



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate G. Markets and Observatories
The Director

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MINUTES

Meeting of the Expert Group Wine Market Observatory

6 May 2020

Chair: João Onofre (Head of Unit – G2)

1. Approval of the agenda and of the minutes of previous meeting

The second meeting of the Economic Board of the Wine Market Observatory (Wine MO) took place on 6 May 2020, with the participation of experts from the wine supply chain. All Members of the Economic Board of the Observatory approved the agenda and the minutes of previous meeting.

2. Nature of the meeting:

The meeting was held via Videoconference (WebEx).

3. Latest developments, in particular in relation to Covid-19 pandemic:

M. Scannell (Director G, DG AGRI) welcomed and thanked all participants of the Economic Board of the Observatory.

He described the current COVID-19 situation in the wine sector, which was already significantly impacted by the US sanctions. The closure of restaurants and bars, of specialised retail stores, the standstill of tourism, the cancellation of social gatherings are all affecting heavily the EU's internal consumption of wine. EU wine exports are also affected. The main export destinations in the US and Asia are isolated. Labour shortage and logistical difficulties aggravate an already difficult situation. Beneficiaries of Union support to the wine sector are unable to carry out their approved operations. All this is affecting the European wine sector and is likely to have lasting effects on the market.

The Commission has therefore responded to the management and practical difficulties experienced by beneficiaries and national administrations handling wine programmes. Moreover, Commission measures will enable them to better target existing resources to address the consequences of the COVID-19 outbreak. These adaptations will not lead to an increase in EU expenditure but make funds available for measures that constitute adequate antidotes to the Covid-19 situation.

The key elements for the wine sector are:

- *Inclusion of two new measures under the National Support Programmes (NSPs) in the wine sector: crisis distillation and aid to crisis storage.*
- *Flexibility in the deadlines for green harvesting and possibility to carry it out on part of the holding only*
- *Increase in the Union's financing rate for all measures*
- *Possibility for beneficiaries to change their operations without prior approval and to change the objectives of their operations. There is also the possibility for Member States to change their support programmes in the wine sector more than twice in 2020 so that the choice and target of the measures can best address the COVID-19 crisis.*
- *prolongation of the validity of planting authorisations that expire in 2020 and of the deadline for the grubbing up of vines under the scheme of anticipated replanting if the deadline expires in 2020.*
- *Possibility to give up planting authorisation which expire in 2020 without incurring the penalty.*

The experts described long-term impacts affecting the wine sector, pointing out that these measures might not be sufficient. Sales in the wine tourism sector are deeply affected, production of more than a year is already in stock, and the closing of the borders restricts intra-community trade. The experts therefore request the release of additional budget, outside of the NSPs. The Commission services explained that this is not possible, and that it is first necessary to reallocate and use the funds available this year within the framework of the NSPs.

4. Market update:

4-1 : Explanation of DG AGRI data sources – Agrifood Data Portal:

The Commission services presented to the members the updates of the Agri-food data portal.

Concerning exports in volume, there is a slight decrease in the cumulative quantities at the end of February 2020 (3,618 Mio HI) compared to February 2019 (3,697 Mio HI), but this remains at the level of the average of exports over 5 years at the same period. However, the value of exports fell in February 2020 (882 Mio €) compared to February

2019 (916 Mio€), and decreases compared to the 5-year average. This downward trend in volume and value is confirmed by TAXUD data in April for the four largest producing countries in the Union.

The production of the 2019/2020 campaign, with 149,8 Mio Hl, is low compared to the 5-year average, according to data communicated by the Member States in March 2020. 46% of the wines produced are PDOs, 20% are PGIs and 23% are varietal wines and other wines.

The areas cultivated for wine represent 3,2 million hectares, located mainly in Spain (29%), France (25%) and Italy (20%).

All this data is available on the agri food data portal website:

<https://agridata.ec.europa.eu/extensions/DataPortal/wine.html>

4-2 : Short Term Outlook:

This short-term outlook edition coincides with the unfolding of the Covid-19 crisis, making the exercise particularly challenging. Market forecasts are based on market intelligence available at the beginning of April 2020 and reflect the Covid-19 impact to the extent possible.

