

European Perspectives on Wine Market Issues and Prospects in the context of the wine CMO reform

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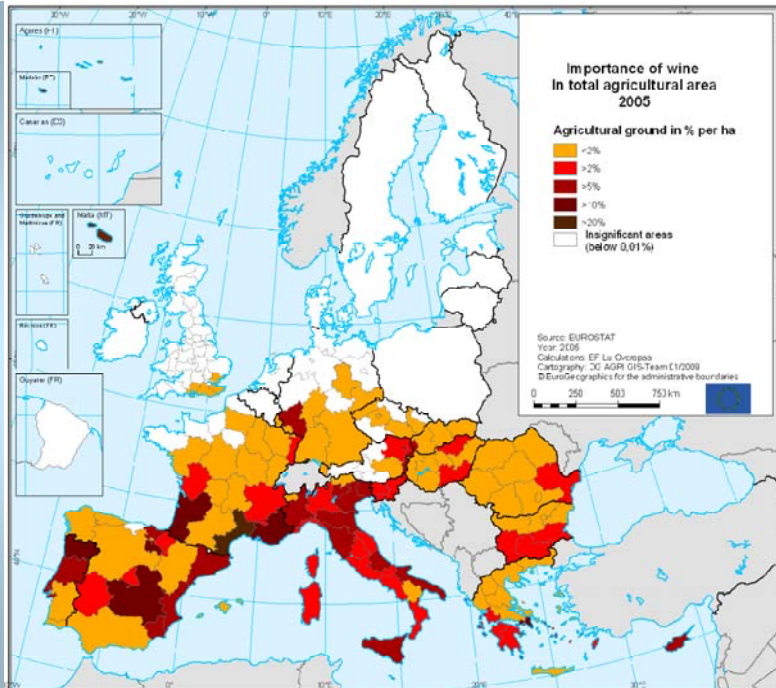
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Part 1. European Issues

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Data on European Wine Industry: 2008/2009

- Production: 173 Mnhl
 - Quality Wines: 68 Mnhl
 - Table Wines: 100 Mnhl
- Consumption: 135 Mnhl
- Export: 62 Mnhl / extra UE: 16.9 Mnhl*
- Import: 58 Mnhl / extra UE: 12.6 Mnhl*
- UE value # 30 billion / €EU budget 3.5 %
- EU Wine & Spirits*
 - export value 16.4 billion € = 1/4 food export
 - import value 4.4 billion € = 5.5 % food import

