EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate E – Markets
E.2 – Wine, spirits & horticultural products

Brussels,
agri.e.3(2024)4378997

MINUTES
Meeting of the Civil Dialogue Group on Agricultural Markets - WINE

Tuesday, 14 May 2024

Chair: DG AGRI - E.2 – Wine, Spirits and Horticultural products

1. Nature of the meeting

Hybrid meeting – non public

2. List of points discussed

2.1 - Adoption of the agenda

After welcoming the participants, the agenda was approved.

2.2 - Wine market situation and trade developments

The Commission (COM) delved into the current dynamics of the wine market, examining production, consumption, exports, and stocks. The market overview revealed a decrease in wine and must production for the 2023/2024 period, reaching 148 million hectolitres—a figure slightly above that of 2017. The 2024/2025 production landscape is notably influenced by recent frosts in April, which precipitated significant losses across key wine-producing regions.

Focusing on country-specific production, Italy reported a 23% decline from the previous year, while Spain's output was 21% below the 2022/2023 levels. In contrast, France showed an 8% increase. When examining production by colour, red and rosé wines slightly exceeded 60 million hectolitres, marking a 16% decrease from the previous year, whereas white wine production stood at 86 million hectolitres, a decrease of 6%.

Regarding stocks and consumption, opening stocks were noted to be above 180 million hectolitres. There was a general decline in total consumption, particularly noticeable in PDO wines. A long-term decreasing trend in wine consumption within the EU was observed, especially for red wines.

The export data highlighted a slight decrease in volumes but an increase in values at the end of the last year, suggesting a market shift towards premium wines. The first eight months of the current marketing year saw continued decreases in volumes and values for EU exports. Looking at imports and export markets, the main seven countries importing

European wine exhibited a downward trend in both volume and value, attributed to reduced consumption in those traditional markets. Meanwhile, European imports from third countries also showed declines in both volume and value.

Major third-country exporters to the EU included Chile, the USA, Australia, and South Africa.

CELCAA emphasized that, the actual increase in prices is primarily driven by rising production costs rather than a shift towards premium products. These costs encompass various aspects such as vineyard maintenance, energy, cellar operations, and freight, which collectively impact the cash flow of all operators within the supply chain. COM welcomed the monitoring of price trends and urged a more detailed assessment of companies' financial health.

<u>2.3 - Report from the wine market observatory and next steps</u>

The observatory explored long-term consumption and trade trends within the global wine industry, identifying both challenges and opportunities. The discussion outlined six critical aspects:

- Declining Wine Consumption: A global trend, particularly in traditional markets like the EU, USA, UK, China, and Russia, driven by health concerns, demographic changes, and evolving preferences.
- Shifts in Consumer Preferences and Market Dynamics: Emerging trends include a growing preference for low-alcohol or non-alcoholic, premium, white, and sparkling wines, alongside the rise of e-commerce, and increased health concerns.
- Trade Challenges and Opportunities: Despite a downturn in traditional markets, opportunities exist in regions like Africa and Latin America., although all of them presenting specific and significant challenges. The experts also noted a preference for sparkling wines and new packaging formats like bag-in-box, even as bottled wine volumes decrease.
- Production Challenges: These encompass balancing portfolio expansion with supply reduction, adapting to consumer tastes, and addressing climate change. The importance of enhancing viticultural practices, investing in research, and promoting suitable plant materials was emphasized.
- Policy Recommendations: Suggestions include adapting legislative frameworks, promoting premiumization strategies, optimizing supply, and enhancing market responsiveness. Reducing bureaucratic hurdles and strengthening the single market were also discussed as ways to support the wine industry's evolution.

A report based on the market observatory findings will be prepared by the COM and endorsed by experts possibly at the next meeting in June. This report aims to provide a comprehensive policy reflection for the sector.

The COM highlighted a letter from stakeholders requesting for the establishment of a high-level group. The importance of the report from the market observatory as background for this high-level group was emphasized, and members were invited to reflect on policy considerations to put forward if the COM decides to proceed with the group.

