by olive trees.
  It some cases, e.g. in Castilla-La Mancha in Spain, grubbed-up vineyards were abandoned, either immediately after grubbing-up or later, since, due to the arid

[18] What land use for sustainable agriculture?', European Commission, DG AGRI.

conditions, the cereals that were often cultivated after the vines were not as profitable as expected. In general, vineyards were also rarely replaced by forest;

– removing the support to all **distillation measures** has a positive impact on the environment by removing the incentives to this practice, which requires considerable quantities of energy and contributes to pollution due to the transport of wine and wine-products to the distilleries. Furthermore, if wine by-products are indeed reutilised on the farm, thus replacing mineral fertilisers, they could help to improve organic matter in the soil. On the other hand, it is obvious that residues/wastes from wine-making need to be dealt with in a proper manner, in order to avoid environmental risks (acidification of the soil, infiltration of alcohol in underground waters, air pollution by ethanol and ozone production, etc.). In the Member States that are currently withdrawing by-products under supervision, no environmental concerns have been raised. In Member States currently applying the compulsory distillation of by-products, individual wine producers or cooperatives which, under the proposed system, are not in a position to utilise their marc and lees on the farm, e.g. as organic fertiliser after an appropriate composting or anaerobic process, should approach the problem as a residues/waste management issue. This problem is common to many agricultural sectors and is particularly demanding in animal husbandry. In general, there are many alternatives available for the proper management of the residues/wastes from wine-making: they include direct spreading of dried matter on the soil, composting, use as biomass, or even distillation. There is probably no optimal technique; on the contrary, the optimal solution, which could also be a mix of different disposal methods, depends on the type of by-products (marc, lees) and the specific local conditions (e.g. distance between vineyard and wine-making facilities; pre-existence of facilities for the production of energy from other by-products/residues/wastes; possibility of exploiting the bio-energy produced; existence of a market for distilled products, such as grape marc spirits (grappa) or bio-ethanol). Therefore, appropriate disposal and/or recovery options, in line with EU legislation, should be put in place at national or regional level. Rural development funds, which will be available in higher amounts for wine regions via transfers from the first pillar, could be usefully employed, if necessary, to develop alternative disposal techniques. On the other hand, controls should be tightened up, and penalties for abuse imposed in accordance with the requirements of the environmental legislation;

– making the **authorisation of new WMPs** easier could enable speedier approval of more environmentally friendly practices and processes. Environmental aspects should be decisive when considering whether to authorise the use of WMPs.

5.4. Impact on trade and WTO conformity

The impact of the Commission proposal on trade dynamics is essentially linked to the impacts on the competitiveness of the EU wine sector, which was analysed in section 5.1.3. Another important exogenous factor is the development of international negotiations, both at multilateral level (WTO) and at bilateral level (trade agreements), which are important for ensuring full access to our export markets worldwide and to achieve better international protection for our geographical indications. For this reason, a coherent domestic wine regime, fully consistent with our international obligations, is essential for a sound and credible position in international discussions, which would justify and strengthen a firm EU position on GIs and WMPs.

No reform

The existing wine regime includes a series of measures, which **could potentially be questioned in** the WTO context:

– **<u>market measures</u>**:
distillations (including the taking-over of alcohol), must aid and private storage, which represent the bulk of wine CMO expenditure, are classified as Amber Box measures, which are the most trade-distorting type of internal support;

– **<u>export refunds</u>**:
WTO negotiations might lead to an agreement on phasing out all export subsidies;

– **<u>quality policy/GIs</u>**:
the existing quality regulatory framework is criticised by our international partners and does not allow optimal international protection of our geographical indications under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs);

– **<u>labelling provisions</u>**:
our labelling rules are severely criticised by non-EU countries, who consider them discriminatory.

Commission proposal

The proposal would make the wine CMO more **WTO-friendly**, given that:

– all market tools, currently classified as Amber Box support, including export refunds, would be abolished;

– some of the new measures proposed, such as the revitalised programme of permanent abandonment and the second-pillar structural measures are classified as Green Box, which is the less trade-distorting type of support. As to the national envelope, the most important measures, i.e. the support for restructuring and conversion of vineyards and for promotion are considered as Green Box. For the remaining measures, i.e. risk and crisis management tools or green harvest, the classification should be established in the context of the WTO on the basis of their exact definition;

– making vine land eligible for the SPS will extend the applicability of EU decoupled payments and therefore generally strengthen the "**green box**" status of this policy tool;

– the modifications in quality policy, GI system and the labelling framework would be in line with WTO relevant provisions.

5.5. Impact on wine quality, health and consumer protection

5.5.1. Wine quality

No reform

The existing regulatory framework on WMPs already ensures quality and conformity with product definitions: European wines as a whole have a reputation for high quality. Apart from WMPs, at least one other CMO measure has played an important role in gearing production towards improving quality: the programme for restructuring vineyards, introduced in the 1999 reform, has supported the conversion of vineyards with a view to adapting wine production to consumers' demand for quality.

Commission proposal

The reform proposal would contribute to the further improvement of wine quality through the abolition of market measures, which currently provide support mainly to lower-quality wines, thus encouraging continued production. The better market orientation of the CMO should tend to **favour the segment of higher quality wines**, which are increasingly appreciated by consumers.

The abolition of Community aid for **distillation of wine by-products,** maintaining the ban on grape overpressing, is not likely to have a negative impact on overall wine quality.

Finally, the greater flexibility introduced with respect to WMPs should only enhance the scope for innovative techniques without giving rise to any risk of lower wine quality.

5.5.2. Health and consumer protection policy

No reform

In the existing wine CMO, some market measures might have an adverse impact on public health. **Potable alcohol distillation** is considered as such a controversial measure because it subsidises the transformation of wine into a beverage of higher alcohol content. Moreover, allowing cheaper production of wine spirits encourages demand, thus conflicting with concerns about the risks of damage to health. Secondly, the **aid for must** and **the authorisation of sucrose** have led to an artificial expansion in the use of enrichment, which is intended to increase the alcohol strength of wine, but also allow higher yields, hence lowering wine quality. On the other hand, the restructuring scheme might have a beneficial impact on public health, because it aligns production with the demand for higher-priced quality wines, often consumed with meals and in moderation.

Lastly, the existing **quality regulatory framework and the labelling rules** seem to be geared more to the producer concerns than to consumer information and protection. **They lack clarity and transparency**, and tend to **confuse consumers**, preventing them from appreciating the qualitative differences between products.

Commission proposal

The abolition of subsidised potable alcohol distillation and of the aid for must is likely to have a **beneficial impact on public health**. Furthermore, by allowing the wine surplus to be absorbed in the long term, wine prices will go up (see section 5.1.2), thus making wine less accessible to young consumers, for whom alcohol consumption is particularly price-sensitive.

Moreover, the proposed simplification of quality policy, geographical indication system and labelling rules could **rightly address the concern for consumer information and health protection**. Education and information campaigns could provide additional instruments to enhance **consumer awareness** of the harmful effects of excessive consumption, in addition to wine labelling.

5.6. Impact on management efficiency

5.6.1. Simplification

No reform

The existing wine sector is well known as one of the most complex regimes in agriculture, due to the wide range of legal obligations, implementing rules and control procedures that operators and administrations have to comply with. In this sense, EU legislation is just the "tip of the iceberg" when it comes to the complex mass of rules that exist at national, regional and local level.