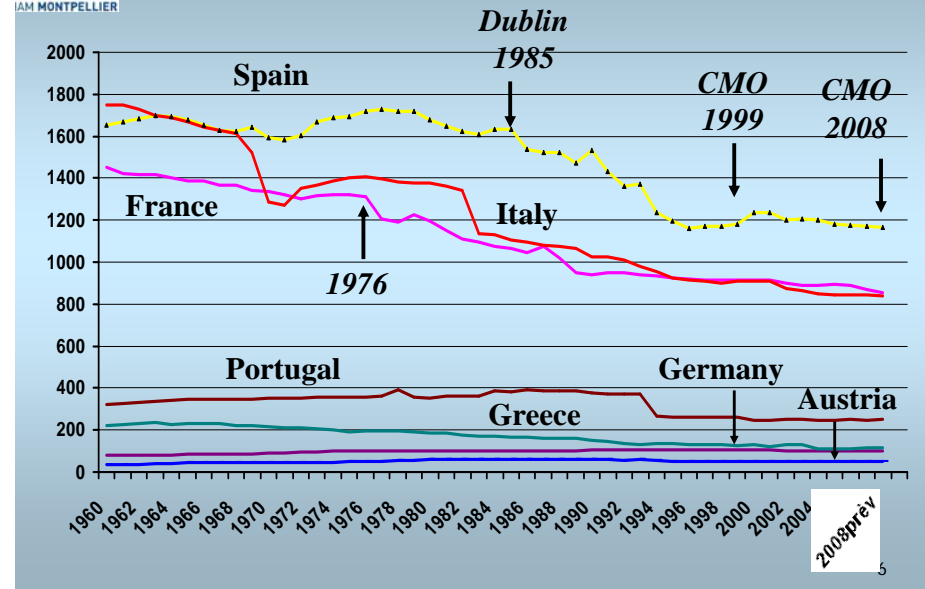
* Data 2006

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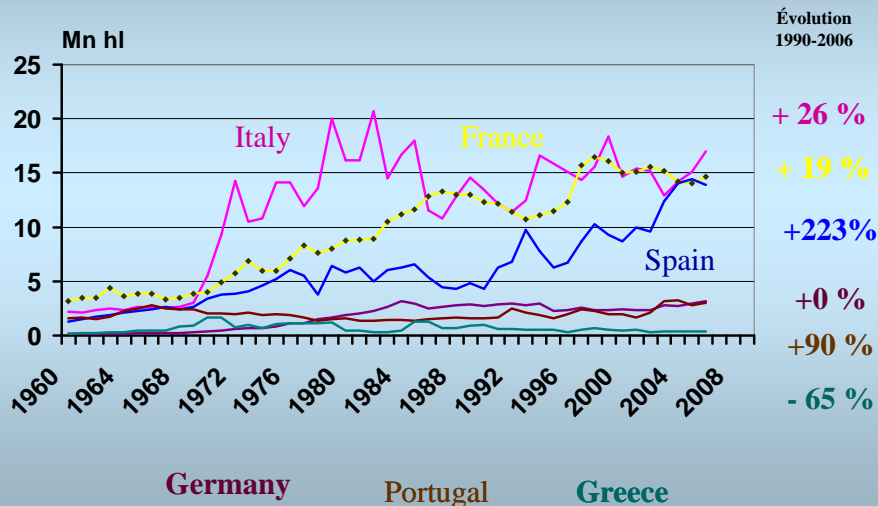
A global competition in a changing world

- Development of production in the New World and China
- Stabilization or regression of European vineyards
- Decreasing consumption in the traditional producing countries
- Competition on main consumer markets: UK, USA, Japan, Northern Europe
- Enlargement of Europe to the CEECs
- New Wine Common Market Organization 2008
- The 2004-05 global wine overproduction
- The global crisis 2008-2009