CEVI agrees on the necessity of improving market measures for wine to reverse the current consumption trends, in particular simplifying the promotion policy, and allocating more promotion budget specifically targeting Africa and Latin America. CEVI noted the double impact of inflation on wine consumption and production costs, complained of bureaucracy and praised the resilience of independent wine growers during crises.

CELCAA expressed appreciation for the compiled data and shared observations on global alcohol consumption trends. They noted that while the global alcohol market remains stable or is increasing, wine consumption is decreasing. They pointed out issues with marketing strategies and administrative uncertainties that hinder effective use of funds. CELCAA also highlighted the growing market for low and no-alcohol products and stressed the need for legislative support to better market these products.

COPA-Cogeca supported measures to manage supply in the wine sector and stressed the importance of promotion in third countries. They discussed the need for modernization without imposing burdensome regulations and highlighted the economic significance of the wine sector, noting the detrimental impact of high money costs on the economy. COPA highlighted the structural crisis in the wine market and the necessity for measures to boost demand. They emphasized the importance of appealing to new consumers and adapting to climate change, calling for coordinated actions to combat plant pathologies and stabilize vineyards.

CELCAA suggested potential legislative proposals to address market challenges, emphasizing the need for tangible actions at the EU level to combat climate change. They reported a decline in import data for Italian wines in major markets and supported the idea of setting up a high-level dialogue group to discuss the future of the Common Market Organization (CMO).

The COM expressed concerns about the long-term effects of temporary measures implemented so far and encouraged the sharing of national studies on climate change impacts.

Finally, COPA noted the lack of consumer knowledge and the need for an observatory to better align supply with demand. They called for European-level legislation to address pricing issues and the purchasing practices of supermarkets, stressing the need for coordinated efforts to support the wine sector.

2.4 - Wine National Support Programmes: state of play

The COM presented the results of the implementation of wine national support programmes 2019-2023. Main take aways messages were: lack of uptake for mutual funds and innovation (even other EU policies touch upon wine projects through Horizon 2020 and Horizon Europe); Restructuring going down (normal evolution after application since 2008); Investments and by-product distillation remain stable. There is need to refocus crisis management to crisis prevention.

CEJA commented the difficulties to turn to crisis prevention given the low flat rates granted, for instance for green harvesting in Spain: production costs amount to 3000-3500 €/ha, and EU compensation amounts to 2000-2500 €/ha. CEJA suggested that the EU policy is outdated. The COM explained that it is under Member States (MSs) remit to fix and update flat rates.

CEEV asked if the intervention of restructuring has experienced a turning point from the classical management techniques, leading towards decreasing plant protection products and new varieties more competitive and adapted to market trends. The COM replied that MS still devote their wine envelopes mostly to classical conversion systems and a smaller amount to environmental issues, but with an upward trend.

COPA asked for the need to be more flexible so that they can still give response to market disturbances and market fluctuations. Flexibility of implementation of the programs (e.g., partial implementation) is key and increase of EU contribution in line with the crisis package of summer 2023. The COM confirmed its awareness of this need and the possibilities in the CAP Strategic Plans to keep these flexibilities.

CELCAA asked for administrative simplification on promotion. The COM informed on the ongoing work with auditors to reduce the administrative burden linked to prove reasonableness of costs.

2.5 - Implementation of new wine labelling rules under the CMO Regulation

The COM introduced the result of a request for feedback from MSs on the implementation of the new wine rules, particularly on problems or difficulties encountered, five months after their implementation date. The limited feedback received indicated that the implementation has generally been smooth, with few significant issues. Most MSs reported that they were able to adhere to the guidance document, although some faced interpretation challenges, seemingly due to insufficient distribution of the guidance document and interpretation letters issued.