The **complexity of the wine regime** is in large part intrinsically linked to the characteristics of the product and most provisions are essential for a proper functioning of the market (e.g. the need to implement a system of complete traceability of the product, which ensures health, protection and transparency for consumers; the complex nature of the CMO instruments for the management of production potential, market support and the so-called regulatory measures; or the meticulousness of the control system, which helps to prevent inappropriate management of public funds or fraud).

However, successive layers of EU legislation have probably complicated the system more than is necessary, with an uncontrolled proliferation of obligations and legal requirements, leading over time to a **growing burden on economic operators**, who find it more and more difficult to comprehend wine legislation. This situation is a serious obstacle to the normal development of production activity, thus **potentially hampering competitiveness**. Furthermore, the more complicated the legislation, the greater the need for monitoring, notification and control and, at the same time, the greater the risk of fraud.

Commission proposal

Although it is unrealistic to abandon the overall structure of the wine legislation completely, since it is necessary to guarantee certain standards for the smooth running of the sector and for consumer protection, **a major objective** of the Commission proposal for the reform of the wine sector is **simplification**.

Given that the majority of the provisions that may involve some complexity will not be laid down until the Commission implementing regulation stage, it is not possible to make a sufficiently detailed assessment of the achievements of the reform in terms of simplification. However, generally speaking, the task of simplification will be accomplished along the following lines:

- **simplification of the legal text** of the wine CMO, after careful screening of all provisions with a view to cutting out unnecessary complexity and redundancy;

- **rationalisation and simplification of administrative and statistical monitoring tools**, through a clear definition of administrative and statistical needs in relation to reporting requirements and the choice of the most appropriate instruments (including making maximum use of the vineyard register);

- **abolition of the most complex measures**, either immediately (all distillation schemes, private storage of wine and public storage of alcohol, must aid and export refunds) or after a transitional period, including the planting rights system and grubbing-up scheme. However, the new measures within the national envelope will probably require new monitoring tools;

- **harmonisation of labelling rules** by setting up a single legal framework applicable to all the different categories of wine.

5.6.2. Administrative costs

In the general context of simplification, particular emphasis is given to the issue of the administrative costs that legislation imposes on producers and public administrations.

Administrative costs can be defined as the costs incurred by enterprises and public authorities in meeting legal obligations to provide information on their action or production, either to public authorities or to private parties. Information is to be construed in a broad sense, i.e. including the costs of labelling, reporting, monitoring and assessment needed to provide the information and registration.

Some of the provisions of the wine CMO (e.g. the notification of specific activities, the submission of recurring reports and communications to national administrations or to the European Commission, the issuing of documents in order to benefit from Community support) entail significant administrative costs for operators in the sector and national administrations, which might have a negative impact on their economic activity.

One of the main objectives of the Commission proposal for the reform of the wine sector is to simplify the regime, by establishing clearer rules for all the actors in the wine sector and cutting red tape, where possible.

The Commission is committed to identifying and measuring the administrative costs incurred by enterprises and public authorities and, if possible, to cutting out all the obligations which represent an unnecessary burden for them.

However, assessing the total administrative cost set off by the wine CMO is an extremely far-reaching and burdensome task, due to the imposing number of measures entailing a cost for economic operators and public administrations, and because of the complex way in which each of these measures is implemented at national, regional and local level. Retrieving the relevant information, even for a rough estimation of the total cost, demands a considerable effort.

In Table 4 of Annex 3, a complete list of EU wine legislation measures that potentially involve administrative costs was compiled. The possible evolution of each of these measures in the light of the Commission proposal was examined. This assumption does not preclude the future Commission position when establishing the implementing regulations of the reformed wine CMO, therefore this exercise is subject to a certain margin of error.

From this first screening, it emerges that 55 of the existing 99 measures entailing administrative costs **(i.e. 55%) would probably remain in force,** in one form or another, after the reform of the wine CMO; other 35, mainly reporting obligations linked to market measures, **would be abolished immediately** after the entry into force of the reform in 2008; finally, eight measures **would be removed from 2014 onwards**, when the planting rights system and the grubbing-up scheme will be cancelled.

To give an idea of the absolute impact of the Commission proposal on the overall level of administrative costs, the cost reduction related to the abolition of legal obligations was quantified in monetary terms at the level of the single measures.

The key analytical steps to assess the total administrative cost generated by the single measures consist in identifying:

- **the target group affected by the obligation** (administration, wine producer, distiller, etc.), as defined by the scope of the legislation;
- **the required action related to each type of obligation and to the considered target group**, which can be deduced logically according to the nature of the obligation;
- **the time needed by the individual to fulfil each required action;**
  The time needed for each action by national administrations is obtained via an overall estimation method, taking into account the use of human resources input in the competent offices, as reported by a national expert. Similarly, an expert judgment was also used to estimate the time needed by economic operators for the relevant action;
- **tariff per hour for each target group;**
  The tariff is determined on the basis of the average labour cost of the various wine –producing countries for each individual economic sector, which is derived from hourly wages data in the latest relevant Eurostat survey (2004);
- **annual frequency of the obligation**, which is defined by the scope of the Regulation;
- **number of entities affected by the obligation;**
  This information corresponds, in the case of national administrations, to the number of wine-producing Member States, whereas the number of individuals is retrieved from statistical data or other information reported to the Commission in the context of the wine market management.

The total administrative cost can basically be obtained by multiplying the hours needed to carry out a given action, the rate per hour, the number of entities and the frequency of obligations per year, and adding the product of the above for all required actions and all legal obligations.

In order to reduce the complexity of the analysis, only the measures abolished from 2008 onwards were considered, and in particular the reporting obligations linked to the market measures and the trade with third countries. The detailed results of the analysis are set out in the Tables 5 and 6 of Annex 3.

The results of the analysis show that the abolition of the reporting obligations linked to market measures and to trade with third countries would involve an **immediate reduction** of about **€25 million per year in total administrative costs** (on the basis of 2004 cost data), of which roughly €14 million for national administrations and €11 million for private enterprises.

Further, a much more significant cut in administrative costs would be expected from 2014 onward, when the complex planting rights system will come to an end. This mechanism currently entails **the heaviest bulk in terms of administrative charge**, because it requires to be managed at the level of individual producer and of single land parcel.

Finally, it should be remembered that, owing to the introduction of new measures, in particular as part of the national envelopes (e.g. crisis management tools, green harvesting and promotion) and the application of cross-compliance provisions, the reformed wine CMO is also likely to generate **new reporting obligations**, which will entail **additional administrative costs for operators**. However, as the detailed implementation of the new measures is left to Commission implementing regulations, it is not possible at this stage to evaluate the scale of these additional costs. In any event, given the very important savings linked to the abolition of the planting rights system, **the net impact of the fully implemented reform on administrative costs should normally remain largely positive**.

5.6.3. Subsidiarity

The Commission proposal would **increase subsidiarity** of the wine CMO by making **national envelopes** available, whereby each wine-producing Member State will be able to choose, from among a list of alternative measures, the ones that best fit the particular situation of its wine industry. An analogous effect will be achieved by the transfer of funds to the **second pillar**, which will increase the financial resources available for ad-hoc regional rural development strategies.

5.6.4. Budget

The Commission proposal is broadly based on the **principle of budget neutrality**, which means that the wine sector will be awarded a budget in line with its historical expenditure, namely about **€1.3 billion per year**. Therefore, there will be no change in the overall level of support to the sector; but simply **better value for money** from Community funds.