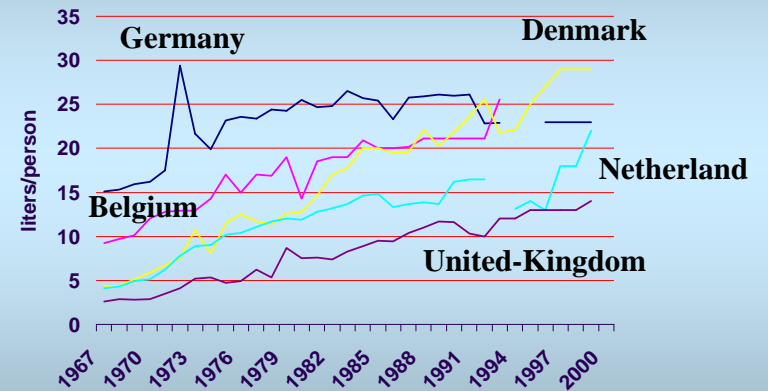
European vineyards areas



European Wine Export

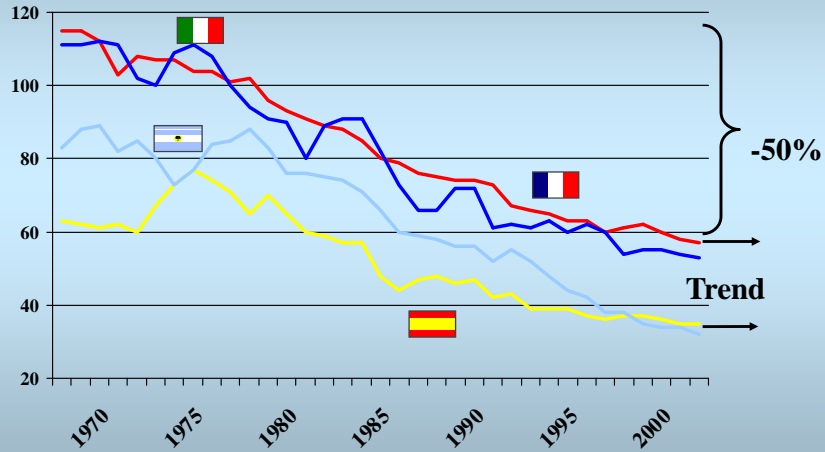


Annual per Capita Consumption in Northern Europe



Per Capita Consumption in the Producing Countries

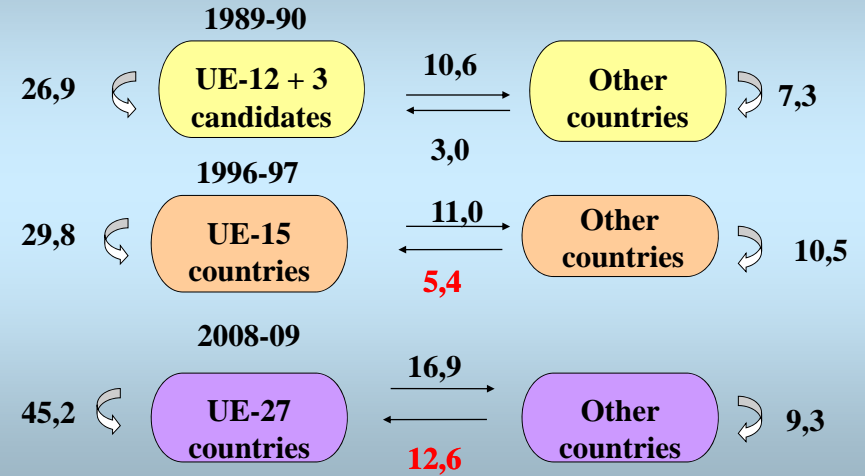
Liters/year/pers.



Source : OIV

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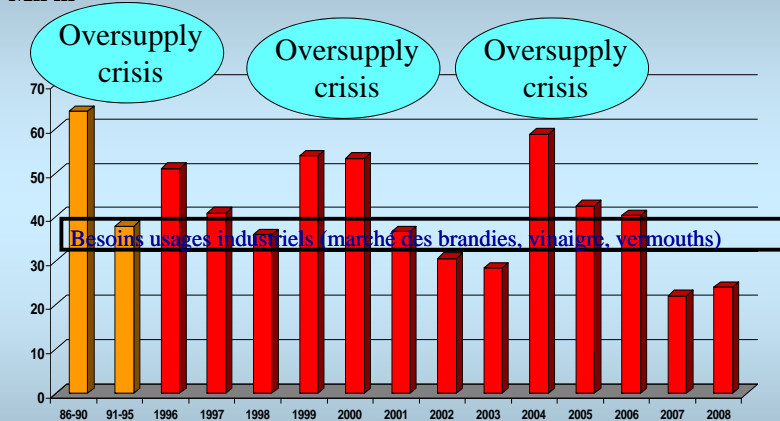
International Wine Trade Evolution



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Global Gap Production-consumption

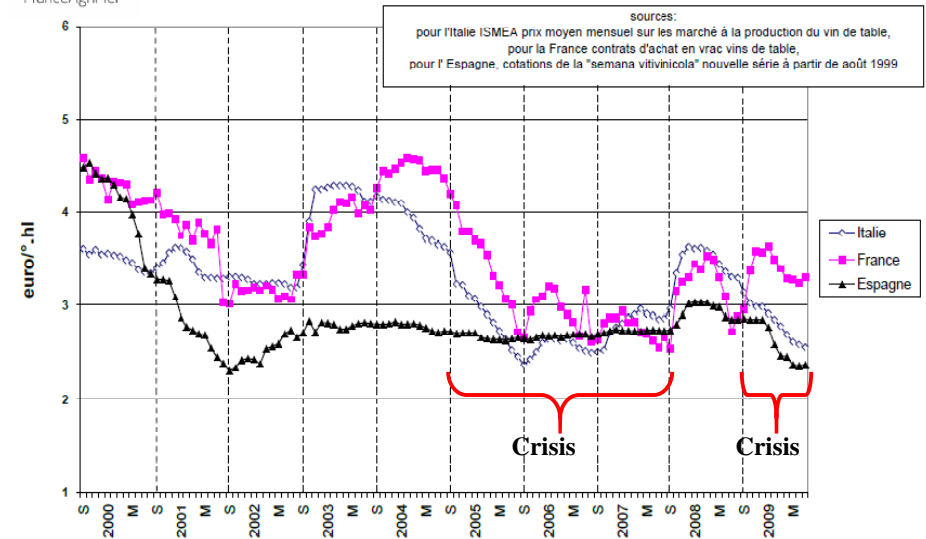
Mn hl



Source : OIV

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Red & rosé Table (without GI) Wines prices



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Part 2. The European Wine CMO Reform

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The New Common Market Organization 2008

1. Agriculture et fisheries council
Brussels 17-19 December 2007
2. Council Regulation (EC) N° 479/2008
of 29 April 2008 : organization
3. Council Regulation (EC) N° 555/2008
of 27 June 2008 : application

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The New Common Market Organization 2008

