

Perspectives for Community aid for wine

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I. Point of departure

Up until recently, special levies were imposed upon farming and food businesses in Germany on the basis of the Agricultural Marketing Fund Act. The function of the Agricultural Marketing Fund was to promote the marketing of the German farming and food industry domestically and abroad.

On 3 February 2009 the Federal Constitutional Court established the unconstitutionality of the Agricultural Marketing Fund Act, holding that there were no longer any grounds for assuming the existence of disadvantages for the German farming and food industry in intra-Community competition that had to be averted. Furthermore, the Court stated, from the information in the agricultural and food policy reports of the Federal Government it could no longer be assumed that an imbalance existed between exports and imports of agricultural goods which could lead to an inference of considerable disadvantages for the German farming and food industry in competition within the Community.

In the German wine industry, the German Wine Fund – together with the German Wine Institute (DWI) as executive body – serves a similar function: Its task is to promote the quality and sales of German wines through supra-regional, generic marketing activities both domestically and abroad. Among the most important activities domestically and abroad are market research, market reporting, export consulting services, organisation of image campaigns, compilation of advertising materials for the wine industry, general press and public relations work, information tours for multipliers in wine-growing areas, organisation of and participation in trade fairs and exhibitions as well as conduct of training programmes and seminars.

As it was already the case with the Agricultural Marketing Fund, there is a danger that the Wine Fund, too, may be deemed unconstitutional, for both are similarly structured and have a similar statutory basis. It is hence necessary to develop ideas as to whether and how the core functions of the German Wine Fund can be fulfilled in the future.

II. Problems

The end of the Agricultural Marketing Fund as a result of the judgment of the Federal Constitutional Court has left a yawning gap in sales promotion both domestically and abroad that must be closed as quickly as possible. With the founding of the German Export Association for Food and Agriproducts (GEFA), the industry has taken an important step, creating a lean organisation with entrepreneurial character. The German Government has

made start-up funding available for this. While the German Wine Institute is already involved in GEFA, the latter only covers part of the activities of the German Wine Fund or, respectively, the German Wine Institute, for GEFA is only engaged in export promotion and not domestic sales promotion.

The German wine industry is very heterogeneous in terms of organisational structure. Irrespective of the aforementioned issue of export marketing vs. domestic marketing, the question now arises as to how and whether all these companies can and want to continue funding the joint activities of the wine industry on the same scale according to their individual means. For experience with the Central Marketing Organisation of German Agricultural Industries (CMA) has shown that where heterogeneous structures prevail it is very difficult when starting from scratch to generate not just lip service but also hard cash.

This basic problem in the wine industry is further exacerbated by the fact that in the case of important wine export destinations such as the UK, for example, the increases in wine exports from Germany are primarily attributable to re-exports. In other words, a substantial percentage of the wines exported to those countries from Germany are indeed exported by wine cellars in Germany but are not German wines. Since, however, these reexport products have thus far also benefited from the generic marketing activities of the German Wine Fund, the question arises as to whether and to what extent the many small wineries in particular will be willing to participate in a joint funding scheme that indirectly promotes the export of foreign wines with their money.

III. Further course of action / possible solutions

It is now essential to secure joint marketing for the domestic market as well. Thought must therefore be given to how this could be accomplished.

One conceivable option would be to set up a private organisation with entrepreneurial character similar to GEFA. The purpose of this organisation would be to secure joint domestic marketing through voluntary payment of contributions. Care should be taken to ensure that only those members who contribute actually benefit from the organisation's domestic marketing activities.

Another option would be to consider integrating domestic marketing into GEFA's portfolio in order to avoid overhead costs. Any potential start-up funding from the German Government would have to be examined in the light of the strict EU directives regarding national support programmes.