6. COMPARING THE OPTIONS

Table 2: Summary table comparing the Commission proposal with the no reform scenario

	SUMMARY IMPACTS	No reform	Commission proposal
ECONOMIC IMPACTS	Market balance	Increasing surplus	Smoothest achievement of balance
	Prices	Sharp decrease due to unsustainability of the system	Decrease in the short term Recovery after achievement of balance
	Competitiveness	No improvement	Improvement through economic sustainability, improved regulatory measures and promotion policy and abolition of planting rights
	Economy of the potable alcohol sector	No change, but high risks in terms of WTO	Slight increase in production costs Possible reduction in demand
SOCIAL IMPACTS	Agricultural incomes	Progressive decrease due to unsustainability of the system	Decrease in the short term Way out for uncompetitive producers Recovery after achievement of balance
	Agricultural employment	Progressive deterioration due to unsustainability of the system	Accelerating restructuring trend in the short term Improvement due to achievement of economic sustainability in the long term
	Employment in the wine market chain and related sectors	Progressive deterioration due to unsustainability of the system	Accelerating restructuring trend in the short term Improvement due to achievement of economic sustainability in the long term
	Environment	No improvement	Linkage to cross compliance for support measures and through SPS eligibility Shifts to RD allowing environmental measures
	Trade WTO compatible	Different measures potentially under attack	Most problems solved
	Wine quality	Neutral	Increase through better market orientation
	Health / consumer	No improvement	Stop to support to distillation into potable alcohol Labelling more transparent and consumer oriented
MANAGEMENT EFFICIENCY	Simplification	No improvement	Important simplification due to suppression of planting right system and complex market measures
	Administrative costs	No improvement	Reduction of administrative burden due to suppression of planting right system and complex market measures
	Subsidiarity	No improvement	Much more flexibility with national envelope and increased RD funds
	Budget	Increasing pressure	Neutral

7. MONITORING AND EVALUATION

Monitoring and assessing the economic, social and environmental effects of EU public policies has become a standard element of the political process.

Most EU legislative acts include monitoring of their implementation by Member States, and of their impact and effectiveness at EU level in order to propose further action or redirection of the measures, if necessary.

Many of the actions needed to apply the common policy on wine to be developed by Member States and relevant stakeholders. Considerable experience in monitoring exists in the Commission departments and in the Member States. Hence, there is scope for cooperation, sharing of information, and improvement of core indicators and enhancement of analytical tools used to monitor and assess policies. Existing statistical systems covering wine production potential, market trends, micro- and macro-economics, the evolution of regional patterns, and the environment provide a complex framework and need to be simplified, adapted and reshaped to provide sufficient information in this context.

The reformed wine policy would need to be monitored and evaluated in relation to a whole range of potential impacts identified in this report. This needs an assessment of progress towards meeting the objectives listed in part 3 and of all types of impacts identified in part 5.

The basis for reporting on progress should be a common framework for monitoring and assessment, to be proposed in the legal act.

The new wine CMO will be included in the multi-annual evaluation programme for CAP policies.

ANNEXES

ANNEX 1:
MID-TERM FORECASTS FOR THE EU-27 WINE SECTOR TO 2011/2012

The table below represents the summary market balance of the EU-27 wine sector to the year 2011/12, as forecast by DG AGRI, assuming an unchanged policy framework and based on a "normal year" in terms of wine production[19].

On the basis of different assumptions regarding the trends in vine areas, wine yields, consumption and trade balance, three alternative scenarios are constructed: "average" (or "most likely"), "low surplus" (or "most optimistic"), and "high surplus" (or "most pessimistic").

For each of the three scenarios, the market balance – defined as the difference between the total availability and the total use of wine production – is estimated. Two alternative market balance indicators are calculated, which differ in terms of how they consider the volumes of wine distilled in the context of the potable alcohol distillation. In SURPLUS 1, those volumes are considered as a production surplus rather than an actual market outlet, whereas in SURPLUS 2, they are regarded as a market outlet of wine production and therefore deducted from the production surplus.

Table 3: Supply balance for the EU-27 wine sector at the horizon 2011/12

	olympic AVERAGE 1999-2003	WINE YEAR 2004/05	WINE YEAR 2005/06 (e)	FORECASTS 2011/2012		
				Average Scenario	Low surplus Scenario	High surplus Scenario
PRODUCTION	180.4	192.8	173.4	179.0	173.9	184.1
SURPLUS 1 (a) in % of the production	21.9 12.2%	33.1 17.1%	12.0 6.9%	24.8 13.9%	16.7 9.6%	37.2 20.2%
SURPLUS 2 (b) in % of the production	10.5 5.8%	22.1 11.4%	-1.0 -0.6%	12.8 7.2%	5.7 3.3%	24.2 13.1%

(a) including wine withdrawn for distillation into potable alcohol
(b) excludes wine withdrawn for distillation into potable alcohol
(e) estimated

19 In this mid-term forecast, wine production is intended as the sole vinified production, which means that the production of grape juices is excluded by the analysis. As a matter of fact, long-time series on grape juices production are not easily available.

ANNEX 2:
IMPACT ON PRICES

Regression analysis between average annual prices of table wine and wine stocks

No reform

Regression analysis between EU average annual prices of table wine and total wine stocks
Stocks in 1 000 hl and prices in €/°vol/hl

Historic data

Vintage year	Total wine stocks on 31.07	Average price
2000	142 221	3.23
2001	161 900	2.78
2002	156 725	2.84
2003	151 758	3.32
2004	155 766	3.36
2005	174 509	2.72
2006	166 438	2.58
Avearge 2000-06	**158 474**	**2.97**

Simulation
stocks increasing by 6.8 Mio. hl per year

Vintage year	Stocks on 31.07	Simulated price (linear model)	% variation compared to year 0	Simulated price (exp model)	% variation compared to year 0
year 0	158 474	2.97	-	2.97	-
year 1	165 274	2.82	**-5%**	2.81	**-6%**
year 2	172 074	2.66	**-11%**	2.66	**-11%**

Commission proposal

Regression analysis between EU average annual prices of table wine and total wine stocks
Stocks in 1 000 hl and prices in €/°vol/hl

Historic data

Vintage year	Total wine stocks on 31.07	Average price
2000	142 221	3.23
2001	161 900	2.78
2002	156 725	2.84
2003	151 758	3.32
2004	155 766	3.36
2005	174 509	2.72
2006	166 438	2.58
Avearge 2000-06	**158 474**	**2.97**

Simulation
stocks increasing by 6.3 Mio. hl in the year 1 and by additional 2.9 Mio. Hl in the year 2

Vintage year	Stocks on 31.07	Simulated price (linear model)	% variation compared to year 0	Simulated price (exp model)	% variation compared to year 0
year 0	158 474	2.97	-	2.97	-
year 1	164 774	2.83	**-5%**	2.82	**-5%**
year 2	167 674	2.76	**-7%**	2.75	**-7%**

ANNEX 3:
ASSESSMENT OF ADMINISTRATIVE COSTS

Table 4: Evolution of measures currently entailing administrative costs in the light of the reform