1. The grubbing up scheme
2. The support programs
3. The regulatory measures

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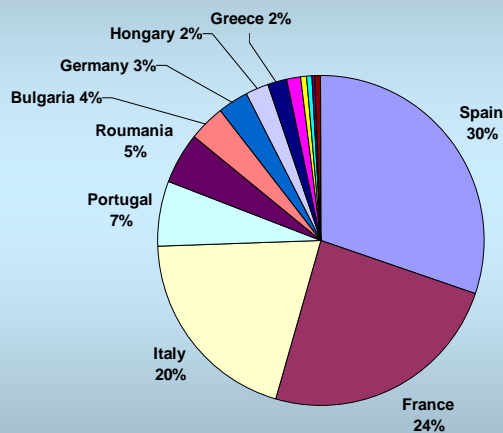
The New CMO 2008 :

1. The grubbing up scheme

1. Voluntary regime.
2. All European producers concerned
3. Area > 0.1 ha : difficulties in Romania
4. De minimis rule : Member States where
wine production does not exceed 50 000
hectoliters
5. Priority : application covers entire vineyard
applicant > 55 years old
6. Global budget : 175 000 ha in 3 years =
4.8 %
7. The maximum annual budget :
 1. 2008/2009 : 464 Mn € = current premium +
20%

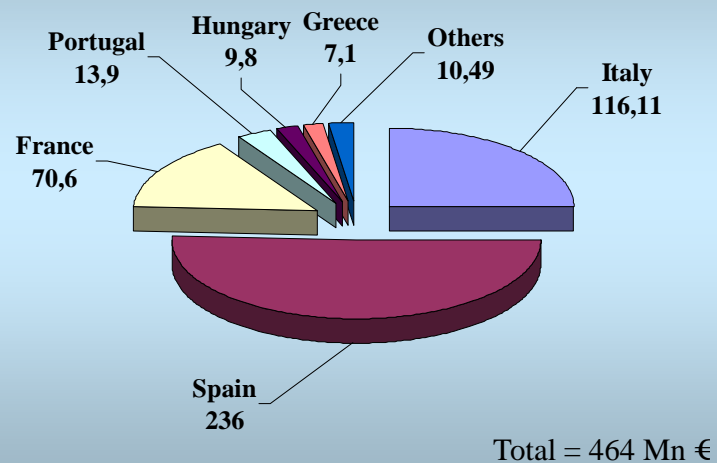
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Grubbing up : proportional to national areas



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EU Grubbing up Budget 2008-2009



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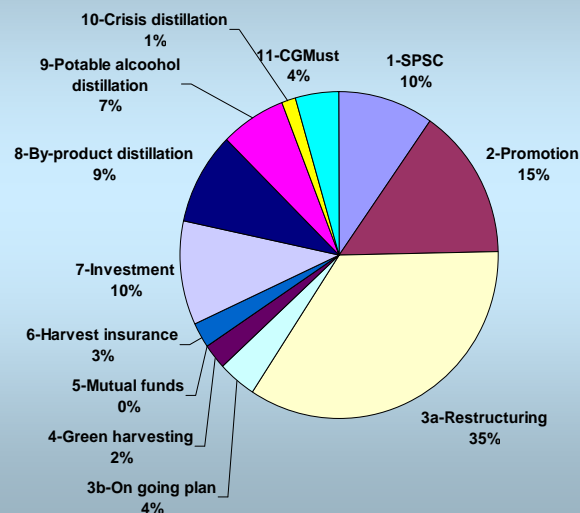
The New CMO 2008

2. Support programs : 11 eligible measures

1. Single Payment Scheme support (art. 9)
2. Promotion on third-country markets (art. 10)
3. Restructuring & Conversion support (art. 11)
4. Green harvesting (art. 12)
5. Mutual funds (art. 13)
6. Harvest insurance (art. 14)
7. Investments (art. 15)
8. By-product distillation (art. 16)
9. Potable alcohol distillation (art. 17)
10. Crisis distillation (art. 18)
11. Use of concentrated must (art. 19)