The Commission services pointed out two main issues:

- The drop in consumption with diverse impact according to wine type: wine consumption in restaurants and bars has stopped (it usually represents around 30% of EU wine consumption), as well as in agro-tourism, due to confinement measures in place. However, wine sales through retail (70% of consumption) are increasing. These increases are, however, not expected to compensate for the loss of restaurant sales. Consumers are mainly buying average priced still wines to the detriment of sparkling wines, mostly consumed for celebrations, and of the highly priced wines, mainly consumed in restaurants and bars. Based on the above, EU wine consumption in the current marketing year 2019/2020 is expected to fall to 108 million hl, corresponding to 24 l per capita (-8% compared to the last 5-year average) and
- Decline in exports: despite the additional import tariffs imposed by the US as from October 2019, wine exports in the first half of the current marketing year 2019/2020 were 2% above exports over the same period last year. Although the wine sector (in particular FR) has taken actions during these months to keep its market share, this positive evolution is not expected to continue. In addition, EU wine exports are impacted by Covid-19 measures in main exporting destinations, e.g. China. Overall, exports are expected to fall by 14% in 2019/2020, both compared to last year and to the last 5-year average. EU wine imports are affected by Covid-19 to a lower extent than exports as they are mainly sold in retail, even if they are also impacted by logistical problems or measures taken by the exporting countries. However, as imports during the first half of 2019/2020 were 7% below last year's imports, a decrease of 11% compared to 2018/2019 is expected.

- Further increase of ending stocks: these developments should lead, despite a below average 2019/2020 harvest, to a further slight increase of stocks which were already at a record level at the end of the previous marketing year.

5. Homogeneity/heterogeneity of price databases of grapes and wines in different countries :

A presentation was made by José Maria Gil (IRTA) underlining the existing discrepancies in the price data that are collected for wine. For instance, the type of grapes (table or for wine production) was not taken into consideration, prices were not well differentiated between both sectors. Also it was very complicated to gather information on wine prices. This means that it is impossible to ensure price transparency in the wine sector with current data collection. This needed to be improved.

6. Work programme and priorities of the Wine Market Observatory:

1) Prices monitoring: the Commission services explained that the current price collection system is an outdated system which dates from 2008, mainly based on MS whose production exceeds 5% of the EU average production over 5 years (=> IT / FR / ES / and DE only), and a selection of wines made by the MS in the eight most important markets having at least two PDOs or PGIs (annex II of regulation 2017/1185).

This system is unusable and not representative of the overall wine market prices, and should be reviewed in order to progress towards a more reactive system close to the real market situation.

Even if prices are difficult to compare between Member States, or between categories and / or destinations of wines and stages in the food chain, the Commission services proposed a possible solution working with indexes, by setting up a reference point (in a year N) and to express the current values in percentage relative to the reference point. It is proposed to the members of the Observatory to deepen this idea to assess its feasibility.

2) Trade data: the Commission services presented the sources and the origins of EU statistical data, currently based on the Customs Nomenclature (Comext-Eurostat data are coming from national ministries and Taxud data from national customs). It is recalled that DG AGRI noted differences with the analyses made by the sector in the context of the US sanctions. The debate was launched on how to improve the representativeness of the data collected from MS. Should the categories of the CN be revised to have a more relevant vision of the sectors impacted by variations in international trade? How often to make data available and updated (daily, weekly, monthly)? All options are open, but the experts recognize the difficulty of this exercise.

7. Closure and concluding remarks:

In-depth discussions on the market situation related to Covid 19 and its impact on the sector have been fruitful. Identifying data needs and how to collect and process them is considered the key future objective for the Observatory. The active participation of all members of the Observatory is highly needed. The next meeting of the Wine MO Economic Board is scheduled for the fourth trimester 2020.

(e-signed)
Michael SCANNELL

List of participants– Minutes
Meeting of the Expert Group Wine Market Observatory
6 May 2020

Organisation	NUMBER OF PERSONS
European Council of Young Farmers (CEJA)	2
Comité Européen des Entreprises Vins (CEEV)	2
Confédération européenne des vignerons indépendants (CEVI)	2
European agri-cooperatives (COGECA)	2
European farmers (COPA)	2
European Federation of Origin Wines (EFOW)	2
Institut de Recerca i Tecnologia Agroalimentaria (IRTA)	1
EuroCommerce	2
European Coordination Via Campesina (ECVC)	1