Information to be notified	Legal basis	Time and frequency	Type of obligation	Possible need for notification in the new framework[20]
Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organisation of the market in wine				
every decision to grant or withdraw recognition to a producer organisation	Art. 40(1)(c) of Reg. 1493/1999	within two months	1	maintained
decisions adopted the previous year by virtue of the possibilities offered by paragraph 1 [laying down marketing rules to regulate supply on first marketing] (obligation for Member States which have availed themselves of these possibilities)	Art. 41(3) of Reg. 1493/1999	every year (no specific deadline is given)	2	maintained
any stricter condition that the Member States impose, in respect of oenological practices and processes, to ensure the preservation of the essential characteristics of quality wines psr, table wines which are described by a geographical indication and are produced in their territory, sparkling wines and liqueur wines	Art. 42(4) of Reg. 1493/1999	whenever applicable	1	maintained
list of quality wines psr which the Member States have recognised, stating, for each of these quality wines psr, details of the national provisions governing the production and manufacture of those quality wines psr	Art. 54(4) of Reg. 1493/1999	whenever applicable	1	maintained
names and addresses of the authorities responsible for ensuring compliance with Community rules in the wine sector	Art. 72(1) and (2) of Reg. 1493/1999	whenever applicable	1	maintained
laboratories authorised to carry out official analyses in the wine sector	Art. 72(1) and (2) of Reg. 1493/1999	whenever applicable	1	maintained
list of the names of the quality sparkling wines psr	Annex VI D 2 third subparagraph of Reg. 1493/1999	whenever applicable	1	maintained
trade marks for a wine or a grape must identical to geographical units specified in paragraph 2	Annex VII F 4 first subparagraph of Reg. 1493/1999	whenever applicable	1	maintained
list adopted by the producer Member State of vine varieties or synonyms that may be indicated even if the name of that variety is repeated in the same expression	Annex VIII E 2 second subparagraph (d) of Reg. 1493/1999	whenever applicable	1	maintained

[20] This assumption does not preclude the future Commission position when establishing the implementing regulations of the reformed wine CMO.

Commission Regulation (EC) No 1227/2000 of 31 May 2000 laying down detailed rules for the application of Council Regulation (EC) No 1493/1999 on the common organisation of the market in wine, as regards production potential				
Regularisation of plantings (in respect of each wine year the total area for which a derogation [from Art. 2(2) of Reg. 1493/1999] has been applied for, the total area for which a derogation has been granted and the total area for which a derogation has been refused)	Art. 2(7) and table 1 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of the marketing year	2	maintained
total areas for which new planting rights have been granted in respect of areas intended for new planting carried out under measures for land consolidation or measures concerning compulsory purchases in the public interest adopted under national legislation, wine-growing experiments, draft nurseries	Art. 3(10)(a) and Table 2.1 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of the marketing year	2	removed from 2014 on
total area for which new planting rights have been granted in respect of areas whose wine or vine products are intended solely for the consumption of the vine grower's family. However, where a Member State makes use of the derogation in paragraph 7 [i.e. a Member State provides that such areas shall not be subject to the grubbing-up requirement], it shall instead communicate an estimate of the total area concerned, which shall be based on the results of the monitoring carried out.	Art. 3(10)(b) and Table 2.1 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of the marketing year	2	removed from 2014 on
whether producers have paid for the grant of new planting rights	Art. 3(10)(d) of Reg. 1227/2000	4 months (at the latest) after the end of the marketing year	2	removed from 2014 on
any areas which Member States have designated in which the premium for the permanent abandonment of vine-growing may be granted and any conditions to which that designation is subject	Art. 7 of Reg. 1227/2000	no deadline (probably once)	2	maintained
total area grubbed up in return for a premium under Chapter II of Title II of Regulation (EC) No 1493/1999	Art. 10(2)(a) and Table 3.1 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of each marketing year	2	removed from 2014 on
estimates for grubbing-up with premium under Chapter II of Title II of Regulation (EC) No 1493/1999 for the following wine year	Art. 10(2)(b) and Table 3.2 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of each marketing year	2	removed from 2014 on
total area grubbed up solely in return for a national aid and the total amount of aid paid	Art. 11(b) and Table 3.1 and 3.2 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of each marketing year	2	removed from 2014 on
proportion of the area concerned grubbed up in return for national aid, in addition to a premium under Chapter II of Title II of Regulation (EC) No 1493/1999, and the total amount of national aid paid in this context	Art. 11(c) and Table 3.1 and 3.2 of the Annex to Reg. 1227/2000	4 months (at the latest) after the end of each marketing year	2	removed from 2014 on
statement of restructuring and conversion expenditure validated at 30 June of the current financial year and the total area concerned	Art. 16(1)(b) of Reg. 1227/2000, as amended by Reg. 1841/2003, as well as Table 4.2 of the Annex to Reg. 1227/2000	not later than 10 July each year	2	maintained
any requests for the subsequent financing of restructuring and conversion expenditure in the current financial year in excess of the financial allocations made pursuant to Article 14(1) of Regulation (EC) No 1493/1999, and the total area concerned in each case	Art. 16(1)(c) of Reg. 1227/2000, as amended by Reg. 315/2003, as well as Table 4.3 of the Annex to Reg. 1227/2000	by 30 June of each marketing year	2	maintained

amended expenditure forecasts, and the total areas concerned, for subsequent financial years until the end of the period provided for implementing the restructuring and conversion plans, in accordance with the allocation for each Member State	Art. 16(1)(d) of Reg. 1227/2000, as amended by Reg. 315/2003 as well as Table 4.4 of Reg. 1227/2000	by 30 June of each marketing year	2	maintained
in respect of each wine year, broken down for each plan, the area initially subject to the plan and its average yield, and the area resulting from restructuring and conversion and its estimated average yield	Art. 18(2) and Table 5 of Reg. 1227/2000	4 months (at the latest) after the end of each marketing year	2	maintained
inventory of vineyard areas in respect to the situation on a date chosen by the Member State, containing information on the following: areas under vines classified as varieties for the production of wine, stock of existing planting rights, source or sources of the information contained in the inventory	Art. 11(4) of Reg. 1493/1999; Art. 19(3), (4), (6) as well as Tables 6.2, 7.2 and 8.2 of the Annex to Reg. 1227/2000	annually	2	removed from 2014 on
classification of vine varieties, making clear any changes made	Art. 20(9) and Table 9 of the Annex to Reg. 1227/2000, as amended by Reg. 1841/2003	during each wine year	2	maintained
when, pursuant to Regulation (EC) No 1493/1999 and Regulation (EC) No 1227/2000, Member States communicate to the Commission the measures adopted, they shall also provide a brief synopsis of such provisions	Art. 21(1) of Reg. 1227/2000	no deadline	2	maintained
Commission Regulation (EC) No 1607/2000 of 24 July 2000 laying down detailed rules for implementing in particular the Title relating to quality wine produced in specified regions				
demarcation of areas in immediate proximity to a specified region (quality wines)	Art 2 of Reg. 1607/2000	no deadline	1	maintained
names and addresses of the competent bodies authorised by the Member States to downgrade quality wines psr	Art. 10(5) of Reg. 1607/2000	no deadline	1	maintained
data for each wine marketing year on quantities of quality wine psr downgraded on the territory of the given Member States	Art. 11 of Regulation 1607/2000	no later than 1 November following the wine year in which downgrading is declared	2	maintained
volume of each quality wine psr downgraded originating in a Member State, downgraded by another Member State in the course of a year[21]	Art. 12(5) of Reg. 1607/2000	by 31 March of the year following the downgrading	1	maintained
Commission Regulation (EC) No 1623/2000 of 25 July 2000 laying down certain detailed rules for implementing Regulation (EC) 1493/1999 on the common organisation of the market in wine and establishing a Community code of oenological practices and processes				
Application for aid to the competent authority and all the compulsory documents that must be submitted (grape juice)	Art. 8 of Reg. 1623/2000	whenever applicable	3	removed from 2008 on
Application for aid to the competent authority and all the compulsory documents that must be submitted (aid for must used to increase the alcoholic strength of wine products)	Art. 14 of Reg. 1623/2000	whenever applicable	3	removed from 2008 on

21 Besides the Commission, the Member States of origin of the quality wines psr concerned are also addressee of this notification.