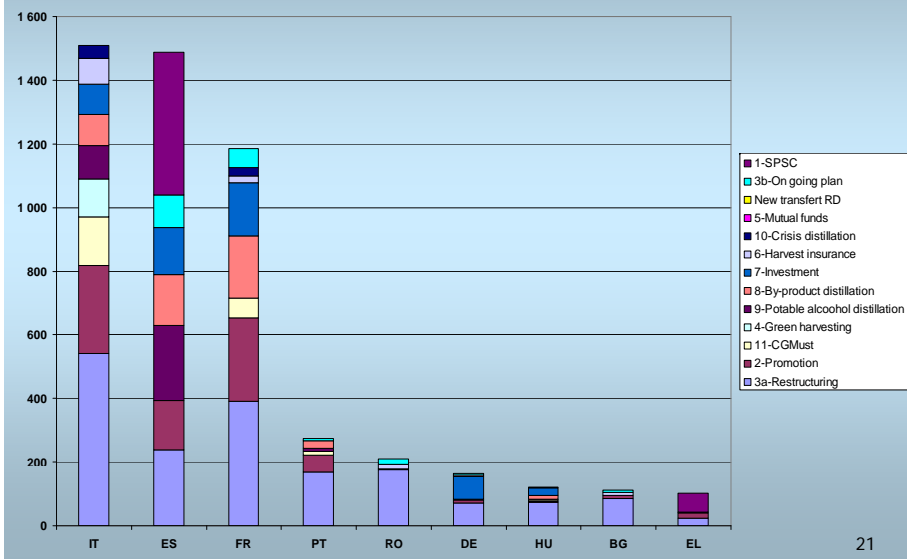
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Wine CMO : Submission of financial table of the national support programme 2009-2013



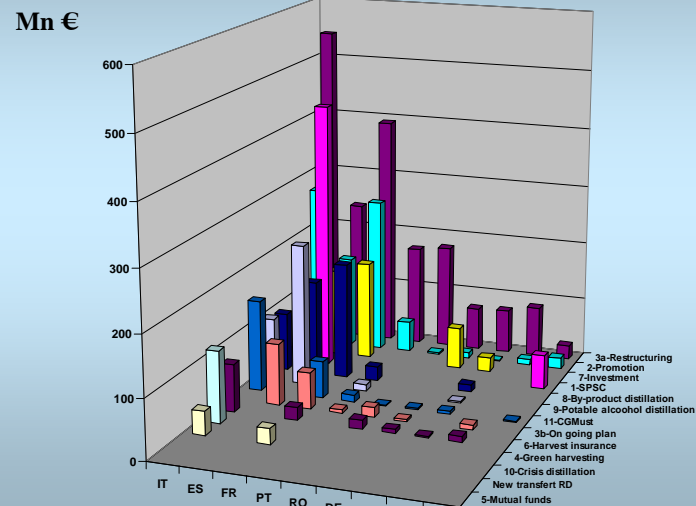
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Wine CMO : Submission of financial table of the national support programme 2009-2013



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Wine CMO : Submission of financial table of the national support programme 2009-2013



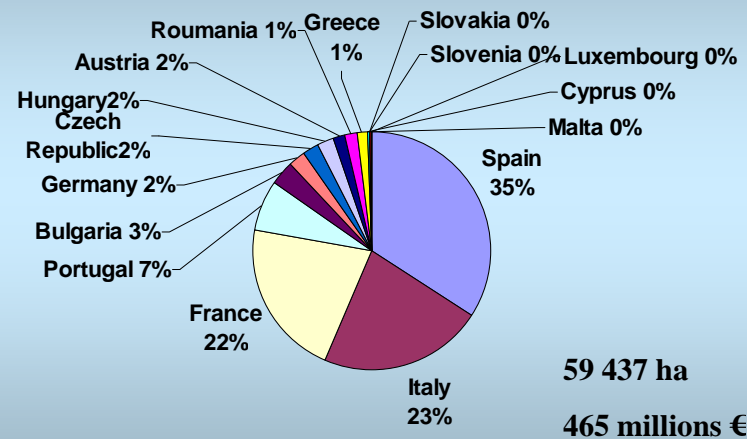
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The New CMO 2008 Support programs : 11 eligible measures

- ⇒ The CMO leaves each Member State free enough to spend its budget : nationalization / “subsidiarity” of the policy
- ⇒ “Historical” effect : the former “acquired” amounts of budgets, maintained unchanged

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Restructuring of vineyards areas 2006-2007 (ha)



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Potable alcohol distillation

1. Support may be granted until 2012
2. Per hectare aid
- ⇒ Postpone a difficult decision
- ⇒ Mainly established in Spain

