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

Etienne MONTAIGNE
Administrateur scientifique
IAM Montpellier

Part 1. European Issues


- 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 € = ¼ food export
  - import value 4.4 billion € = 5.5 % food import

* Data 2006
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
Per Capita Consumption in the Producing Countries

-50%

Trend


Liters/year/pers.

Source: OIV

International Wine Trade Evolution

1989-90

26,9 UE-12 + 3 candidates 10,6 Other countries 7,3

1996-97

29,8 UE-15 countries 3,0 Other countries 10,5

2008-09

45,2 UE-27 countries 11,0 Other countries 9,3

Source: OIV

Global Gap Production-consumption

Mn hl

Oversupply crisis

Oversupply crisis

Oversupply crisis

Source: OIV

Red & rosé Table (without GI) Wines prices

Crisis

Crisis

Source: OIV
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Part 2. The European Wine CMO Reform

The New Common Market Organization 2008

1. Agriculture et fisheries council
   Brussels 17-19 December 2007

The New Common Market Organization 2008

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

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%
   2. 2009/2010: 334 Mn €
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)
### 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

### Restructuring of vineyards areas 2006-2007 (ha)

- **59,437 ha**
- **465 millions €**
Potable alcohol distillation

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

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

Crisis distillation: share of the available budget

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
**Enrichment limits**

1. Enrichment limits weakly decrease
   - Zone A currently 3.5% to 3.0%
   - Zone B currently 2.5% to 2.0%
   - 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%.
   \[\Rightarrow\] 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
   \[\Rightarrow\] Postpone a difficult and controversial decision

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

- **Delimited area** = 954 000 ha
- **Planted area** = 320 000 ha = 34%

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**National budgets & transfers to rural development**

- 2009 = 823 Mn€
  - TrDR 2009 = 40,1 Mn€
- 2015 = 1351 Mn€
  - TrDR ≥ 2011 = 121,3 Mn€
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

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

EU-15 / EU-27 Wine Production

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<tr>
<th>Moyennes triennales</th>
<th>PREVISIONS</th>
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<td>EU-15</td>
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<td>EU-27</td>
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Graph showing wine production over time with EU-15 and EU-27 data.
**EU-15 / EU-27 Wine Consumption**

- **Comparative Graphs:**

**EU-27 Wine Imports - Exports**

- **Graphs Representing:**
  - Wine Import vs Export Projections from 2011/12 to 2015/16.
  - Data includes:
    - Exports: 9-13 Mio hl ± 7.9 hl, 6-7 Mio hl ± 7.9 hl.
    - Imports: Confidence interval: 7.9 hl / 170.4 Mio hl.

**EU-27 Wine Surplus (2015/2016)**

- **Chart Details:**
  - Surpluses 1 & 2:
    - Low: 0-1 Mio hl, 0 % Prod.
    - Medium: S2 = 7.4 Mio hl = 4.4 % Prod.
    - High: S2 = 20.8 Mio hl = 11.9 % Prod.
  - Differences:
    - Grubbing up = - 175 000 ha / - 5.9 Mio hl.

**Wine sector: Midterm Perspectives 2015/16: Conclusions**

- **Points Highlighted:**
  - 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 vs 2007 study:
    - Grubbing up = - 175 000 ha / - 5.9 Mio hl.
    - New CMO ➔ Export revitalization.
Thank you for your attention

montaigne@iamm.fr

www.iamm.fr