Application for private storage aid and conditions for granting the aid	Art. 37 of Reg. 1623/2000	Whenever applicable	3	removed from 2008 on
list of the approved distillers (to be forwarded to the Commission electronically); all subsequent amendments to that list (to be forwarded immediately)	Art. 42(3) first subparagraph of Reg. 1623/2000, as amended by Reg. 1774/2004	no deadline	1	removed from 2008 on
Aid to be paid to distillers for compulsory distillation	Art. 48 of Reg. 1623/2000		3	removed from 2008 on
apportionment of the total quantity of wine to be distilled in the region concerned among the individual wine producers in that region	Art. 53(2) second subparagraph first indent of Reg. 1623/2000	no deadline (yearly?)	2	removed from 2008 on
simplified arrangements for presenting evidence of the payment of the minimum buying-in price for distillation of the by-products of wine-making (agreement of the Commission is to be obtained)	Art. 60(1) second subparagraph of Reg. 1623/2000	no deadline (probably once)	2	removed from 2008 on
total volume covered by contracts or declarations submitted for distillation [Art. 29 of Reg. 1493/1999] during the period referred to in paragraph 1 [i.e. from 1 October to 23 December]	Art. 63a(4) of Reg. 1623/2000, as amended by Regulations 1795/2002 and 1774/2004	by 15 January of the current year at the latest	2	removed from 2008 on
total volume under approved contracts	Art. 63a(6) third subparagraph of Reg. 1623/2000	by 20 March of the current wine year at the latest	2	removed from 2008 on
Aid to be paid for optional distillation	Art 64 of Reg. 1623/2000	Whenever applicable	3	removed from 2008 on
list of the names of the tenderers whose tenders are eligible for consideration under Article 97 of this Regulation, the prices offered, the quantities requested, the locations and the types of alcohol concerned and the precise uses to be made of the alcohol (these data have to be submitted by the intervention agency concerned)	Art. 82(6) of Reg. 1623/2000	not more than two working days after the closing date for submission of tenders	2	phased out from 2008 on
list of the tendering securities checked and accepted (these data have to be submitted by the intervention agency concerned)	Art. 88(6) of Reg. 1623/2000	not more than two working days after the closing date for submission of tenders	2	phased out from 2008 on
exact location and references of the various vats of alcohol meeting the quality requirements and containing a total quantity of alcohol not less than that indicated in the request of the Commission [on the quantity and type of alcohol and the quality of the lots of alcohol that may be offered for sale]	Art. 95(1) of Reg. 1623/2000	no more than 12 days after receiving the request of the Commission	2	phased out from 2008 on
checks introduced by the Member States to apply paragraph 1 [to ensure that the Community rules concerning the disposal of alcohol obtained by distillation are complied with]	Art. 101(1) to (3) of Reg. 1623/2000	before the checks start	4	phased out from 2008 on
quantities of grape must processed into concentrated grape must or rectified concentrated grape must during the period of validity of the contract in the case of aid for the private storage of wine and must under Title III, Chapter I, of Regulation (EC) No 1493/1999, and the quantities so obtained	Art. 103(1)(a) of Reg. 1623/2000 as amended by Reg. 625/2003	no later than 31 December of the wine year following that in which the contracts were concluded	2	removed from 2008 on

the quantities of products under contract at 16 February in the case of aid for the private storage of wine and must under Title III, Chapter I, of Regulation (EC) No 1493/1999	Art. 103(1)(b) of Reg. 1623/2000 as amended by Reg. 625/2003	by 5 March of the current wine year at the latest	2	removed from 2008 on
in the case of distillation under Articles 27, 28 and 30 of Regulation (EC) No 1493/1999, quantities of wine, wine lees and wine fortified for distillation that have been distilled in the previous two months	Art. 103(2)(a) of Reg. 1623/2000 as amended by Reg. 625/2003	at the end of October, December, February, April, June and August	2	removed from 2008 on
in the case of distillation under Articles 27, 28 and 30 of Regulation (EC) No 1493/1999, quantities of alcohol, broken down into neutral alcohol, raw alcohol and spirits distilled from wine, produced during the previous period, taken over by the intervention agencies during the previous period, disposed of by the intervention agencies during the previous period and the percentage of those quantities exported and the selling prices charged, held by the intervention agencies at the end of the previous period	Art. 103(2)(b) of Reg. 1623/2000 as amended by Reg. 625/2003	at the end of October, December, February, April, June and August	2	removed from 2008 on
quantities of alcohol physically removed during the previous month under a tendering procedure (concerning the disposal of alcohol taken over by the intervention agencies, as referred to in Article 31 of Regulation (EC) No 1493/1999)	Art. 103(3)(a) of Reg. 1623/2000 as amended by Reg. 625/2003	at the end of each month	2	removed from 2008 on
quantities of alcohol physically removed during the previous month following a public sale (concerning the disposal of alcohol taken over by the intervention agencies, as referred to in Article 31 of Regulation (EC) No 1493/1999)	Art. 103(3)(b) of Reg. 1623/2000 as amended by Reg. 625/2003	at the end of each month	2	removed from 2008 on
quantities of wine distilled during the previous month in the case of distillation under Article 29 of Regulation (EC) No 1493/1999	Art. 103(4)(a) of Reg. 1623/2000 as amended by Reg. 625/2003	at the end of each month	2	removed from 2008 on
quantities of alcohol which qualified for secondary aid during the previous month in the case of distillation under Article 29 of Regulation (EC) No 1493/1999	Art. 103(4)(b) of Reg. 1623/2000 as amended by Reg. 625/2003	at the end of each month	2	removed from 2008 on
number of producers who have received aid in the case of aid for concentrated and rectified concentrated must used for enrichment as provided for in Article 34 of Regulation (EC) No 1493/1999	Art. 103(5)(a) of Reg. 1623/2000 as amended by Reg. 625/2003	no later than 31 December of the wine year following the current one	2	removed from 2008 on
quantities of wine enriched in the case of aid for concentrated and rectified concentrated must used for enrichment as provided for in Article 34 of Regulation (EC) No 1493/1999	Art. 103(5)(b) of Reg. 1623/2000 as amended by Reg. 625/2003	no later than 31 December of the wine year following the current one	2	removed from 2008 on
quantities of concentrated grape must and rectified concentrated grape must used for enrichment, expressed in terms of potential alcoholic strength by volume per hectolitre and broken down by the wine-growing zone of origin in the case of aid for concentrated and rectified concentrated must used for enrichment as provided for in Article 34 of Regulation (EC) No 1493/1999	Art. 103(5)(c) of Reg. 1623/2000 as amended by Reg. 625/2003	no later than 31 December of the wine year following the current one	2	removed from 2008 on