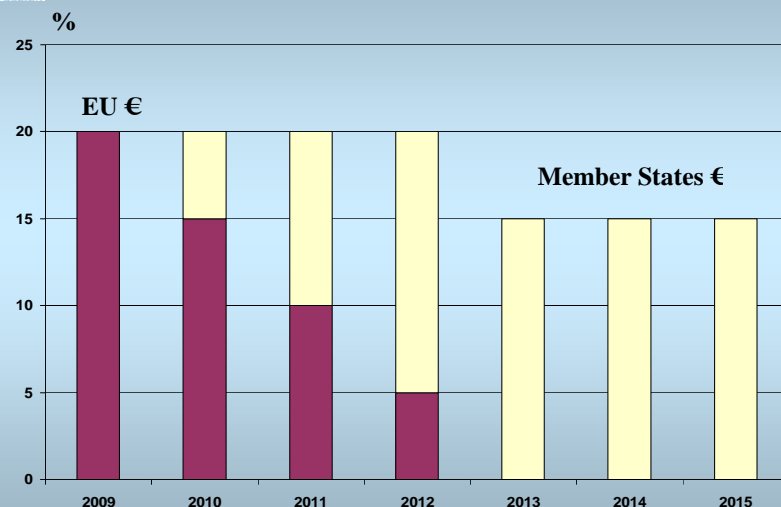
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Crisis distillation

1. Support may be granted until 2012
 2. Voluntary or obligatory distillation of surplus wine decided upon Member States in justified cases of crisis
 3. Alcohol exclusively used for industrial or energy purposes so as to avoid distortion of competition
 4. EU contribution = Limited (20 %) & decreasing share of the available budget, compensated by national funds
- ⇒ Market stabilization = national level
- ⇒ Disappearance of European funding

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Crisis distillation : share of the available budget



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Use of concentrated grape must

1. Support may be granted until 2012
 2. Amount of aid fixed per % volume potential alcoholic strength & per hectoliter of must
- ⇒ Free choice by each Member State of the enrichment technique : chaptalisation or concentrated must
- ⇒ But the costs gap between the two techniques will appear in 2012

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Enrichment limits

1. Enrichment limits weakly decrease
 1. Zone A currently 3.5% to 3.0%
 2. Zone B currently 2.5% to 2.0%
 3. Zone C4 currently 2.0% to 1.5%
 2. When climatic conditions have been exceptionally unfavorable Members States may request that the limits be raised by 0.5 %.
- ⇒ In fact a very marginal change

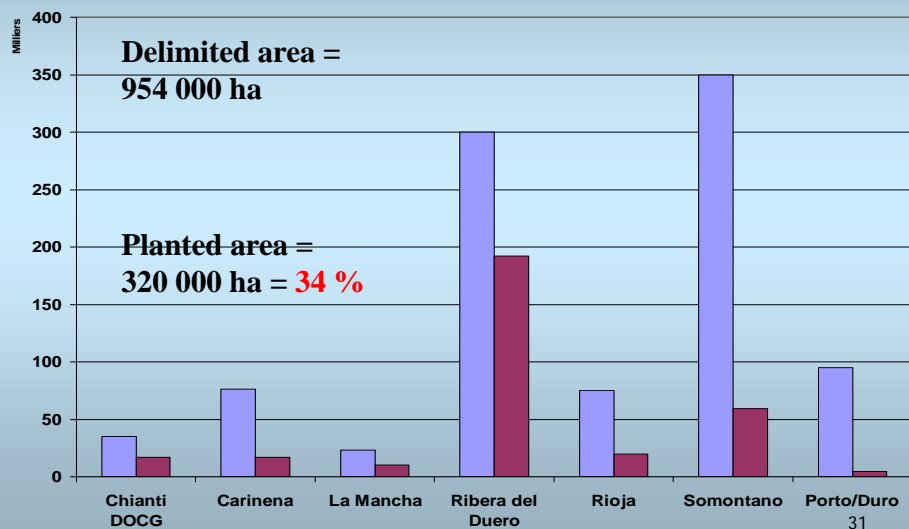
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3. Transitional planting right regime

1. The current regime maintained until 31 December 2015
 2. Possibility for Member States to maintain it until 31 December 2018
- ⇒ Postpone a difficult and controversial decision

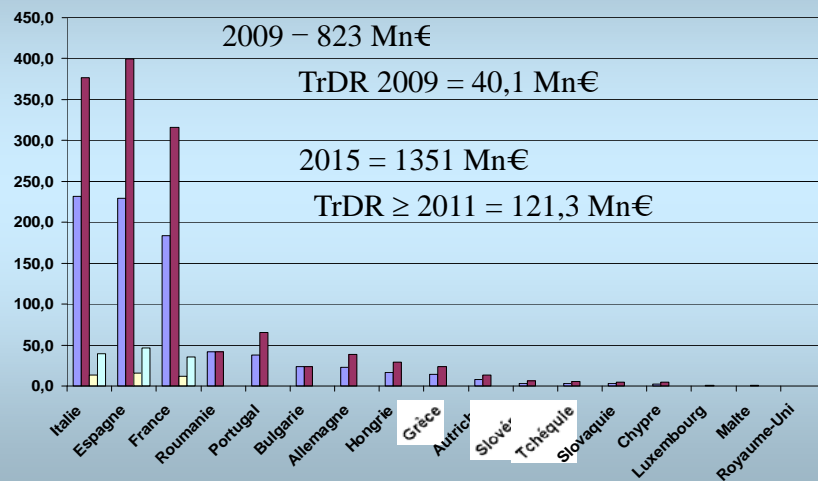
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Differences between the production potential and the planted areas (Italie, Spain, Portugal) with GI