Some MSs echoed MEPs request for further rules regarding the replacement of terms with symbols/pictograms to identify QR codes in labels. The COM referred to two recent interpretation letters confirming the specific language regime for wine labelling also applies to the new particulars (list of ingredients and nutrition declaration), and that existing empowerments do not permit replacing terms with symbols in QR codes. These letters are available on the GREX CIRCA platform and can be extended to the sector, as they supplement the guidance document.

The COM mentioned limited issues at the borders with the VI-1 or equivalent documents when importing wines, and the need to provide the list of ingredients therein. The COM has also distributed an explanatory note to MSs, to be shared with border and tax authorities on the applicable rules, considering the provisions of certain trade agreements. Early problems at border controls have largely been resolved through prompt communication with national authorities and importing countries.

In conclusion, the overall impression is that the new labelling rules have been successfully implemented with minimal issues. The COM is now seeking further feedback from stakeholders on their experiences and the impact of these new rules.

Several participants welcomed the COM interaction with MSs. CELCAA noted that some retailers are demanding the use of specific terms or placements of the term "ingredients" in the QR code, and expressed the need for a unified approach for future digital labelling, with a plea to allow combining mandatory information to consumers with other, including marketing information, within a single QR code.

CEVI highlighted issues in France, where the requirement to display the term "ingredients" in multiple languages conflicts with the guidance given by the COM. This inconsistency makes it difficult for small independent winemakers to comply with varying rules across the EU.

The COM acknowledged the need for a unified approach to digital labelling and suggested that this could be discussed further in the future. It emphasized that e-labelling is quickly evolving, and that there is an ongoing reflection within the COM on this topic, aiming for standardized solutions across the EU. The COM reiterated the importance of MSs distributing the guidance documents widely to ensure consistent application of the rules and avoid frictions.

2.6 - Oenological practices for de-alcoholised and partially de-alcoholised wines

The COM clarified that the oenological practices available for de-alcoholised wines after de-alcoholisation are the same as those applicable before de-alcoholisation. Other practices, such as the blending of de-alcoholised and non de-alcoholised wines to make a partially de-alcoholised wine or the addition of glycerol, are currently not authorised in the EU legislation. This is explained in the Commission Notice C/2024/694 of 15 January 2024, especially questions 4 and 8.

As regards the de-alcoholisation of organic wines, de-alcoholisation techniques are currently not authorised to produce organic wines. The Expert Group for Technical advice on Organic Production has recently recommended to authorise vacuum evaporation techniques for the total de-alcoholisation of organic wines, considering their compatibility with organic production principles and rules. EGTOP recommendations do not cover partial de-alcoholisation and other de-alcoholisation techniques since the dossier submitted to the COM did not provide information thereon. On the basis EGTOP's report, the COM may present a draft legal act to include these techniques in the specific rules applying to organic wines.

CELCAA advocated expanding the list of authorised oenological practices for de-alcoholised wines, otherwise industry would not hesitate to make products outside the Common Market Organisation which would compete with de-alcoholised wines. The COM indicated that it was following closely the current debate on this subject in the OIV. When a consensus is found in the OIV, a reflection could ensue in the EU.

To the question on the possible authorisation of electrodialysis in organic production, the COM recalled that a dossier to support an authorisation had been submitted on 2 occasions, but EGTOP had both times considered this technique not compatible with organic production. Its explicit prohibition is part of the basic regulation. New and strong arguments would need to be presented if electrodialysis would ever have a chance of being authorised in organic production.

2.7 - Belgium – TRIS Notification 2024/0032/BE – possible impact on the wine sector

The COM presented the notification procedure under Directive (EU) 2015/1535- the Single Market Transparency Directive (SMTD) and the notification by Belgium of a Draft Royal Decree on advertising of beverages containing alcohol (notification 2024/32/BE), including the scope of the notified draft, the identified points of concern for the industry, the reactions by the COM and MSs, the consequences of the reactions, and the next steps in the procedure.