Commission Regulation (EC) No 2729/2000 of 14 December 2000 laying down detailed implementing rules on controls in the wine sector				
single liaison body responsible for contacts with the liaison bodies of other Member States and with the Commission, designated by the Member States	Art. 3(2) of Reg. 2729/2000	no deadline	1	maintained
cases when the product which is the subject of the controls referred to in the first subparagraph [where a competent body of a Member State undertakes control activities on its territory] originates in a third country, if the marketing of this product may be of specific interest to other Member States	Art. 7(1) first and second subparagraph of Regulation 2729/2000	whenever applicable	4	maintained
Commission Regulation (EC) No 883/2001 of 24 April 2001 laying down detailed rules for implementing Council Regulation (EC) No 1493/1999 as regards trade with third countries in products in the wine sector				
information on the quantities and countries of origin of products for which import licences have been issued during the preceding week	Art. 5 first subparagraph and Annex I of Reg. 883/2001	every Thursday, or on the first working day thereafter if the Thursday is a public holiday	2	?
applications for export licences with advance fixing of the refund lodged between Wednesday of the preceding week and Tuesday, or the absence of applications, specifying the zone of destination as referred to in Article 9(6)	Art. 12(1)(a) and Annex V of Reg. 883/2001	each Wednesday or the following working day if the Wednesday is a public holiday	2	removed from 2008 on
quantities for which export licences were issued on the preceding Monday or, as the case may be, within the interval referred to in Article 9(8) [third working day following publication of the single acceptance percentage in the Official Journal of the European Communities], specifying the zone of destination as referred to in Article 9(6)	Art. 12(1)(b) and Annex V of Reg. 883/2001	each Wednesday or the following working day if the Wednesday is a public holiday	2	removed from 2008 on
the quantities for which licence applications have been withdrawn pursuant to Article 9(8) during the preceding week, specifying the zone of destination as referred to in Article 9(6)	Art. 12(1)(c) and Annex V of Reg. 883/2001	each Wednesday or the following working day if the Wednesday is a public holiday	2	removed from 2008 on
quantities for which licences have been issued but not used, together with the zone of destination as referred to in Article 9(6), specifying the quantities referred to in paragraph 1 and the refund rate	Art. 12(2)(a) and Annex V of Reg. 883/2001	before the 15th of each month for the previous month	2	removed from 2008 on
quantities for which refunds have been granted without a licence under the second subparagraph of Article 4(1) of Regulation (EC) No 800/1999, specifying the quantities referred to in paragraph 1 and the refund rate	Art. 12(2)(b) and Annex V of Reg. 883/2001	before the 15th of each month for the previous month	2	removed from 2008 on
lists of official or officially recognised bodies that the Member States propose should issue attestations proving that the wine in question meets the conditions for access to the concessions provided for in the agreements with third countries	Art. 34a(1) of Reg. 883/2001 as inserted by Reg. 812/2002	whenever applicable	1	maintained
Commission Regulation (EC) No 884/2001 of 24 April 2001 laying down detailed rules of application concerning the documents accompanying the carriage of wine products and the records to be kept in the wine sector				
Obligation to draw up accompanying documents for the carriage of wine products	Art 3(1) of Reg. 884/2001	whenever applicable	2	maintained

Registers required to keep inwards and outwards for any natural or legal persons and groups of persons who hold wine products.	Art 11(1) of Reg. 884/2001	whenever applicable	2	maintained
name and address of the authority or authorities responsible for implementing this Regulation [Reg. 884/2001 laying down detailed rules of application concerning the documents accompanying the carriage of wine products and the records to be kept in the wine sector] as well as any subsequent changes concerning these competent authorities	Art. 20(1) first indent and Art. 20(2) first indent of Reg. 884/2001	whenever applicable	1	maintained
name and address of any bodies empowered by a competent authority for the purposes of implementing this Regulation [Reg. 884/2001 laying down detailed rules of application concerning the documents accompanying the carriage of wine products and the records to be kept in the wine sector] (where appropriate) as well as any subsequent changes concerning these bodies	Art. 20(1) second indent and Art. 20(2) first indent of Reg. 884/2001	whenever applicable	1	maintained
Commission Regulation (EC) No 1282/2001 of 28 June 2001 laying down detailed rules for the application of Council Regulation (EC) No 1493/1999 as regards the gathering of information to identify wine products and to monitor the wine market and amending Regulation (EC) No 1623/2000				
the estimates referred to in Article 14(c) of the likely quantity of wine products obtained on the territory of the Member States [for the current marketing year]	Art. 16(1)(a) and Art. 14(c) of Reg. 1282/2001	by 15 September and 30 November of the current wine year at the latest	2	maintained
national summary of the stock declarations [provided for in Article 6], referred to in Article 14(b)	Art. 16(1)(b) and Art. 14(b) of Reg. 1282/2001	by 30 November at the latest	2	maintained
the appraisals referred to in Article 14(d) of those particulars allowing supplies of wine products and quantities used on the territory of the Member States to be estimated [for the current marketing year]	Art. 16(1)(c) and Art. 14(d) of Reg. 1282/2001	by 30 November at the latest	2	maintained
provisional report on the preceding wine year (addressee of this report is Eurostat, the Statistical Office of the European Communities)	Art. 16(1)(d) and Art. 14(e) of Reg. 1282/2001	by 15 November at the latest	2	maintained
final report for the wine year before the preceding wine year, as referred to in Article 14(e) (addressee of this report is Eurostat, the Statistical Office of the European Communities)	Art. 16(1)(d) and Art. 14(e) of Reg. 1282/2001	by 15 March at the latest	2	maintained
national summary of the production declarations [provided for in Article 4], referred to in Article 14(a) or an estimate of that summary; the coefficients used to convert the quantities of products other than wine from quintals into hectolitres of wine in the various production regions (where appropriate)	Art. 16(1)(e), and Art. 14(a) and Art. 9 third paragraph of Reg. 1282/2001	by 15 February at the latest (where an estimate is sent, the definitive result must be sent by 15 April at the latest)	2	maintained
prices and quantities marketed, together with any other information deemed useful for assessing market developments in the production areas	Art. 16(2)(b) of Reg. 1282/2001	every second Tuesday from 1 August 2001	2	maintained
any important new facts likely to alter substantially the assessment of available quantities and quantities used based on definitive information for past years	Art. 17 of Reg. 1282/2001	whenever applicable	1	maintained