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National budgets & transfers to rural development



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Conclusions

1. A real compromise: everyone trying to salvage something from the situation... and its budget
2. This is not an unified policy
3. A step towards a CAP "WTO compatible"
4. Subsidiarity of the wine-CMO: Each State must demonstrate the relevance of its choices
5. A transitional period during which controversial decisions could be delayed
6. Few strategic choices "downstream"
7. Politics more "agricultural" than "sectorial"
8. An impressive success of grubbing up

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Part 3. European Prospects

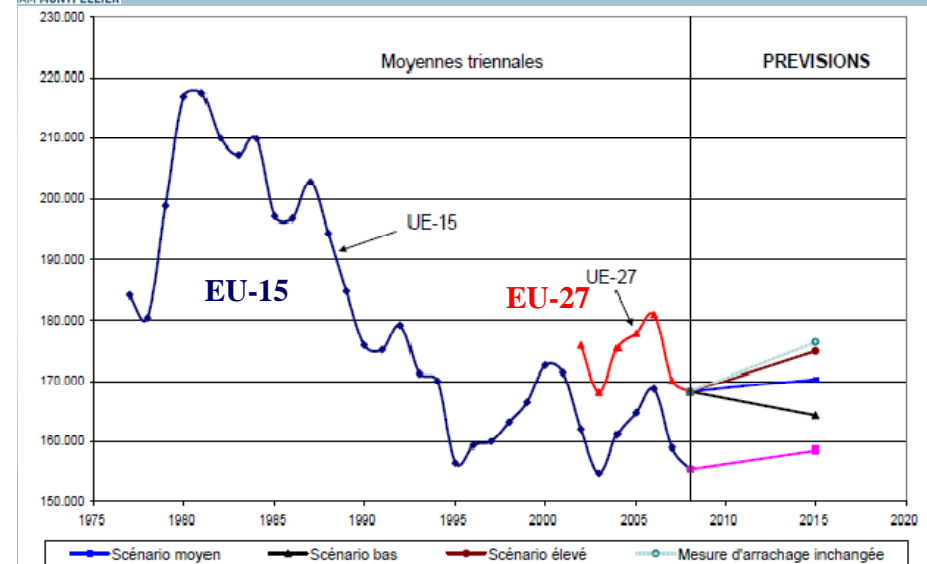
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Wine sector : Midterm Perspectives 2015/16

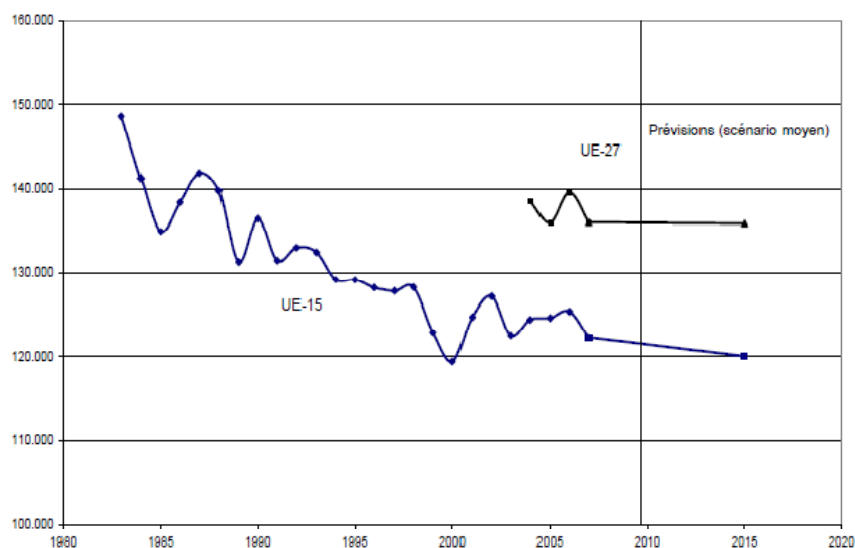
- ✚ European Commission study : July 2009
- ✚ Statistical analysis
- ✚ Three scenarios :
 - medium, high surplus, surplus low ;
 - normal wine year, no climate influence
- ✚ Usual yields - grubbing up 175 000 ha
- ✚ Impact of the grubbing up program : - 5.9 Mio hl
- ✚ Usual trends for the consumption + demography
- ✚ Continuation of the trends for export & import
- ✚ Economic crisis → uncertainty