The discussion centred around the reason why the COM did not issue a stronger reaction on the notified draft decree, such as for example a decision to request the postponement of the decree for 12 months. The COM explained the context in which such decision is to be taken, which was not present in this case. The participants, nevertheless, underlined the effectiveness of the SMTD procedure in preventing the creation of obstacles to the proper functioning of the single market in this case.

The experts further called for a harmonization on the rules regarding health warnings at EU level to even the level playing field and reduce the regulatory burden for operators.

2.8 - U.S. – EU Wine Dialogue meeting

The COM reported back from the meeting of the US – EU 'Wine Dialogue' (17 April 2024) with the participation of various US agencies (USTR, USDA, TTB, FDA, State Department) and of DG AGRI, DG ENV and US delegation.

This meeting was held in the framework of the USA – EU Agreement on trade in wine signed in 2006. The regular meetings ("Wine Talks") in this context were suspended as from 2013 with start of the Transatlantic Trade and Investment Partnership negotiations between the US and the EU. After the collapse of such negotiations in 2017, the meeting of the 'Wine Talks' were never resumed.

The meeting had a comprehensive agenda including notably a review of bilateral trade and wine markets and challenges faced by the wine sector. An important item of the meeting was the maintenance of the EU-US Wine Agreement, such as the notification of new/revised oenological practices. Moreover, a discussion took place on specific areas with an interest to both parties, such as non-alcohol wine, the US plan with regard to the establishment of rules on ingredient and nutritional labelling for wine, and a follow-up of the new EU labelling rules as regards nutrition declaration and list of ingredients. Both sides discussed the opportunities of continuing this dialogue and the possibility to open it up to the wine industry.

Stakeholders underlined the importance of the US market for the EU wine exports and warned about the negative impacts of any disruption in trade in wine with the US. they recalled that the Airbus/Boeing dispute has not yet been resolved and retaliatory tariffs are suspended but not abolished. The EU explained that the EU tariff suspension due to the dispute on aluminium is due to expire in spring 2025 and the Airbus/Boeing dispute, in summer 2026 but warned about the impact of all possible results of the US elections. Stakeholders in the wine sector on both side of the Atlantic have an interest that an acceptable solution is found.

Experts mentioned that the EU should use this platform to ensure that our wine labelling remains acceptable. Digital solutions to food labelling can provide producers with flexibility to provide the relevant information to consumers in the US market.

2.9 - Canada – LCBO charge back Policy

The COM explained that remaining issues with implementation of CETA have disproportionately much to do with discriminatory practices enacted by the provincial governments, despite efforts by the federal government to eliminate them. In 2023, the COM therefore addressed letters in this regard to the ministers of the concerned provinces (Quebec, Ontario, British Columbia, Nova Scotia, New Brunswick), conducted mission to 2 provinces (Quebec, Nova Scotia) and are preparing a letter to Alberta, together with further possible follow-up actions.

The COM explained that the meeting of the CETA Wines and Spirits Committee is scheduled for 15-16 May and will concentrate, on the EU side, on ongoing trade irritants with the provinces, including measures taken by the Ontario provincial authorities.

On chargeback policy implemented by Ontario, the COM outlined the approach intended for the meeting of the CETA committee, which would include expression of concern with the impact of the measure on economic operators and potential abuse of the monopolistic position by the Liquor Control Board of Ontario as well as a call to remove the controversial measure.

In the ensuing discussion, CELCAA and COGECA voiced their serious concerns about the impact of the chargeback measure on EU operators in terms of financial commitments as well as a risk of losing important customers. They questioned the legal basis for the chargeback measure. The speakers were grateful for the COM for pursuing the matter over a diplomatic channel.

CEEV advocated for a strong approach towards Canada, arguing that the federal authorities should not relinquish their responsibility for ensuring that provincial measures are not discriminatory.

Final comment was made about a possibility to open the negotiations with Canada concerning partially de-alcoholised and non-alcoholic wines which are currently not subject of the 2003 Agreement.