Commission Regulation (EC) No 753/2002 of 29 April 2002 laying down certain rules for applying Council Regulation (EC) No 1493/1999 as regards the description, designation, presentation and protection of certain wine sector products				
control requirements laid down by the Member States [for circulation for certain quality wines psr and quality sparkling wines psr as referred to in Article 29 aged in bottles for a long period before sale]	Art. 5(1) second subparagraph of Reg. 753/2002, as amended by Reg. 316/2004	no deadline	1	maintained
[in case of types of bottle to qualify for inclusion in Annex I:] the facts justifying recognition of each type of bottle; the characteristics of the types of bottle meeting the requirements in paragraph 2 and the wine for which they are reserved	Art. 9(3) of Reg. 753/2002	whenever applicable	1	removed from 2008 on
terms that are not defined in the Community rules but the use of which is regulated in the Member State concerned [in order they may be used for the indication of the sales designation on the labels of Title II products]	Art. 12(1)(b) of Reg. 753/2002, as amended by Reg. 316/2004	whenever applicable	1	maintained
traditional specific terms, determined by the Member States, that may be used for grape must in fermentation intended for direct human consumption and wine of overripe grapes produced in their territory [to be included in the sales designation of such products described using a geographical indication]	Art. 14(2) of Reg. 753/2002	whenever applicable	1	maintained
expressions specified by the Member States [indications showing the activity of the bottler, the consignor, or persons involved in marketing, using expressions such as "wine-grower", "harvested by", "merchant", "distributed by", "importer", "imported by", or other similar expressions] and conditions defined by the Member States relating to their use	Art. 15(2) fourth subparagraph of Reg. 753/2002	whenever applicable	1	maintained
minimum total acidity content set by the Member States as a condition for the use of the terms listed in paragraph 1(a) and (b) [“dry” and “medium dry”], for use as a complementary criterion in the case of certain wines produced in their territory	Art. 16(2)(a) and (3) of Reg. 753/2002	whenever applicable	1	maintained
minimum residual sugar content set by the Member States as a condition for the use of the terms listed in paragraph 1(d) [“sweet”], which may not be lower than 35 grams per litre in the case of certain quality wines psr produced in their territory	Art. 16(2)(b) and (3) of Reg. 753/2002	whenever applicable	1	maintained
indication of a specific colour of table wines, table wines with a geographical indication and quality wines psr specified by the Member States for the wines produced in their territory and the conditions relating to the use of such indication that they defined	Art. 17 of Reg. 753/2002	whenever applicable	1	removed from 2008 on
list of authorised competitions, of which the awards and medals may be featured on the labels of table wines with a geographical indication and quality wines psr	Art. 21 of Reg. 753/2002	whenever applicable	1	removed from 2008 on

indications concerning the method of production of table wines with a geographical indication and quality wines psr specified by the Member States for the wines produced in their territory, as well as the conditions they defined relating to their use	Art. 22(2) of Reg. 753/2002	whenever applicable	1	maintained
facts justifying recognition of each traditional term	Art. 24(7)(a) of Reg. 753/2002	whenever applicable	1	maintained
traditional terms included in the legislation of the Member States that meet the above requirements [i.e. they are specific in itself and precisely defined in the Member State's legislation; they are sufficiently distinctive and/or enjoy an established reputation on the Community market; they have been traditionally used for at least 10 years in the Member State in question; they are used for one or more Community wines or categories of Community wine] and the wines for which they are reserved	Art. 24(7)(b) of Reg. 753/2002	whenever applicable	1	maintained
any traditional terms that cease to be protected in the country of origin	Art. 24(7)(c) of Reg. 753/2002	whenever applicable	1	maintained
conditions specified by the Member States relating to the use of names of enterprises for wines produced in their territory	Art. 25(2) of Reg. 753/2002	whenever applicable	1	removed from 2008 on
indications specified by the Member States stating that table wines with a geographical indication and quality wines psr have been bottled on the producer's holding or by a producer group or in an enterprise located in the production region or, in the case of quality wines psr, in the immediate proximity of the production region; the conditions relating to the use of such indications, defined by the Member States	Art. 26(2) of Reg. 753/2002	whenever applicable	1	removed from 2008 on
list of names of geographical units smaller than the Member State that may be used in case of table wines described as “Landwein”, “vin de pays”, “regional wine”, etc. and the provisions regulating the use of the terms and unit names	Art. 28 first paragraph(a) of Reg. 753/2002	whenever applicable	1	maintained
any subsequent change to the list and to the provisions referred to in (a) [list of names of geographical units smaller than the Member State that may be used in case of table wines described as “Landwein”, “vin de pays”, “regional wine”, etc. and the provisions regulating the use of the terms and unit names]	Art. 28 first paragraph(b) of Reg. 753/2002	whenever applicable	1	maintained
List of the types of geographical units concerned drawn up by producer Member States and the names of the specified regions to which these geographical units belong, covered by the derogation applying until 31 August 2003 provided for in point (b)	Art. 31(3) third subparagraph of Reg. 753/2002	whenever applicable	1	maintained
List of the names of local administrative areas, or parts thereof or one of the names of such areas (geographical units smaller than the specified region) used as being representative of all the local administrative areas over whose area that geographical unit extends draw up by producer Member States	Art. 31(3) fourth subparagraph of Reg. 753/2002	whenever applicable	1	maintained

definition of conditions relating to the use of the names of geographical units, listed for the purposes of the second indent of Annex VII(B)(1)(c) to Regulation (EC) No 1493/1999 [labelling of the products may be supplemented by reference to a geographical area larger than the region defined in order to specify the origin of a quality wine psr], which are larger than the specified region	Art. 32 of Reg. 753/2002	whenever applicable	1	maintained
expressions specified by the Member States for wines produced in their territory for the purposes of the third indent of Annex VII(B)(1)(c) to Regulation (EC) No 1493/1999, indicating that a wine has been bottled in a specified region, and conditions relating to their use	Art. 33(2) of Reg. 753/2002	whenever applicable	1	maintained
traditional specific terms, specified by Member States that may be used for liqueur wines and semi-sparkling wines produced in their territory [to be included in the sales designation of such products described using a geographical indication]	Art. 38(4) of Reg. 753/2002	whenever applicable	1	maintained
Council Regulation (EEC) No 2392/86 of 24 July 1986 establishing a Community vineyard register				
Vineyard register collecting, for each holdings with vine, information relating to: identity and situation, references of the parcels under vines, general characteristics, characteristics of the vines it contains and the products produced therefrom, wine production, changes in grape-growing potential, intervention measures, premiums collected, products processed and oenological practices	Art. 2(1) of Reg. 2392/1986	whenever applicable	1	maintained

Types of obligation
1. Notification of specific activities
2. Submission of recurring reports
3. Application for subsidy or grant
4. Inspection

Table 5: Annual reduction of administrative costs following the proposed abolition of reporting obligations currently contained in Commission Regulation (EC) No 1623/2000

Commission Regulation (EC) No 1623/2000 of 25 July 2000 laying down certain detailed rules for implementing Regulation (EC) No 1493/1999					**Tariff (€ per hour)**		**Time (hour)**		**Price (per action or equip)**	**Freq (per year)**	**Nbr of entities**	**Total nbr of actions**	**Total cost**	**Regulatory origin (%)**			
No.	Ass. Art.	Type of obligation	Description of required action(s)	Target group	i	e	i	e						Int	EU	Nat	Reg
1	14	Application for subsidy or grant	Filling forms and tables	Producer	6.2		16		99	1	2981	2981	295715		100%		
	14	Application for subsidy or grant	Submitting the information (sending it to the designated recipient)	Producer	6.2		2		12	1	2971	2971	36840		100%		
	14	Application for subsidy or grant	Filling forms and tables	National administration	21.4		16033		343106	1	8	8	2744850		100%		
2	35	Inspection	Inspecting and checking (including assistance to inspection by public authorities)	National administration	21.4		5100		109140	1	8	8	873120		100%		
3	37	Application for subsidy or grant	Filling forms and tables	Producer	6.2		6		37	1	17327	17327	644564		100%		
	37	Application for subsidy or grant	Submitting the information (sending it to the designated recipient)	Producer	6.2		1		6	1	17327	17327	107427		100%		
	37	Application for subsidy or grant	Filling forms and tables	National administration	21.4		20110		430354	1	8	8	3442832		100%		
4	42 (3)	Notification of (specific) activities	Producing new data	National administration	21.4		2		43	1	9	9	385		100%		
	42 (3)	Notification of (specific) activities	Adjusting existing data	National administration	21.4		1		21	1	9	9	193		100%		
5	48	Application for subsidy or grant	Filling forms and tables	Distiller	20.3		450		9135	1	455	455	4156425		100%		
	48	Application for subsidy or grant	Submitting the information (sending it to the designated recipient)	Distiller	20.3		1		20	3	455	1365	27710		100%		
	48	Application for subsidy or grant	Filling forms and tables	National administration	21.4		8954		191616	1	7	7	1341309		100%		
6	63	Application for subsidy or grant	Filling forms and tables	Distiller	20.3		450		9135	1	505	505	4613175		100%		
	63	Application for subsidy or grant	Submitting the information (sending it to the designated recipient)	Distiller	20.3		1		20	2	505	1010	20503		100%		
	63	Application for subsidy or grant	Filling forms and tables	National administration	21.4		9275		198485	1	7	7	1389395		100%		
7	92	Application for general authorisation or exemption	Producing new data	National administration	21.4		3444		73702	1	6	6	442210		100%		
8	92 (3)	Submission of (recurring) reports	Producing new data	National administration	21.4		7		150	1	6	6	899		100%		
9	95 (1)	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		1		21	1	6	6	128		100%		