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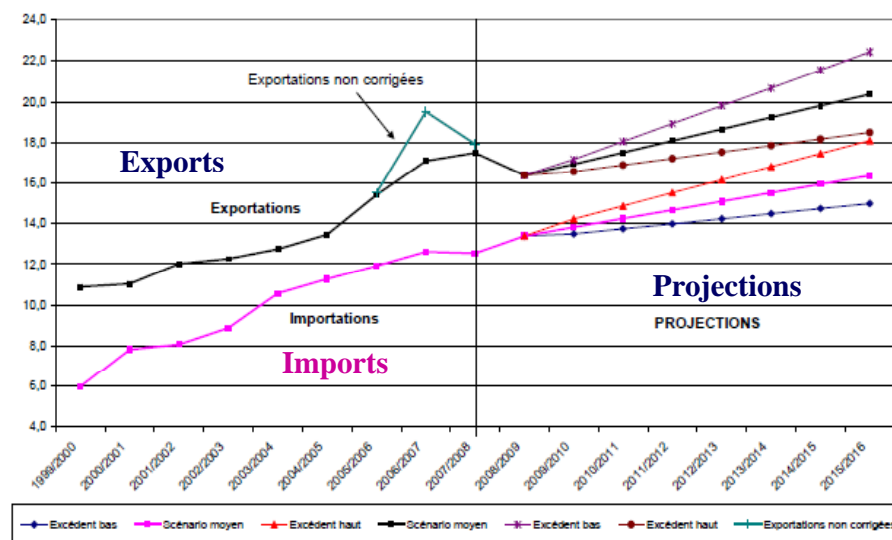
EU-15 / EU-27 Wine Production



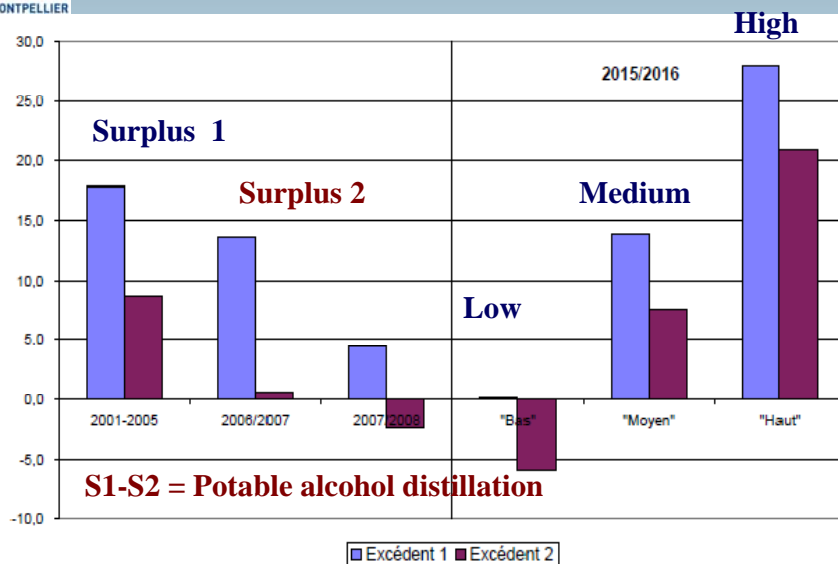
EU-15 / EU-27 Wine Consumption



EU-27 Wine Imports - Exports



EU-27 Wine Surplus (2015/2016)



Wine sector : Midterm Perspectives 2015/16 : Conclusions

- ✦ Potable alcohol distillation support (S1-S2) will disappear in 2011/2012
S1-S2 = 9-13 Mio hl → 6-7 Mio hl
- ✦ “low” S1 = 0.1 Mio hl = 0 % Prod
- ✦ “medium” S2 = 7.4 Mio hl = 4.4 % Prod.
- ✦ “high” S2 = 20.8 Mio hl = 11.9 % Prod.
- ✦ confidence interval +/- 7.9 hl / 170.4 Mio hl
- ✦ Differences / 2007 study :
 - Grubbing up = - 175 000 ha / - 5.9 Mio hl
 - New CMO → Export revitalization

Thank you for your attention

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