The COM reiterated the commitment to address the chargeback issue and defend the interests of EU operators on this matter and thanked the speakers for improving the understanding of the issue and providing valued arguments.

2.10 - Exchange on the directive on unfair commercial practices.

The COM initiated an evaluation of the Unfair Trading Practices (UTP) Directive as mandated, to prepare a report for the European Parliament and the Council on its efficiency and effectiveness. The UTP Directive, adopted in April 2019, required Member States to transpose it by 1 May 2021. However, some Member States, already having similar laws, took more ambitious approaches and thus delayed transposition. The last Member State completed this process in December 2022.

The directive aimed to provide minimum protection for farmers and small suppliers within the EU, as well as suppliers from third countries. The full application of the national transposition laws started from 1 November 2021, for new contracts, with all existing contracts aligning 12 months post-publication of these laws in the MS's official journals.

A report published on 23 April 2024 detailed the implementation choices of all 27 Member States. Additionally, the COM identified the need for an instrument at EU level to enhance cooperation between national enforcement authorities for cross-border transactions.

COM ongoing evaluation includes stakeholder consultations and workshops to gather feedback. A key issue identified is the lack of awareness among many suppliers and farmers about the rules and enforcement authorities. There is also a reluctance to report unfair practices due to fear of retaliation, and some unfair practices are still viewed as normal business conduct.

All stakeholders should inform enforcement authorities of any unfair trading practices encountered, as many authorities can initiate investigations on its own initiative and are committed to protecting complainants' identities to prevent commercial repercussions.

CELCAA highlighted the report published a few weeks ago and emphasized the need for AGRI to closely monitor the wine sector due to its extensive regulation. Also requested that the vision of the wine sector, including its specific payment periods, be maintained, and stressed the importance of balancing the supply chain and refining the definitions of farmers in the new CMO.

The discussion touched on the proposal for the Late payment regulation, with the confirmation that the existing rules will be adhered to. It was noted that the rules in the UTP directive specific to the wine sector will be upheld, with close coordination between DG AGRI and DG GROW.

In relation to the reflection paper, stakeholders discussed changes targeting the CMO regulation to improve the position of farmers. The European Commission announced certain measures, including contractualization and support for producers' organisations. These measures are expected to be adopted in 2024.

3. Next meeting

Next CDG on Agricultural Market – Wine is foreseen for 15 November 2024.

4. List of participants

See the enclosed list with the organisations represented in the meeting.

List of participants– Minutes

Meeting of the Civil Dialogue Group on Agricultural Markets - WINE

Tuesday, 14 May 2024

ORGANISATIONS PRESENT
BEUC - BUREAU EUROPÉEN DES UNIONS DE CONSOMMATEURS
CEJA - CONSEIL EUROPÉEN DES JEUNES AGRICULTEURS / EUROPEAN COUNCIL OF YOUNG FARMERS
CELCAA - EUROPEAN LIAISON COMMITTEE FOR THE AGRICULTURAL AND AGRI-FOOD TRADE
CEVI - CONFÉDÉRATION EUROPÉENNE DES VIGNERONS INDÉPENDANTS / EUROPEAN CONFEDERATION OF INDEPENDENT WINEGROWERS
COGECA - EUROPEAN AGRI-COOPERATIVES / GENERAL CONFEDERATION OF AGRICULTURAL CO-OPERATIVES OF THE EUROPEAN UNION
COPA - COMMITTEE OF PROFESSIONAL AGRICULTURAL ORGANISATIONS OF THE EUROPEAN UNION
ECVC - EUROPEAN COORDINATION VIA CAMPESINA
EFOW - EUROPEAN FEDERATION OF ORIGIN WINES
EuroCommerce
FOODDRINKEUROPE
IFOAM - INTERNATIONAL FEDERATION OF ORGANIC AGRICULTURE MOVEMENTS EUROPEAN REGIONAL GROUP

Observer:

COMMITTEE OF THE REGIONS*COMITE DES REGIONS