10	101 (1) et (3)	Inspection	Inspecting and checking (including assistance to inspection by public authorities)	National administration	21.4		3200		68480	1	6	6	410880		100%		
11	103 (1) a	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		50		1070	1	8	8	8560		100%		
12	103 (1) b	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		50		1070	1	8	8	8560		100%		
13	103 (2) a	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	6	7	42	26964		100%		
14	103 (2) b	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	6	7	42	26964		100%		
15	103 (3) a	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	6	7	42	26964		100%		
16	103 (3) b	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	12	7	84	53928		100%		
17	103 (4) a	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	12	7	84	53928		100%		
18	103 (4) b	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	12	7	84	53928		100%		
19	103 (5) a	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	12	7	84	53928		100%		
20	103 (5) b	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	12	7	84	53928		100%		
21	103 (5)c	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		30		642	12	7	84	53928		100%		
									Total administrative costs				**€ 20 970 140**				
									of which:for national administrations				*€ 11 067 781*				
									for private enterprises				*€ 9 902 359*				

Table 6: Annual reduction of administrative costs following the proposed abolition of reporting obligations currently contained in Commission Regulation (EC) No 883/2001

Commission Regulation (EC) No 883/2001 of 24 April 2001 laying down detailed rules for implementing Council Regulation (EC) No 1493/1999 as regards trade with third countries in products in the wine sector					Tariff (€ per hour)		Time (hour)		Price (per action or equip)	Freq (per year)	Nbr of entities	Total nbr of actions	Total cost	Regulatory origin (%)			
No.	Ass Art.	Type of obligation	Description of required action(s)	Target group	i	e	i	e						Int	EU	Nat	Reg
1	Art 5 (1) and annex I	Submission of (recurring) reports	Retrieving relevant information from existing data	National administration	21.4		1.0		21.4	52	7	364	7 790		100%		
	Art 5 (1) and annex I	Submission of (recurring) reports	Filling forms and tables	National administration	21.4		1.5		32.1	52	7	364	11 684		100%		
	Art 5 (1) and annex I	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		0.5		10.7	52	7	364	3 895		100%		
2	Art 9 (1)	Application for general authorisation or exemption	Filling forms and tables	Producer	6.2		4.0		24.8	52	364	18 928	469 414		100%		
	Art 9 (1)	Application for general authorisation or exemption	Submitting the information (sending it to the designated recipient)	Producer	6.2		0.5		3.1	52	364	18 928	58 677		100%		
3	Art 12 (1)(a) and annex V	Submission of (recurring) reports	Retrieving relevant information from existing data	National administration	21.4		1.0		21.4	52	7	364	7 790		100%		
	Art 12 (1)(a) and annex V	Submission of (recurring) reports	Filling forms and tables	National administration	21.4		2.0		42.8	52	7	364	15 579		100%		
	Art 12 (1)(a) and annex V	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		0.5		10.7	52	7	364	3 895		100%		
4	Art 12 (1)(b) and annex V	Submission of (recurring) reports	Retrieving relevant information from existing data	National administration	21.4		1.0		21.4	52	7	364	7 790		100%		
	Art 12 (1)(b) and annex V	Submission of (recurring) reports	Filling forms and tables	National administration	21.4		1.5		32.1	52	7	364	11 684		100%		
	Art 12 (1)(b) and annex V	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		0.5		10.7	52	7	364	3 895		100%		
5	Art 12 (1)(c) and annex V	Submission of (recurring) reports	Retrieving relevant information from existing data	National administration	21.4		1.0		21.4	52	7	364	7 790		100%		

	Art 12 (1)(c) and annex V	Submission of (recurring) reports	Filling forms and tables	National administration	21.4		2.0		42.8	52	7	364	15 579		100%		
	Art 12 (1)(c) and annex V	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		0.5		10.7	52	7	364	3 895		100%		
6	Art 12 (2)(a) and annex V	Submission of (recurring) reports	Retrieving relevant information from existing data	National administration	21.4		2.0		42.8	12	7	84	3 595		100%		
	Art 12 (2)(a) and annex V	Submission of (recurring) reports	Filling forms and tables	National administration	21.4		4.0		85.6	12	7	84	7 190		100%		
	Art 12 (2)(a) and annex V	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		1.0		21.4	12	7	84	1 798		100%		
7	Art12 (2)(b) and annex V	Submission of (recurring) reports	Retrieving relevant information from existing data	National administration	21.4		2.0		42.8	12	7	84	3 595		100%		
	Art12 (2)(b) and annex V	Submission of (recurring) reports	Filling forms and tables	National administration	21.4		4.0		85.6	12	7	84	7 190		100%		
	Art12 (2)(b) and annex V	Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	National administration	21.4		1.0		21.4	12	7	84	1 798		100%		
8	Art 18 (1) and Art 4 of Reg. 800/1999	Application for subsidy or grant	Filling forms and tables	Producer	6.2		7.0		43.4	52	364	18 928	821 475		100%		
	Art 18 (1) and Art 4 of Reg. 800/1999	Application for subsidy or grant	Producing new data	National administration	21.4		7.0		149.8	52	364	18 928	2 835 414		100%		
9	Art 18 (2)	Inspection	Inspecting and checking (including assistance to inspection by public authorities)	National administration	21.4		100.0		2 140.0	1	7	7	14 980		100%		
									Total administrative costs				**€ 4 326 392**				
									of which: for national administrations				*€ 2 976 826*				
									for private enterprises				*€ 1 349 566*				

ANNEX 4:
LIST OF ACRONYMS

AWU	Annual Working Unit
CAP	common agricultural policy
CMO	common market organisation
DG AGRI	Directorate-General for Agriculture and Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
EU	European Union
FADN	Farm Accountancy Data Network
FNVA	Farm Net Value Added
GI	Geographical Indications
IAB	Impact Assessment Board
ICM	Integrated Crop Management
IPM	Integrated Pest Management
ISSG	Inter-Service Steering Group
MS	Member States
OIV	International Organisation of Vine and Wine
OP	Oenological Practices
PDO	Protected Denominations of Origin
PGI	Protected Geographical Indications
QWpsr	Quality Wine produced in specified regions
RD	Rural Development
SGM	Standard Gross Margin
SPS	Single Payment Scheme
TBT	Technical Barriers to Trade
TRIPs	Trade-related Aspects of Intellectual Property Rights
TW	Table Wine
UAA	Utilised Agricultural Area
WMPs	Wine-making Practices
WTO	World Trade Organisation.